GHOST COALITIONS:
ECONOMIC REFORMS, FRAGMENTED LEGISLATURES AND INFORMAL
INSTITUTIONS IN ECUADOR (1979-2002)

A Dissertation

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This dissertation explains how presidents achieved market-oriented reforms in a contentious political environment. The study focuses on Ecuador as a case study, where entrenched regional and ethnic divisions combined with lenient electoral institutions contributed to severe legislative fragmentation and pervasive executive-legislative conflict. Despite the adverse institutional context, presidents were able to assemble significant policy changes in congress without exclusively relying on constitutional decree authority.

Patterns of policy change are explained by focusing on strategic actions adopted by political actors operating in a restrictive institutional framework. The dissertation develops a dynamic choice model to explain how coalition formateurs enhanced cooperation incentives by expanding the value of coalition benefits channeled through party leaders, and by lowering their partners' liability for making government coalitions.
When presidents increased their cooperation incentives, party leaders acting as political brokers played a crucial role in producing disciplined majorities by allocating and rewarding party members with policy concessions, pork, and patronage. Elevated party unity scores and low defection rates suggest that individual vote buying was a strategy less preferred by presidents than commonly thought. Lowering the liability of coalition parties was crucial because public opinion ratings and the proximity of new elections reduced the incentives to cooperate with the executive. Crafting clandestine or "ghost" coalitions compensated for high cooperation costs while allowing opposition parties to maintain a public image of political independence. Abundant quantitative and qualitative evidence, much of which is reported for the first time, provides empirical tests of model predictions. These data include legislative productivity rates, roll call votes, cabinet composition, legislative career paths, public opinion surveys, as well as insights from congressional hearings, media archives, and dozens of interviews with policy makers in Ecuador.
DEDICATION

I am proud to dedicate this work to my family who has filled me with love, inspiration and encouragement throughout this life long journey. My Jane and Antonia endured this project with much patience and devotion, reminding me at every step of the wonderful joys of family life. Thank you Jane for supporting the writing of this "big paper" in every imaginable way, and for filling us with your contagious optimism in each new adventure we start together. To my gracious and energetic Antonia, thank you for putting a big smile in my heart at the beginning and end of each working day, and for inspiring me to finish this project so we can all spend more time together. I dedicate this work to my wonderful Mejías, for sharing with me your best energies, wise teachings and sense of humor from any corner of the world you happen to be in. We have come a long way together! To my father Jorge, thank you for teaching us to face the challenges in life with an open mind and a peaceful heart. To my mother Cumandá thanks for supporting all my dreams in life and for standing behind my decisions with all your love. Thanks to my brothers Santiago and Christian: let your hearts unravel all the wisdom you have to guide your own paths and of those who surround you.

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<thead>
<tr>
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<tbody>
<tr>
<td>CFP</td>
<td>Concentración de Fuerzas Populares (Popular Concentration Front)</td>
</tr>
<tr>
<td>CID</td>
<td>Coalición Institucionalista Democrática (Democratic Institutional Coalition)</td>
</tr>
<tr>
<td>CNR</td>
<td>Coalición Nacional Republicana (Republican National Coalition)</td>
</tr>
<tr>
<td>FADI</td>
<td>Frente Amplio de Izquierda (Left Broad Front)</td>
</tr>
<tr>
<td>FNV</td>
<td>Federación Nacional Velasquista (National Velasquist Federation)</td>
</tr>
<tr>
<td>FRA</td>
<td>Frente Radical Alfarista (Alfarista Radical Front)</td>
</tr>
<tr>
<td>ID</td>
<td>Izquierda Democrática (Democratic Left)</td>
</tr>
<tr>
<td>MPD</td>
<td>Movimiento Popular Democrático (Popular Democratic Movement)</td>
</tr>
<tr>
<td>MUPP-NP</td>
<td>Movimiento Unidad Plurinacional Pachakutik-Nuevo País (PCK) (Pachakutik Party)</td>
</tr>
<tr>
<td>PAB</td>
<td>Partido Asaad Bucaram (Asaad Bucaram Party)</td>
</tr>
<tr>
<td>PCE</td>
<td>Partido Conservador Ecuatoriano (Ecuadorean Conservative Party)</td>
</tr>
<tr>
<td>PD</td>
<td>Partido Demócrata (Democratic Party)</td>
</tr>
<tr>
<td>PDP</td>
<td>Partido del Pueblo (People's Party)</td>
</tr>
<tr>
<td>PDP-UDC</td>
<td>Democracia Popular – Unión Demócrata Cristiana (Christian Democracy)</td>
</tr>
<tr>
<td>PLN</td>
<td>Partido Liberación Nacional (National Liberation Party)</td>
</tr>
<tr>
<td>PNR</td>
<td>Partido Nacionalista Revolucionario (National Revolutionary Party)</td>
</tr>
<tr>
<td>PRE</td>
<td>Partido Roldosista Ecuatoriano (Ecuadorean Roldosist Party)</td>
</tr>
<tr>
<td>PSC</td>
<td>Partido Social Cristiano (Social Christian Party)</td>
</tr>
<tr>
<td>PSE</td>
<td>Partido Socialista Ecuatoriano (Ecuadorean Socialist Party)</td>
</tr>
<tr>
<td>PUR</td>
<td>Unidad Republicana</td>
</tr>
<tr>
<td>UPL</td>
<td>Unión Popular Latinoamericana (Latin American Popular Union)</td>
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</table>
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CHAPTER 1

THROUGH THE EYE OF A NEEDLE: CRAFTING MARKET REFORMS WITH MULTIPLE VETO PLAYERS

Ecuador is far from being a star performer in the adoption of market-oriented policies between 1979 and 2002. Responsible factors of poor performance include erratic policy design, exogenous shocks, global factors, but most importantly, political factors (Araujo 1998; Arteta and Hurtado Larrea 2002; Jácome H. 2004). The presence of multiple political players with the potential to reverse outcomes in the political and social arenas have consistently obstructed policy making and hindered the reform process. Yet, there are no in-depth accounts of whether economic legislation was passed or blocked in the most important arena where all the relevant veto players gain democratic representation to validate their policy agreements and differences: the Ecuadorian National Congress.

This dissertation looks at the legislative approval of president-led initiatives of reform to explain patterns of legislative conflict and cooperation in this contentious Andean democracy. Based on cross-national explanations or detailed accounts of controversial events, scholarly explanations predict that in the face of high party switching, low party discipline and small presidential contingents, presidents ruled by
decree (Conaghan 1995; Burbano de Lara and Rowland 1998; Sánchez-Parga 1998). New empirical evidence gathered for this project questions these predictions. Presidents used decree power roughly only in 35% of the economic bills proposed, the size of presidents' party was not a significant predictor of policy success, party unity was unexpectedly high, and party switching occurred from one half to one third of the times than in Brazil's fragmented legislature (Hagopian 2003).

The dissertation develops a dynamic choice model to explain formal and informal mechanisms available to presidents when assembling coalitions for reform. When considering the value of coalition benefits, the model predicts that presidents would privilege making wholesale agreements with ideologically close party leaders, rather than crafting piecemeal agreements to gain the support of pivotal players. Party leaders played an essential role for lowering the costs of legislative coalitions by delivering solid legislative support to the president while catering to the demands of their pork oriented rank and files. But as time erodes the value of presidential payoffs and parties become electorally liable for siding with an unpopular government, presidents moved along an orthogonal dimension to pursue clandestine, instead of public agreements with parties or individual legislators. The second dimension acknowledges a consistent pattern of informal coalition making in Ecuador, that helped produce policy changes while allowing coalition partners to keep a high anti-government profile. Model predictions are supported with quantitative and qualitative evidence.

This introduction discusses and revises alternative explanations to economic policy making during the eighties and nineties, ranging from structural to policy diffusion accounts. Next, it addresses some specific criticisms about the magnitude and scope of
economic reforms in Ecuador, both by taking a closer look at actual reforms adopted as well as putting the Ecuadorian (reform) process in comparative perspective. The next section provides a preview into the workings of the dynamic choice model, its advantages, predictions and limitations, as well as its contributions to existing comparative political studies. The last part describes the research methodology and gives an overview of the whole dissertation.

1. Crafting Coalitions of Reform: Existing Explanations

Broadly defined, the term market reform refers to a set of measures that aim at reducing the role of the state in the economy by lowering trade tariffs, eliminating government subsidies, privatizations, facilitating foreign investment, loosening labor laws, and promoting other banking and financial reforms (Lora 1997; Morley et al. 1999; Weyland 2002). It is worth noting that the term is not used here to define a specific goal to create a free market economy; the term neo liberal reform may be more appropriate to this end. Instead, it refers to the state's attempt to "strengthen substantially the market elements in a mixed economy while preserving significant state intervention" (Weyland 2002: 14). Market reforms contemplate at least two different phases, namely for adopting stabilization and structural reforms. Stabilization or adjustment is generally an early stage concerned with attaining and controlling macroeconomic equilibria including fiscal balances, inflation, and debt management. Structural reforms seek to reshape existing economic but also political institutions through privatization processes, central bank autonomy, civil service reform and other long-term tax and fiscal reforms (Haggard and Kaufman 1995). While reform efforts in Latin America were geared to the first set
of equilibria during the eighties, the next decade was characterized by attempts to move in the second direction, although there are important setbacks and overlaps on these two dimensions in different countries (Lora and Panizza 2002).

Explanations for the failed or successful adoption of reforms are found in different theoretical schools, including structural, ideational, institutional, rational choice, and cognitive-psychology approaches (Weyland 2002). While the following pages present a short and critical review of these theories, the next section discusses their relevance to explain the Ecuadorian process of economic reform, both from the domestic and the comparative perspective. Providing a complete theoretical and empirical account of economic reforms in Ecuador would deserve a book-long project. This introduction however, is mainly concerned with answering two questions regarding the political dimensions of reform: Do existing explanations suffice, or do they run the risk of under explaining success, or over explaining failure? and, Why would elected politicians agree to pass economic reforms that could potentially alienate their bases of support?

1.1 Structural Explanations

Structural arguments explain the adoption of economic reforms as a domestic reaction to rigid global constraints imposed by International Financial Institutions (IFIs) (Nelson 1989; Mejía-Acosta 2002c). With the collapse of an Import Substitution Industrialization model (ISI) at the end of the seventies, and in the face of mounting debt commitments, governments were required to initiate adjustment and stabilization packages to become eligible to gain access to scarce international credits (Stallings 1992). Following the "quick fix" scenario during the eighties, most countries had to shift to long-term structural adjustments in the nineties (Nelson 1989). The shift was guided
by "Washington Consensus" type of policies and enforced by IFIs like the World Bank or the International Monetary Fund (Williamson 1990). Structural adjustments carried two significant implications for the political arena: a) popularly elected leaders -from right or left- were tied to external constraints with little room to propose alternative policies, and b) the magnitude of the adjustment needed triggered widespread opposition that often voted them out of office in the next election. Yet, as some scholars argue, political leaders had more autonomy to anticipate, delay or go beyond the prescribed reforms, while popular protests and discontent was not immediately associated with patterns of economic adjustment (Weyland 2002).

1.2 Ideational Explanations

Shifting away from structural explanations, ideational theories focus on the policy-makers' roles for disseminating reform ideas, for learning from previous adjustment experiences, and eventually converging on a common set of market-oriented values (Edwards 1995; Hey and Klak 1999). This ideological shift to market reforms was partly explained by the shared academic background of key policy makers -namely in U.S. Universities- and the demise of the Communist model for state intervention in the economy in the late eighties (Weyland 2002). A corresponding "paradigm shift" is believed to have taken place among the citizenry, as surveys report a gradual adoption of more market friendly attitudes (Mora y Araujo 1993). A key political implication of ideational approaches is the extent to which the implementation of reforms was the result of ideological conviction or whether reforms were pragmatic responses to specific political and economic situations (Weyland 2002).
1.3 Institutional Explanations

During the nineties, a rich proliferation of scholarly works stressed the relevance of domestic political institutions for explaining governments' capacity to engage in market-oriented reforms (Haggard 1990; Haggard and Kaufman 1995). The central argument claimed that a government's ability to enact adjustment measures depended on its institutional strength to navigate through the coordination, and redistribution problems inherent to the processes of economic reform (Haggard and Kaufman 1995; Mainwaring 1999). From this perspective, the adoption of reforms was facilitated by two conditions. One was the presidents' ability to centralize policymaking authority, by way of designing, and implementing policies, and being able to compensate potential allies or losers of the reform process. The other referred to political parties' electoral strength and organizational capacity to extract popular backing to adjustment programs (Weyland 2002: 23). Several scholars incorporated additional key features to better explain the roles of political institutions on policy change, including the electoral calendar (Jones 1995), the roles of cabinet formation (Amorim Neto 1998b; Altman 2000), the use of constitutional prerogatives (Carey and Shugart 1998), and agenda setting powers (Tsebelis and Alemán 2003). As it will be developed in the next chapter, institutional approaches have made invaluable contributions for explaining the formal conditions or the legal framework under which political players seek to adopt economic reforms. Yet, institutional approaches have not fully explored the ways in which different actors may

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1 The implication was that political leaders of well-established democracies had more legitimacy to implement and sustain reforms than elected leaders of newly democratized countries (Kaufman and Stallings 1989). The latter preferred to avoid or delay the cost of the adjustment in order not to alienate powerful interest groups (including military elites) or minimize the discontent of their new constituents. This logic obviously excludes Chile and Mexico who underwent significant economic reforms before liberalizing political participation.
choose alternative political strategies to adopting economic reforms given the same institutional framework (Kingstone 2000; Weyland 2002), or the extent to which players created and followed "their own rules of the game" when existing institutions constrained their own preferences and goals in the adoption of reforms (O'Donnell 1996; Siavelis 2002; Helmke and Levistky 2003). These two aspects are thoroughly developed in the next theoretical chapter and empirically tested throughout the following chapters.

1.4 Rational Choice Explanations

Contrary to previous models, individual choice approaches advance the premise that -given institutional, ideological and structural constraints- Latin American governments retained a certain margin of choice when implementing reforms. Rational choice scholars explain the passing of market-oriented reforms by focusing on the politician's unexpected decision to adopt painful adjustment measures that imposed heavy social and political costs, which endangered in turn, the survival of the reform measures themselves (Weyland 2002: 31). Some argue that self-interested politicians are more likely to impose reforms if they rise to power as "outsiders" -with no clear links to pre established political groups or parties- and they are able to transfer the costs of the adjustment to their political rivals while compensating their allies (Geddes 1994). Thus, political leaders could strategically redistribute the costs and benefits of the adjustment -rewarding allies and weakening the opposition- to reshape favorable coalitions for reform (Kingstone 1999; Weyland 2002). Some strategies included imposing drastic over gradual reforms at the beginning -honeymoon- of their mandates (Przeworski 1991), delaying the costs of the adjustment for their own supporters (Gibson and Calvo 2000), or channeling privatization deals -or their windfall revenues- to their own allies (Weyland
Yet, rational choice approaches have provided frugal if not incomplete justification of political leaders' short and long term ambitions, as well as those of their supporters and rivals. Without a clearer depiction of politicians' utility functions and their change over time, rational choice approaches may be tempted to provide ad hoc explanations based on faulty premises (Weyland 2002). As it will be shown in following chapters, this dissertation develops testable hypotheses to theoretically informed claims regarding legislative ambitions and political preferences.

1.5 Prospect Theory Explanations

Based on cognitive-psychological studies of human behavior, prospect theory scholars reconsider the rational choice assumption that individuals are utility maximizers, to predict individual behavior depending on the context in which those decisions are taken (Gould and Maggio 2003)(Weyland 2002: 38). With regards to the adoption of market-oriented reforms, Weyland argues that individuals -citizens as well as political leaders- are more willing to take risks if they perceive themselves to be "in the realm of losses", whereas individuals become risk averse if they consider their economic situation to be "in the realm of gains" (Weyland 2002). Thus, Weyland 's theory rests on the "severe economic crisis" scenario -drawn from structural explanations- to justify why political leaders were willing to enact structural reforms. The second premise of

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2 An important exception constitute recent models that have incorporated "discount rates" to explain the erosion in actor's utility functions or to account for their "impatience" vis-à-vis certain outcomes (See for example Magar 2001, and Pérez-Liñán 2001).

3 This claim is based on the premise that individual actors do not have linear utility functions as rational choicers predicted (i.e. individuals were "happier" if they obtained more of a preferred good and vice versa). On the contrary, prospect theory sustains that people make choices base on their relative -not absolute- gains or losses, thus they derive decreasing marginal utilities from gains (people secure the things they do have), but confronting the prospect of losses they derive decreasing marginal disutility (people become more risk acceptant in the hopes of avoiding all losses) (Weyland 2002: 38-48).
Weyland's theory comes from rational choice approaches: the adoption of market-oriented reforms is facilitated by the presence of an outsider/newcomer political leader that is not bound by the political establishment and can potentially assemble fresh coalitions for reform. A problematic aspect of Weyland's prospect theory -as well as of structural or ideational approaches- is that it heavily concentrates on the roles played by the executive -and the citizenry as a whole- but downplays the roles of their co-legislators in the adoption of economic reforms. Even in the case that presidents rule by decree, congressional support -or at least inaction- is still needed to enact such reforms (Carey and Shugart 1998). Another pitfall of prospect theory -as with rational choice theories- is that it may lead to ambiguous predictions if premises are not properly tested in the political arena. For instance, and depending on legislators' perceptions of the economic scenario, it could be argued that risk acceptant legislators are more willing to contribute to the approval of the president's reforms. But it could also be argued that risk adverse political parties would block the president's attempts at economic reform because they prefer to maintain the gains from the status quo or they could derive electoral gains from the president's failure.

2. Market Reforms in Ecuador

Like many other Latin American countries, Ecuador confronted the challenges of initiating and carrying out reforms oriented to replacing the state-led import-substitution industrialization (ISI) model and adopting a leaner state structure that actively promoted economic liberalization (Williamson 1990, Haggard and Kaufman 1995, Grindle and Thoumi 1993). For more than two decades, Ecuadorian governments faced the dilemma
of enacting economic adjustment policies and passing structural reforms in compliance with financial constraints imposed by IFIs, while enduring widespread social and political opposition at home. Asking Ecuadorians to bear austerity measures was the more difficult after the country had enjoyed the benefits of a decade-long oil-boom during the seventies, that brought unprecedented growth rates, increase of public sector spending and rapid modernization of the productive infrastructure (Araujo 1998, Hurtado 1990). But in the early eighties, the country's heavy borrowing pattern coupled with an international increase of interest rates put Ecuador at the edge of a debt crisis in 1982 (Grindle and Thoumi 1993). Parallel to the economic transition, the military government in power since the early 70's sponsored a democratic transition to civilian rule. The popularly elected center-left government assumed office in 1979 to discover from International Financial Institutions (IFI's) that Ecuador would only be eligible for fresh credit if it committed itself to a regime of tight fiscal discipline aimed at servicing lofty foreign debt commitments made during the previous oil rich decade (Conaghan 1995, Grindle and Thoumi 1993, Hey and Klaks 1999).

The reform experiment in Ecuador can be best illustrated by a pattern of "muddling towards adjustment" in which conflicting political and economic views over policy making alternatives did not defeat efforts to adjust, but delayed its implementation and limited its success (Grindle and Thoumi 1993: 123-4). Economically speaking, many problems that plagued other Latin American democracies like spiraling fiscal deficits or hyperinflation were controlled or completely avoided (Grindle and Thoumi 1993). Gradually, citizens and policymakers became familiarized with the need for reduced spending, tax collection, fiscal reforms, labor code reforms and floating interest and
exchange rates (Grindle and Thoumi 1993, Hey and Klaks 1999). Under the generic label of "modernization reforms", the government passed significant financial, trade and banking liberalization laws despite weak political support in the nineties (Hey and Klak 1999; De la Torre et al. 2001). More recently, the government adopted the dollar as the national currency in response to a mounting twin banking and financial crises, and subsequently passed through congress the corresponding fiscal, monetary, labor and trade reforms to enable the new dollarisation regime (De la Torre 2001).

Many observers have pointed out to the constitutional crises and subsequent ousting of Presidents Bucaram and Mahuad as the high cost paid for promoting economic reforms. Yet, a closer examination of these events shows that the Bucaram scandal does not conform to the large economic crisis-political unrest scenario described by structural approaches, and that led to the ousting of Carlos Andrés Pérez in Venezuela or the Fujigolpe in Peru. His ousting from office, barely six months after being sworn in, was not related to the magnitude of the economic adjustment undertaken (as he had only announced some fiscal austerity measures as some of the president's ambitions for broader reforms like the adoption of a convertibility plan were still under discussion) or the gravity of the economic crises (as the economy still enjoyed the stability left by the Durán-Ballén administration). Only the fall of Mahuad (explored in Chapter 6) took place in the midst of multiple financial, fiscal and banking crises largely caused by international factors and the belligerent opposition of indigenous groups and some military factions to his economic plan. His successor Gustavo Noboa however, was able to carry out the omnibus dollarisation reforms, through the same legislature that opposed Mahuad's plans for adjustment and without having any party representation in congress.
Economic analysts often voice their frustration with the political and institutional rigidities that limited and contaminated the adoption of economic reforms in Ecuador (Araujo 1998, Jácome 2004, Arteta and Hurtado 2002). From the perspective of the political dimension however, it is rather surprising that some policy changes took place and some crucial economic reforms were adopted and sustained despite the multiplicity of political actors with conflicting policy interests. The empirical evidence presented in the next section suggest that Ecuadorian politicians had more autonomy than expected by policy diffusion accounts, to exceed or challenge policy changes prescribed by IFIs in Latin America. The evidence also suggests that policy measures that were unilaterally adopted by executive authority became more exposed to social and political reversals than those reforms that were bargained and sealed through the legislative process.

The following pages provide a glimpse of the socio political environment in which economic reforms were considered and discussed. The next part reexamines the depth and scope of market-oriented reforms that were adopted in Ecuador vis-à-vis the Latin American experience.

2.1 Veto Players in Ecuador: Regional, Ethnic, and Political

Veto players are defined as individual or collective actors whose agreement is necessary to produce policy changes (Tsebelis 2002). This definition is quite useful to illustrate the challenges of adopting market reforms in a country that features a vast and intense array of political players (Conaghan 1995; Ames 2001) with significant regional, ethnic and ideological differences among them (Pachano and Pizzarro 2002; Jones and Mainwaring 2003). Potentially, multiple veto players represent an obstacle to reforms because they can limit the range of acceptable policy options available (Ames 2001,
Pachano 2004) or they can elevate the transaction costs for their approval (Mainwaring 1999).  

Regional rivalries mainly between the Coastal and Andean provinces have been a permanent feature of Ecuadorian politics even before the foundation of the Republic in 1830 (Martz 1972; Hurtado 1990). Representing a long-standing export-oriented tradition, Coastal elites have traditionally lobbied the central government for privileged treatment to promote a "protected opening" of the economy by adopting favorable exchange rates, demanding significant price subsidies from the government, seeking to impose trade barriers on competing industries, opposing tax collection and asking for more relaxed customs privileges. Broadly speaking, Andean elites have been inwardly bound to supply the needs of the domestic market through a semi-colonial Hacienda system (Martz 1972; Corkill and Cubitt 1988). The oil boom in the early seventies marked an era of rapid modernization for the Ecuadorian state with accelerated economic growth rates, enlargement of the state apparatus, and general improvement of urbanization, literacy, health and other indicators of human development. But far from blurring regional differences, conflict resurfaced in the crisis-ridden eighties as newly mobilized voters from the rural areas redefined the political arena and business elites from Quito and Guayaquil competed for scarcer government resources (jobs, subsidies, economic privileges) (Menéndez-Carrión 1986; Grindle and Thoumi 1993).

4 Regional and ethnic players reflect the two most salient issues in Ecuadorian politics today. Making a full account of non-legislative veto players in the Ecuadorian landscape -including business elites and the military- is beyond the scope of this study. Their influence on the policy making process is accounted for inasmuch as they have gained legislative representation.

5 Regional differences translated into the emergence of liberal and conservative movements and later political parties from the Coastal and Andean regions respectively (Hurtado 1990).

6 For a succinct explanation of the causes and consequences of voter realignment after the democratic transition see the studies of Conaghan (1994) and Menéndez-Carrión (1986).
Ethnic conflict is a recent but long overdue feature of Ecuadorian politics (Blankstein 1951, Martz 1972). Indigenous groups first entered the political arena in 1990 when they formed the Confederation of Indigenous Nationalities of Ecuador (CONAIE) to demand and obtain significant Land Reform concessions from the Borja Administration. Though the indigenous had already gained political citizenship status when the 1979 Constitution enfranchised the illiterate, they did not organize politically until the foundation of Pachakutik, the political arm of CONAIE in 1995. Since 1996, the growing success of Pachakutik has appealed to a cross indigenous-middle class mestizo constituency to compete for the presidential bid in 1996 and 1998 general elections. Additionally, Pachakutik gained congressional seats in the 1996, 1998 and 2002 legislative elections, as well as in the 1997 National Assembly. Indigenous leaders won over 30% of mayoral races and local office in the 2002 elections, and formed a successful presidential coalition in 2002, for which they obtained two cabinet positions and other sub cabinet, regional and local offices. As explained earlier, the indigenous furiously opposed the adoption of Mahuad's dollarisation and -together with some military dissidents- they ousted the president in January 2000. Since, the indigenous leadership has played an active but non-violent opposition to economic reforms from within formal democratic channels.

These and many other political actors have entered the political arena through conventional channels of democratic participation, as illustrated by the recent inclusion of the indigenous movement (Lucero 2001; Madrid 2003), and have easily gained political

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7 At the writing of this work, the government alliance with the indigenous was dismantled for political reasons, but CONAIE and Pachakutik have renewed their vows to being committed participants of the democratic game.
representation thanks to a permissive electoral system (Pachano 1998; Mejia-Acosta 2002a).

Thus, the Ecuadorian political system has been properly identified -until the mid nineties- by the fragmentation of its political parties and the volatility of its voters (Conaghan 1995). Electoral features like the presence of mid term elections, the concurrence of legislative elections with the presidential first round of elections, the lack of immediate legislative reelection, and the inefficiency of legal barriers to legislative representation are generally identified as key elements to explain the proliferation of unaccountable and inexperienced politicians in congress (Conaghan 1995, Jones 1995). On more than one occasion, congress has played a crucial role to provoke and restore situations of democratic instability associated with the ousting of President Bucaram in 1997 and President Mahuad in 2000 (Pérez-Liñán 2002). As part of a regional trend of democratic resilience in Latin America (Mainwaring and Pérez Liñán 2003), Ecuador is experiencing the longest fully democratic period since the Spanish Independence.

2.2 Muddling Toward Adjustment: A Chronology of Reforms

Assessing (the success of) adopting market-oriented reforms in Ecuador has always been a controversial matter. While virtually all accounts acknowledge the

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8 Technically speaking, President Bucaram's dismissal was based on a Constitutional provision that declared the president Mentally Incapable of governing the country. But in the absence of a Constitutional instrument for presidential succession in 1997, an ad hoc solution was crafted to elect the President of Congress and later legitimize this decision with a popular plebiscite. Politically speaking, it was a well-crafted coup by the established elite to get rid of an outsider with military approval. By contrast, Mahuad's dismissal was the product of an open military intervention (or a faction of it) to occupy Congress, though the legislative majority legally endorsed Mahuad's succession appointing Vice President Gustavo Noboa. Mahuad never resigned.

9 The 30 years of liberal hegemony between 1895 and 1925 cannot be considered fully democratic since elections were often marred with political fraud that ensured Liberal victories of 93 and 95% of the seats in congress (Mejía-Acosta 2002: 18).
corrosive impact of political and institutional constraints to policy making, scholars differ on the success of the reform process. Some emphasize on the failed or unsettled nature of neo liberal experiments (Conaghan and Malloy 1994). Others focus on the marginal benefits of the adjustment for avoiding hyperinflation and passing significant tax collection and labor reforms (Grindle and Thoumi 1993: 123). And some even argue that "a convergence of policy ideas and direction is a more accurate depiction" of the economic reform process in Ecuador (Hey and Klak 1999). Settling this question is beyond the purpose of this chapter -and dissertation-, but it is nevertheless important to revive Grindle and Thoumi's assertion that Ecuador's process of “muddling through” can "provide some lessons about the adjustment over the 'long haul' in a contentious political environment" (1993: 123). This section addresses this concern.

Table 1-1 in the Appendix summarizes the most relevant economic reforms proposed by Ecuadorian presidents between 1979 and 2002. The proposed reforms are extracted and cross examined with evidence cited by thorough accounts of policy making in Ecuador (Araujo 1998, Grindle and Thoumi 1993, Hey and Klaks 1999) as well as from the personal review of media archives (Diario Hoy, Diario El Comercio, Diario El Universo, The Economist). The reforms are listed and classified according to the nature of the reform proposed, the political arena in which it was discussed/approved, and the surrounding political and exogenous shocks that surrounded the adoption of reforms. While it would not be entirely accurate to judge the scope of the adjustment process from the analysis of passed or failed reforms, some regularities are inferred from existing accounts.

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10 The personal review of electronic media and press reports (back to 1990, but especially after 1998) is done in order to avoid any potential selection bias that the authors of the cited works may have had in selecting initiatives of economic reform.
In the first place, Ecuadorian governments appear to follow the regional pattern of adopting fiscal adjustment and debt management reforms during the eighties, and leaving structural reforms for the nineties. Like most countries in the region, Ecuador's economic faith was largely shaped by “Washington consensus” type of policies, including the adoption of financial and trade liberalization, fiscal discipline and reduction of the public sector (including privatizations), and flexible labor reforms (Hey and Klaks 1999: 2, Williamson 1990: 402). After President Roldos' fatal accident in 1981, his successor Osvaldo Hurtado (1981-1984) was the first president to announce the end of the oil-rich decade and introduced severe fiscal adjustment and austerity measures (Conaghan and Malloy 1994: 113-4). During most of the period under study, fiscal reforms remained a central concern in the agenda of every government, with a main focus for balancing fiscal deficits by increasing revenues, reducing expenditures, and renegotiating foreign debt with international creditors.

To this effect, presidents could enact unilateral action or "paquetazos" to eliminate subsidies or to rise the price of gas, electricity or transport, although they were more likely to be reversed by social or political protest; or they could pass fiscal laws through congress, thus reforms were "locked in" or isolated from political shocks to avoid future policy reversals. As observed in Table 1-1, presidents like Hurtado in 1983 or Durán-Ballén in 1992 (whose parties had less than 10% of congressional seats) were more likely to pass fiscal reforms than Borja in 1988 (whose party had 45% of congressional seats). External crises and other shocks also created tremendous pressures to adopt new or maintain existing fiscal policies. As depicted in Table 1-1, some of these were frequent floodings in 1983 and 1997, earthquakes in 1987, draughts in 1994, an
armed conflict against Peru in 1981 and 1995, and perhaps most importantly, the fall in oil revenues (due to the breaking of oil pipelines in 1987 and 1999 and the fall of international crude prices in 1986 and 1999) that represented nearly 50% of the government revenues.

Perhaps the most classic example of drastic policy reversal is that of president Febres Cordero (1984-1988), who in the midst of a triple oil, earthquake and political crises in 1987, abandoned all commitments to reform, liberalization and austerity he had made during most of his mandate, and embarked in a populist spending spree to survive his last year in office (Dahik 1995, Hey and Klaks 1999). But Febres Cordero may well be considered an outlier by looking at the long-term picture. The nineties witnessed the adoption of important fiscal reforms to boost the collection of non-oil revenues, especially with a corresponding increase in VAT rates, the creation of a Revenue authority in 1998, and the establishment of an oil reserve fund -that would protect the national finances from international shocks- in the first half of 2001 (Arteta 2003). In adopting these reforms, presidents successfully made fiscal deficits more independent from shifting changes in oil revenues (Lora and Panizza 2002).\(^1\) Taken together, fiscal policy offers a mildly successful case of adjustment that was largely implemented and negotiated through a fragmented legislature.

Other areas of reform had significant, but limited windows of success. Financial and banking reforms were first adopted by the social democrat President Borja, who passed a Stock Market Law in 1988 (see Table 1-1). However, several important reforms to liberalize and capitalize these economic sectors were passed during the Durán-Ballén

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\(^1\) Since the creation of the Internal Revenue Service (SRI), revenue collection increased in 5.1 points of GDP. Increased revenues in turn, played a major role in bringing fiscal surpluses to Ecuador in four years in a row since 2000 (Arteta 2003: 5).
administration, many of them ahead of its time and all despite having a minuscule party contingent in congress (Araujo 1998). With the 1999 banking holiday, a significant set of banking and financial reforms were introduced and approved by congress creating deposit insurances and tighter regulations for financial institutions, its shareholders and the public.\textsuperscript{12}

Governments in Ecuador were less successful at implementing trade and labor reforms. President Febres Cordero made an initial and serious attempt to liberalize trade and lower tariffs, to the point that President Reagan in the US used Ecuador as a good example of neo liberal policies. But as stated earlier, these reforms also suffered a setback when Febres Cordero abandoned the reform path and adopted populist policies instead. Borja took a mild approach to trade reforms, as his own cabinet reflected ideological conflicts over tariff reductions that resulted in policy indecision in this area (Hey and Klak 1999: 11). Only in 1995 did Ecuador adopted a more aggressive policy towards trade liberalization when congress ratified the country's entry to the World Trade Organization, but this also became a short-lived experiment. Labor reforms were never far reaching either, and ironically, the largest policy changes took place during the center leftist Borja administration who introduced labor liberalization reforms to allow part time labor and other reforms which contributed to reducing the working class' income and power (Araujo 1998, Hey and Klaks 1999: 10). Along similar lines, a new set of reforms aimed at liberalizing labor force use was approved by the Noboa congress in 2000 as part of the reforms corresponding with the dollarisation of the economy.

\textsuperscript{12} The extent to which the lack of tighter banking regulations or the political misuse of politicians were the triggering factors of the 1999 banking crises remains a controversial matter (De la Torre 2001, Jácome 2004).
Privatizations in Ecuador, like in the rest of Latin America, tell a story of failed reform. While most of Borja's economic team argued about the convenience of privatizing most of the public sector, the president himself halted these reform attempts. Borja was especially unwilling to privatize areas that were considered key for national security (oil—though he did deregulate the oil company), or for the popular classes (communications). By contrast, his successor declared privatizations the most important goal of his administration (Hey and Klak 1999: 11). However, this government encountered a solid opposition around reforms, especially in the electric and the communications sector. Durán-Ballén settled for small victories in reforming the Hydrocarbons Law to promote foreign investment and some moderate privatization of public services, but no significant privatization effort took place again after the mid nineties.

Finally, the evolution of monetary reforms takes place across three periods. During the eighties, monetary reforms were a testing ground in which many monetary regimes were adopted, ranging from the fixed exchange rate type to a floating exchange rate type. During the nineties, policy makers—especially during the Durán-Ballén administration—compromised around an exchange rate band that brought stability and trust in the monetary system, and finally, the dollarisation years in which the currency was replaced with the US dollar. The transition from the first to the second stages is explained by the adoption of important laws and institutions that gave more autonomy and legitimacy to monetary institutions like the Monetary Board and the Central Bank. While Congress had some leverage for approving such reforms, they mostly responded to the presidents' capacity to take unilateral action, sometimes with the support of his own
economic cabinet. The second transition is mostly explained by the triple fiscal, financial and banking crises that affect the Ecuadorian economy at the end of the century (Jácome H. 2004). Dollarisation reforms, proposed by President Mahuad in January 2000 but carried out by President Noboa between 2000 and 2002, demanded drastic reforms on several economic fronts. Important changes to the labor markets, fiscal, monetary, financial and trade reforms were approved by congress in the first half of 2000, and again during 2002 when Noboa passes a Fiscal Transparency Law and met the IMF macroeconomic conditions and stability indicators required to sign a loan agreement at the end of that year. From a political standpoint, these congressional victories were the more remarkable since Noboa faced the same hostile congress that his predecessor Mahuad had, while having no formal support of any legislative party of his own. The next section revises some common premises of existing approaches, and lays the groundwork for building a model that better explains the approval of market reforms in Ecuador.

2.3 Over Explaining Failure? Under Explaining Success?

Most of the existing scholarly accounts that explain the failure of market-oriented reforms in Ecuador feature three common biases. First of all, they focus on Ecuador's contentious political environment as the main source of policy failure, without taking into account the broader comparative perspective. For instance, some studies emphasize the impossibility of passing privatization reforms in Ecuador (Acosta 1994), when taken in comparative perspective, Ecuador and other Latin American democracies were consistent under performers when it came to passing privatization reforms (Lora 2002). It becomes relevant to ask whether Ecuador's failure to privatize was a direct effect of its weak
political institutions or rather of a broader policy diffusion effect that may have shaped policymakers' learning and attitudes against privatization based on failed experiences elsewhere? To put Ecuador comparative perspective, figure 1-1 illustrates the evolution of ECLAC's Indexes of Structural Reform in 17 Latin American countries (Lora 2002, Morley et. al., 1999). The Index is an aggregate measure of commercial, financial, capital accounts, privatization and tax reforms between 1970 and 1995 at it goes from 0 (complete state intervention in those policy areas) to 1 (economic liberalization). While it is expected that Ecuador would not be a star performer, it is surprising to observe that Ecuador's general reform index up to 1995 is .801, only slightly below the regional average of .821 and above more coherent and disciplined party systems like Venezuela until 1993 (.667). A second common explanation for failure focuses on the implications of concentrating policy making authority in the president's hands, by isolating political parties and congress from the decision making process (Conaghan 1995) but also becoming more vulnerable to interest group pressures. Yet, the supporting evidence comes precisely from policy areas like monetary policy, in which presidents did in fact have exclusive authority to make unilateral decisions or with the support of the economic cabinet authorities like central bank managers, finance ministers or monetary board members. When other policy areas that require conventional policy making procedures with congress are included, as in the case of fiscal reforms, the evidence shows a more balanced record of victories and defeats for the president.

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13 The data is only reported since 1979 to coincide with Ecuador's return to democratic rule.
A third explanation for failure comes from the fact that scholarly accounts focus on the association between institutional features and economic outputs without more carefully exploring the conditions under which certain institutions may cause alternative outputs. Institutional approaches for instance, predict that politically weak presidents would have a tough time passing reforms through an ungovernable party system in the legislature (Payne et al. 2002). Yet, Kingstone claims that the evidence does not conform with the expectations as inchoate party systems did not prevent executives "from passing reforms, encouraging new investment and new investment inflows, and managing inflation" (Kingstone 2000: 16; Figueiredo and Limongi 2000). The Ecuadorian case also challenges this theoretical expectation, as the most relevant packages of Stabilization, Modernization and Dollarisation reforms were passed by presidents who

Figure 1-1 Indexes of Structural Reform in Latin America (ECLAC) (1979-1995)

The next section proposes a more balanced approach to improve existing biases and reexamine the political determinants of market-oriented reforms in Ecuador. The proposed model focuses on the legislature as a fundamental arena in which policymakers converge to discuss and approve economic reforms. While some advantages and setbacks are discussed, the legislature offers a fair setting to measure instances of policy success and failure. Borrowing from institutional approaches, it fully acknowledges and describes the rules of the game (constraints and opportunities) provided by country specific institutions. But it also takes into account the informal rules of the game, a set of practices and unwritten norms that are commonly known to political actors and set the conditions under which the game is actually played. Building on rational choice approaches, this approach recovers the perspective of the politician as an agent capable of crafting optimal game strategies given the formal and informal constraints posed by the rules of the game.

3. A Dynamic Choice Model

The adoption of market reforms in a non hegemonic democratic environment poses serious distributional dilemmas among competing interest groups. If different players are unwilling or unable to accommodate their policy differences, especially if they thrive on existing cleavages for political survival, deadlock may trigger undemocratic solutions or even military interventions that break democratic continuity. By contrast, democracy is strengthened when competing political groups are able to
compromise and stave off further confrontations. For instance, pacts and alliances can contribute to solving collective action dilemmas while enabling players to propose policy changes. But one defining feature of making -formal or informal- alliances in a democratic environment is that they can only be valid and legitimate when endorsed by politicians.

The case of market-oriented reforms perfectly illustrates the need for crafting multi party coalitions to produce departures from the status quo. What is more important, these policy agreements can only be formalized and protected from future reversals when legislators sign them into law (Morgenstern 2004). After all, the national legislature is the only political arena in which competing political, social, regional, ethnic, religious and other groups have permanent and formal representation according to the democratic rules of the game. This is the central premise that justifies a legislative study of market-oriented reforms in Ecuador.

This dissertation proposes a model of legislative bargaining that explores the formal and informal mechanisms and payoffs that presidents used to compensate potential coalition partners and push their agenda for economic reforms. Current institutional accounts predict that in cases like Ecuador, where presidents lack strong or reliable partisan support (no president has ever enjoyed a single party congressional majority since 1925) they will rely on unilateral decree authority to surmount the congressional opposition and push their agenda of reforms (Mainwaring and Shugart 1997). Scholars based on a rational choice perspective, claim that presidents can anticipate veto threats (Magar 2001; Tsebelis and Alemán 2003), or particularistic demands from the assembly (Cox and Morgenstern 2002) before they can respond with
an optimal strategy: using conditional agenda setting, or distributing pork and patronage to break opposition majorities.\textsuperscript{14} This bargaining model builds on both approaches by considering the rules of the game being played and the optimal game strategies of players. Yet, the empirical evidence does not fully conform with theoretical expectations. In the first place, despite having significant decree powers, presidents only used executive decree authority in 35\% of the economic reform bills submitted to congress, suggesting that presidents did put effort in the making of partisan coalitions to pass legislation or at least to reinforce the effectiveness of passing laws by decree authority. Secondly, roll call data analysis reported significantly high party unity scores (at an average of 91\%) even after eliminating non-controversial legislation, thus challenging conventional beliefs about loose party discipline and weak party leadership in Ecuador (Burbano and Rowland 1998; Conaghan 1995). The proposed bargaining model takes a step beyond existing approaches to legislative dynamics to explain unexpected outcomes in terms of the \textit{actual rules of the game being followed} by political elites in Ecuador (O'Donnell 1996). Thus, the combination of formal, informal and strategic choice approaches provides a more complete and balanced explanation of policy outputs in Ecuador than those offered by existing scholarly accounts.

The proposed model for legislative bargaining claims that Ecuadorian presidents can enable coalitions for reform by developing mixed strategies in two dimensions: the nature of coalition membership and the visibility of the agreement. Along the first dimension, presidents could make policy concessions or power sharing arrangements to cement coalitions with leaders of political parties, or they could engage in particularistic

\textsuperscript{14} Following Mainwaring and Shugart (1997), Cox and Morgenstern also contemplate a situation in which the assembly is intransigent and the president adopts an imperial attitude of ruling by decree, or an impotent attitude when confronted with inevitable gridlock (2002: 454-5).
vote buying of individual legislators, depending on the cost and the reliability of the potential coalition. In a perpendicular dimension, presidents could conceal the visibility of the coalition offer public or clandestine agreements to potential partners, depending on the presidents' job approval rates and the proximity of the electoral calendar. Thus, a first feature of what I call a dynamic choice model, predicts that presidents privileged bargaining with party leaders who were able to deliver congressional support at the lowest possible price. Lacking formal (electoral and limited legislative) powers to enforce discipline, the legislative success of these party brokers depended on their ability to articulate and help advance the particularistic demands of the rank and file. A second feature predicts that clandestine pacts would replace public alliances as a way to compensate for legislators' decreasing incentives to cooperate with the president, due to the reputation loss of passing economic reforms with an unpopular president, or the potential electoral cost of supporting a lame duck president. Presidents passed reforms by making "ghost coalitions" with parties, or adding "silent majorities" with the help of undisciplined legislators. Coalition partners in turn, maintained a public discourse of government opposition by staging "publicity stunts".

This study offers a longitudinal account of legislative dynamics by taking into consideration the relevant interactions between institutional, behavioral and informal bargaining mechanisms. More precisely, it provides an explanation of how ideological differences, party size, party unity, electoral components, constitutional prerogatives, and electoral calendar play together in shaping the bargaining choices available to presidents, party leaders and legislators. A saturated explanation of a veto players' framework in a
presidential systems has only been done through the use of a computational model (See Pérez-Liñán and Rodríguez-Raga 2003).

As stated earlier, the proposed model for dynamic choice focuses on the legislative dimension of market-oriented reforms. This dissertation is about legislative politics in Ecuador, since congress is often addressed as an institutional bottleneck that crystallizes political conflict and kills reform initiatives. In a winner-take-all presidential regime such as Ecuador, congress emerges as the most relevant political arena for representing the political, economic, regional and ethnic interests of all democratic actors who did not win the presidential election. A full account of active players in the policy making process -in addition to legislative actors- is a challenge that has not been solved by existing models of collective action since they are not directly or clearly revealed during the policymaking process. Similarly, this study does not consider policy changes that were exclusive authority of the executive, such as some administrative reforms or the decisions taken with the extended economic cabinet.

Secondly, this study focuses on patterns of conflict and cooperation in a separation of powers environment. Much of the literature describes the political incentives to oppose cooperation, with a president ignoring, outpacing, bypassing or at best imposing policies over an unworkable congress (Hurtado 1990, Sanchez-Parga 1998), and congressional parties using their powers veto, or amend proposals, or by

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15 Congress is indeed a forced arena for conflict resolution, since even the presidential prerogative to submit legislation to plebiscite has to be approved and reforms implemented by the legislative majority.

16 Thus, the policy preferences of the labor movement, business associations, the indigenous or the military, are taken into account inasmuch as they permeate existing congressional lobbies and committees represented by legislative parties.

17 This would include decisions to devaluate exchange rates or to renegotiate foreign debt obligations with IFIs.
threatening to impeach members of the Executive branch including the president himself (Conaghan 1995, Sánchez-Parga 1998). Yet, at the core of the conflict there is a permanent tension between an Executive concerned with addressing national problems, versus a legislative body that is directly or indirectly linked to their constituencies (Mayhew 1974; Binder 2003). This problem is partly due to information asymmetries. On the one hand, there is a president who has access to better, more accurate technical information about policy matters, but lacks complete information about individual legislators' preferences; and there are legislative agents who have a closer touch with the voters but lack the tools and resources for effective policy making. Far from alienating cooperation, this structure may promote anticipation and cooperative games between the two branches as predicted by Cox and Morgenstern: "if (the president) finds it costly to dispense enough pork to buy every vote, or enough patronage to buy every legislator, or enough money to buy the election: and if it's also costly to rule by decree; then even authoritarian presidents should consider cutting a deal with the assembly" (2002: 447).

Thirdly, the object of this study is economic outputs, not outcomes. The purpose of this study is to determine the political factors and legislative dynamics that explain the approval (or not) of market-oriented reforms in the Ecuadorian legislature. Statements about the quality of economic outcomes need to be carefully assembled in the context of current and previous economic performance, exogenous factors, outer features of the policy making process, as well as a description of the cast of characters participating in the process. While there seems to be some positive association between the nature of political institutions and the quality of policy outcomes, the causal links between the two

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18 An ongoing IADB research initiative on policy making in Latin America is currently under way with the explicit goal of bridging political institutions with policy outcomes. *Political Institutions, Policymaking Processes and Policy Outcomes.* [http://www.iadb.org/RES/](http://www.iadb.org/RES/)
are far from established, and in some cases, they may lead to erroneous or contradictory predictions (Kingstone 2000, Mejia and Coppedge 2001).19 Explaining economic performance in Ecuador, some argue that there is a positive association between GDP growth and cabinet volatility (Arteta and Hurtado 2002). Yet, it seems more relevant to explore the causal mechanisms under which cabinet volatility may -or may not- contribute to economic decline. Along the same lights, this study does not offer specific predictions about the expected macroeconomic or social indicators derived from economic reforms, such as growth, inflation, unemployment, poverty levels and social inequality.20

4. Scholarly Contributions

This dissertation advances four scholarly contributions.

To the field of comparative political institutions, the dissertation offers a theoretical framework to test the impact of institutional constraints on the likelihood of policy change. To this purpose, the dissertation focuses on the intersection between institutional explanations of the formal rules shaping the policy making game and rational choice accounts of the goals and preferences that political players seek to maximize. The use of a case study allows this study to go beyond a static description of formal institutions and develops a dynamic account of the multiple strategies presidents crafted

19 Grindle and Thoumi claim that Ecuadorian presidents had a "considerable capacity to introduce new measures but much curtailed capacity to sustain them" (1993: 161).

20 A substantive exploration into these questions would require establishing causal links between shifting government priorities compared with the absolute or relative growth of parallel indicators, or an assessment of the adequateness and effectiveness of adopting certain economic policies measured against their impact over key economic indicators such as fiscal policy or financial liberalization (Jaçome 2004, De la Torre 2001, Arteta y Hurtado 2002). While the cited studies lack a full account of the political dimension of reforms, this dissertation makes a small contribution to fill that lacuna.
to assemble legislative coalitions for economic reforms. Additionally, the active nature of institutional change in Ecuador, offers a unique opportunity to test the strengths and limitations of institutional theories for explaining changes in policy outputs. Abundant empirical evidence is used to test theoretical premises and evaluate the impact of significant constitutional changes like lifting constraints on legislative term limits, the adoption of open list allocation formulas, changes in district size, and shifts in the balance of powers between the president and the legislature, on the likelihood of policy change.

The dissertation offers a contribution to the study of the quality of democracy in the region by focusing on the existing gap between the outcomes prescribed by existing formal rules or institutions and the observed behaviors of political players. In this regard, the dissertation provides a detailed account of how actors devise informal rules for bargaining legislative agreements to supplement, replace and enhance the coalition incentives offered by existing formal institutions. The informal institutions framework is especially useful to explain how political leaders became effective agents of discipline even though they had weak conventional electoral and legislative incentives to (punish) reward (un)disciplined voting. This framework is also useful to explain how presidents and legislators crafted, monitored and enforced clandestine coalitions for reform while protecting their own electoral reputations for passing unpopular measures. In this sense, this study contributes to a better understanding of Latin American politics, not as deviations from an ideal democratic type, but as a complex system of gray areas between prescribed rules and observed practices.

For students of comparative political economy this dissertation brings back the roles of legislatures as a central co-author in the executive's effort to adopt of market-
oriented reforms. The dissertation advances the claim that presidents who developed formal and informal strategies to pass reforms through the legislature may have produced more significant policy changes than those who tried to bypass or override the legislative arena. By reintroducing the legislative dimension to the analysis of market-oriented reforms, the dissertation challenges conventional assumptions about the failure or success of the reform process and illustrates the specific policy arenas under which presidents obtained a more balanced record of victories and defeats. In this sense, the dissertation contributes to filling one important piece to understand the puzzle of the economic adjustment in Latin America.

Finally, the dissertation makes a double contribution to students of Ecuadorian politics. On the one hand, it introduces and evaluates existing theories of congressional politics to the much-understudied Ecuadorian environment, so that it explains the policy process and policy outcomes from a comparative perspective. On the other hand, it offers abundant and often times inedit data to challenge several long held scholarly beliefs about the workings of the Ecuadorian National Congress. The empirical analysis depicts a legislature with disciplined parties, strong political leaders and where vote buying and party defections are marginal events constrained to a very specific profile of maverick legislators. By completing a first research tour through the Ecuadorian legislature, the dissertation outlines substantive areas in which more scholarly attention is needed in the future.
5. Research Methods

Ecuador offers an "extreme" case of study in Latin America according to several institutional accounts. Up to 1995, scholars had found that Ecuador had one of the most volatile electorates in the region (Conaghan 1995; Mainwaring and Scully 1995), which partly contributed to severe party fragmentation (Jones 1995) and weakened the party system as a whole (Mainwaring and Scully 1995). In the electoral arena, Ecuador features one of the most regionalized patterns of party competition (Jones and Mainwaring 2003), and its congress is reported to be one of the worst malapportioned legislatures in Latin America (Snyder and Samuels 2001). In contrast with lacking strong partisan support, Ecuadorian presidents had some of the highest constitutional powers over legislation in the region including prerogatives to rule by decree, to veto legislation, and to call for plebiscite to name a few (Carey and Shugart 1998; Mainwaring and Shugart 1997; Shugart and Carey 1992). Based on large N comparisons, most of these institutional accounts predict policy deadlock and a great deal of political instability for weakly institutionalized or inchoate systems. But there are few monograph-length studies that focus on the combined policy effects of these institutional variables. This case study of policy change contributes to a better understanding of the workings, interactions and aggregate impact of political institutions on legislative dynamics and executive-legislative relations in presidential systems.

A case study also allows for systematic testing of competing premises and explanations of existing theoretical frameworks by moving for example, along different levels of analysis. Patterns of party discipline can be analyzed from a national perspective given by electoral institutions, from an organizational perspective given by
existing patterns of party organization and legislative dynamics, and from an individual perspective of legislators' goals and preferences. This study explores the interactions and methodological tradeoffs of using these alternative approaches.

A case study also supplements existing macro political explanations of legislative dynamics with an in-depth account of the internal political maneuverings that take place in a defined setting. While holding some variables constant (electoral patterns of competition, constitutional prerogatives), a case study can gain much leverage by moving along variables that held constant, omitted or treated as marginal by large N studies (King et al. 1994). Making systematic comparisons of quantitative information strengthens the research design of this case study. For this purpose, Ecuador offers nearly 25 years of continuous democratic dynamics that allows us to effectively study patterns of change over time, as well as focusing on different levels of analysis ranging from the national to the partisan to the individual. The data used for this study (some of which was collected for the first time in Ecuador), include over 5000 legislative initiatives discussed by congress since 1979, over 50 roll call votes manually coded from congressional archives (in the absence of electronic voting devices in Ecuador), survival rates and turnover patterns on over 1200 cabinet, provincial and local postings, over 500 individual profiles on legislative career paths, and over 12 years of bi weekly public opinion surveys in the largest Ecuadorian cities. In addition to quantitative analysis, the in-depth account of the internal political maneuverings is based on qualitative data and insights obtained from congressional hearings, media archival research on several national and international newspapers and news services, as well as dozens of interviews to policy makers in Ecuador. These insights are especially relevant for modelling and explaining not the
formal but the observed rules of political interaction, that may not be accurately captured or puzzle explanations based on quantitative findings alone.

6. Dissertation Overview

Once the case has been made for looking at the legislative approval of president-led market reforms, Chapter 2 develops a model to analyze policy change in the legislature. Drawing from institutional and rational choice approaches, it proposes to look at the bargaining process as a nested interaction between three ideal players: a president P, a party leader L and an individual legislator V. Potentially, policy changes (or gridlock) result from the agreements of at least two players, given the expected action of a third one. For instance, P can propose a bargain to L, but L needs to make an agreeable proposition to V as well, or else, V may defect and seek an independent agreement with P. Holding other variables constant, a proposed model of dynamic choice explains that the likelihood of agreements depends directly on the benefits and rewards for cooperation, and inversely on the publicness or visibility of the agreements. Chapter 3 uses logit analysis to measure the institutional determinants of presidential success in passing market-oriented reforms. Contrary to theoretical expectations, it finds that presidents did not make extensive use of decree powers when passing legislation, but privileged assembling legislative coalitions. Shorter ideological distances between the president and the legislature were crucial for passing economic legislation; surprisingly, a larger size of the presidents' party or high job approval rates were not relevant to explain policy change.
Chapters 4, 5 and 6 further develop the game along the decision nodes identified in Chapter 2. Chapter 4 uses roll call data to look at the presidents' dilemma of gathering support wholesale with party leaders, or buying retail from individual legislators (P(L,V)). High unity scores (in the range of 90% after controlling for non-controversial legislation), confirms the claim that party voting with the president was a frequent occurrence while individual vote buying was a marginal choice. This finding is also counterintuitive with existing accounts that correctly argue that party leaders do not have enough electoral or legislative leverage to enforce discipline in the rank and file. The chapter develops the argument that even in a fragmented legislative environment, party leaders can play crucial brokering roles for minimizing the presidents' transaction costs and maximizing legislators' demands for pork (L(P,V)). Chapter 5 focuses on the legislators' decision to defect or dissent from party ranks and independently vote with the president (V(P, L)). Patterns of party discipline are analyzed with logistic regression on one controversial roll call, and regression analysis is used to explain party switching patterns. In both cases, a similar set of descriptors fit the profile of a maverick legislator (small provinces, intense constituencies, short political horizons, and centrist or no ideology). The crucial difference between voice and exit however, was the visibility or liability of becoming a free agent in a fragmented legislature that featured no shortage of pivotal players. Given the choice, legislators preferred to craft informal voting mechanisms to support the president without actually voting for his proposals (also known as silent majorities). Chapter 6 makes a qualitative account of the benefits and rewards for cooperation, and unveils the clandestine nature of agreements. Some mechanisms, like the making of ghost coalitions, helped players reduce the visibility of
being associated with the government while ensuring the flow of cooperation payoffs. In this logic, publicity stunts and other position taking strategies were often crafted to maintain a reputation of "political independence" in the media and public opinion.

Empirical evidence comes from media records, field interviews, congressional archives, and job approval ratings. At the end of the chapter, two mini case studies illustrate the workings of formal and informal institutions: the approval of Modernization and Dollarisation reforms during the Durán-Ballén (1992-1996) and Mahuad-Noboa (1998-2002) administrations, respectively. Chapter 7 concludes.
CHAPTER 2

COALITION POLITICS REVISITED: A DYNAMIC MODEL FOR LEGISLATIVE COOPERATION IN PRESIDENTIAL DEMOCRACIES

How do presidents assemble legislative coalitions when confronted with highly fragmented legislatures? Contemporary approaches to coalition formation in presidential systems offer three possible answers: a) in the wake of recalcitrant assemblies, presidents become imperial and attempt to bypass congress using their constitutional warfare (rule by decree and veto power), b) presidents are hostages of the congressional opposition (who sets the agenda), or become victims of congressional gridlock, and c) presidents surrender nationally-oriented policy making to the particularistic demands of parroquial assemblies (Mainwaring and Shugart 1997b; Krehbiel 1998; Ames 2001; Morgenstern and Nacif 2002; Binder 2003). What these answers have in common is that presidents lack the support of sizeable and/or disciplined party contingents in congress, or that compensate their weakness with constitutional prerogatives to enforce interbranch cooperation. As proposed in the previous chapter, the adoption of economic reforms in the legislative arena offers a valuable case study to test some theoretical premises proposed by the literature, relax some key premises found in this literature, and introduce alternative approaches to existing models of legislative bargaining.
This chapter's contribution is to offer a dynamic model of executive-legislative bargaining. Borrowing from the rational choice literature, the model defines veto players as political actors whose agreement is necessary but not sufficient to produce policy change (Tsebelis 1995). These should be distinguished from decisive players, whose approval is sufficient but not necessary to change existing policies, and from dictators, whose approval is both necessary and sufficient to impose new policies (Pérez Liñán and Rodríguez-Raga 2003). Veto player models predict the probability of policy change (new policy, no policy) by considering the range of acceptable outcomes to players that can defeat the existing status quo in a given policy space. Policy change depends on the number and relative size of players, as well as their policy preferences vis-à-vis existing policies. This chapter formalizes the interaction between three strategic and ideal players who have the potential to produce policy change in a legislature: a president - and her party- as the natural agenda setter and coalition formateur, a party leader who can accept or decline the presidents' proposed policy change, and an individual legislator who has the potential to become pivotal to make or break a majority. In a game of strategic interaction, each player would make her best decision based on other players' actions.

This model explores the presidents' use of formal and informal incentive mechanisms to obtain policy changes from legislative partners. At its core, the model claims that presidents could increase the cooperation payoffs or decrease their costs of being associated with the government. In moving along the first dimension, presidents could offer wholesale deals to party leaders or buy support at retail from individual legislators. Theories of delegation illustrate the roles played by party leaders as legislative brokers: they can help reduce the presidents' transaction costs when
assembling legislative majorities by whipping unified voting. Leaders can also extract substantive programmatic or particularistic concessions from the executive to reward the discipline of the rank and file. The model discusses and illustrates the conditions under which individual legislators may become pivotal for policy change.

While the first dimension hinges on and develops from existing institutional mechanisms, a second dimension of legislative dynamics relies on the use of informal bargaining mechanisms. Existing approaches predict a lower likelihood of change as the electoral calendar elapses and presidents job approval rate decline. The model explains the conditions under which political actors could overcome the electoral liability for voting with an unpopular executive -while cashing in cooperation payments-, by disguising the visibility of legislative alliances or staging publicity stunts to maintain an image of political independence.

The proposed theoretical framework offers three useful improvements over existing works. First, it facilitates an account of changing -as opposed to static- bargaining strategies available to the president. Secondly, the dynamic choice framework acknowledges the existence of gray areas in legislative dynamics, by formalizing common mechanisms known to politicians that are not fully explored or at best treated as marginal outcomes by existing institutional explanations. Finally, the proposed framework offers testable propositions that can be useful to explain cases of stalemate or interbranch conflict beyond the fragmented legislatures.

The next section presents a critical survey of the theoretical premises common in the coalition making literature. The second part provides a brief account of legislative gridlock. The third part illustrates the relevant dimensions of the dynamic choice model.
Next, it describes players' utility functions when assembling congressional support. The last section develops comparative statistics for testing empirical implications of the model: the relevant tradeoffs and optimal strategy choices.

1. **Formal -Institutional- Approaches to Coalition Formation**

   Using the term "coalition formation" in a presidential setting is a misnomer that needs explanation. Derived from parliamentary systems, the notion of coalition making has the main purpose of ensuring government survival (Laver and Schofield 1990; Lupia and Strom 1995; Laver and Shepsle 1996).\(^\text{21}\) Coalitions are often built around written or unwritten rules binding parties to share government responsibilities usually along a programmatic agenda (Strom 1990). While it makes sense for parliamentary scholars to treat government survival and legislative success as two sides of the same coin, in presidential systems policy change and regime survival are two different matters. Under separation of powers, presidents' mandates have fixed terms and do not depend on legislative endorsement or a confidence vote from congress. But they still need the support of political parties to pass their policy agenda (Mainwaring and Shugart 1997). Thus, some presidential scholars focus on the presidents' *strength* or their capacity to put their stamp on policy (Mainwaring and Shugart 1997). The question of regime survival is a separate matter (Cheibub 2002). While scholars have identified the potential of divided governments for producing interbranch conflict, Cheibub acknowledges, “whether they induce (Executive-Legislative) deadlock, or affect (democratic)

\(^{21}\) This premise is true even in the case of minority governments where coalitions "must appease opposition parties in order to prevent the government from falling" (Haggard and McCubbins 2001: 3, Strom 1990).
performance, -he argues- is another question” (2002: 3). In this dissertation, the study of "presidential coalitions" refers to the president's ability to assemble favorable legislative majorities and the corresponding long-term or temporary power sharing agreements involved.

The relationship between institutional arrangements and their impact on policy outcomes has received considerable attention from scholars of presidential and parliamentary systems (Mainwaring and Shugart 1997b; Carey and Shugart 1998; Haggard and McCubbins 2001; Morgenstern and Nacif 2002). Mainwaring and Shugart have offered an explanation of executive-legislative conflict and cooperation across Latin American democracies based on the allocation of presidents' constitutional and partisan powers (1997: 40). They focus on presidential strength defined as their ability to put their own stamp on policy. Figure 2-1 presents a succinct overview of their argument. Proactive constitutional powers can help expand the president's agenda control to promote policy change away from the status quo (SQ). Reactive powers allow the president to block, postpone and even rewrite unwanted bills, thus maintaining the SQ.22

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22 Examples of proactive powers include the president's ability to rule by decree, bill initiation privileges, emergency powers and the prerogative to submit legislation to plebiscite. Reactive or veto powers give presidents the possibility to block complete, partial or selective pieces of legislation. The next chapter presents a detailed discussion of executive-legislative relations as dual or bilateral veto games, where “executive decrees are to legislative vetoes what veto overrides are to executive vetoes” (Magar 2001: 7; Cox and Morgenstern 2002).
Presidential Powers

1. Constitutional powers
   (Fixed rules of the game)
   - Proactive: decree, plebiscite, emergency powers, exclusive initiative
   - Reactive: total, pocket, and line-item veto

2. Partisan powers
   (Variable players)
   - Size of President's Party or Coalition in Congress
   - Discipline of party or coalition

Contributions
- Carey and Shugart 1998
- Cameron 2000, Magar 2001, Tsebelis and Alemán 2003

**Figure 2-1 Institutional Sources of Presidential Strength**

Unlike constitutionally endowed legislative powers, partisan powers are a variable source of presidential strength. On the one hand, the size and fragmentation of legislative parties are largely shaped by electoral institutions and existing social cleavages. The incentives for party discipline in turn, are mostly determined by leaders' control over legislators' electoral prospects and the control over internal legislative appointments.23

According to this framework, the president's ability to effect policy change (presidential strength) is best explained as a tradeoff between constitutional and partisan powers. Thus, Presidents who are able to marshal the support of large and/or disciplined troops in congress usually legislate without using their constitutional prerogatives as it was the case in Costa Rica, El Salvador, Honduras, Mexico (before 1997), Nicaragua (during the Sandinista years), Paraguay, Uruguay, and Venezuela (except 1961-1973 and

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23 Subsequent chapters discuss the full effects of the electoral calendar, district magnitude, allocation formulae, and internal legislative dynamics around committee allocation and party organization, on the discipline of party contingents.
1994-1999). By contrast, Presidents without solid congressional support pushed their legislative agenda by firing the constitutional artillery of vetoes and decrees, as it was the case in Brazil (especially during the Cardoso Administration), Chile, Colombia, Ecuador and Peru (before 1992).24

The presidential powers framework is a useful tool for understanding the institutional conditions of interbranch conflict in comparative perspective, illustrating for example how presidents scoring low on partisan powers would compensate their weaknesses by pushing policy change through intensive use of constitutional powers (Mainwaring and Shugart 1997: 432).25 The framework however, was not meant to illustrate in a systematic manner, why players acting within a given institutional setting, chose strategic actions that deviated from the expectation. Why for instance, did Chilean presidents prefer to cement multipartisan coalitions instead of using their strong constitutional powers (Siavelis 2002b)? Why did Argentinean president Menem secure partisan support in congress before submitting legislation by decree (Mustapic 2002)?

Inspired by rational choice models of legislative bargaining in the United States, Morgenstern and Nacif set out to offer an "anticipated reactions" framework to explain strategic interactions between presidents and legislatures. The core argument is that even the most authoritarian presidents would still find that anticipating a (possible) legislative veto and "cutting a deal with the assembly" may be a cheaper strategy than reacting

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24 The case of Mexico clearly illustrates this tradeoff. Juan Molinar correctly predicted that the institutional source of the Mexican "hyper presidential" system rested on the solid backing of the PRI congressional hegemony on both chambers (Weldon 1997). Only until the president lost the majority status in the 1997 legislature, other scholars became deeply aware of the constitutional weaknesses of Mexican presidents (Weldon 2002; Nacif 2003).

25 Other factors that facilitated presidents' efforts in passing legislation were the inclusion of partisan collaboration in the cabinet (Amorim Neto 2002), and the strategic use of the electoral calendar (Altman 2000). The next chapter discusses and tests the impact of these variables.
spasmodically to legislative resistance. The model is based on a typology of strategies based on "pure" presidential reaction types given the expected behavior of legislatures: a) to a recalcitrant assembly corresponds an imperial/impotent president, b) to a workable assembly corresponds a coalitional president, c) to a venal or parochial assembly corresponds a nationally-oriented president, and finally, d) a subservient assembly is to rubberstamp the initiatives of a dominant president (Cox and Morgenstern 2002: 454-5). Building on Mainwaring and Shugart's work (1997), the authors claim that the optimal choice of presidential strategy or the central oscillation as they call it, depends on the president's use of "unilateral" vs. "integrative" powers (2002: 450). While the first vary in the opposite direction of partisan support (as predicted by the previous model), the other set of powers actually increases when presidents are politically stronger and decreases when presidents are politically weaker. Integrative powers seem to contain a mixed basket of treats (pork, patronage, portfolios and policy concessions) or threats (agenda setting, constitutional powers) available to presidents, but the authors end up making a static account of available choices (a typology) by pairing their use according to different assembly types. For instance, they claim that the difference between workable and coalitional presidents depends on the use of pork, patronage, portfolios and policy concessions, but assume these are not used in imperial or recalcitrant environments. Yet, it is perhaps more realistic to assume the basket of bargaining chips are available to all presidents and assembly types, but their use is limited by the costs and expected benefits of the trade. From this premise, it is relevant to explore why weak presidents facing a

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26 Implicit in the "anticipated reactions" framework is the notion that legislators' ambitions shape their incentives to cooperate with the executive. Thus, in a structured party system, they are more likely to succeed in attaining their individual goals by pledging loyalty to their party organization. Where parties are weak, legislators are more likely to cooperate if they obtain individual benefits for themselves or their constituencies.
recalcitrant assembly could assemble the sufficient payoffs to produce a 
coalitional/workable scenario instead of becoming impotent victims of congress?

A revision of the current literature on executive-legislative relations from the 
perspective of a fragmented legislature requires relaxing three key premises.27

1. Party unity. Under the premise that party unity is a key ingredient for 
executive success, most scholars have discussed the favorable impact of sizeable and 
disciplined party contingents on policymaking (Mainwaring 1993; Jones 1995; 
Mainwaring and Shugart 1997b). In a context of fragmented politics however, party size 
and discipline are not only an unreal expectation but they can also bias theoretical 
predictions. The next section explores the circumstances under which presidential 
success may precisely hinge on the lack of solid party discipline in opposition parties. 
Confined to analyzing the problematic of weak partisan powers, the debate has failed to 
fully address the roles, the costs and the impact of sub-party units such as party factions 
or even "independent" legislators, on the presidents' coalition strategies.28

2. The nature of coalition payoffs. Largely inspired on the parliamentary 
experience, most of the literature on presidential coalitions focuses on the making of 
"programmatic" coalitions (i.e. granting policy concessions and/or ministerial 
appointments to key legislative partners) as a means to securing presidential success 
(Amorim Neto 1998b). Deviations from this "ideal type" such as granting particularistic 
benefits to legislative partners (i.e. distributing pork and patronage) are portrayed as

27 To this point, most of the theoretical models explaining policymaking under separation of powers 
have produced empirical implications for the study of the U.S. bipartisan system (Binder 2003, Cameron 

28 Morgenstern's concept of legislative agents, developed in Chapter 4, is a significant contribution to 
address this lacuna (2004).
marginal and inefficient strategies to securing support (Ames 2001). Implicit in this logic, lies the premise that rent-seeking ambitions (as opposed to policy, vote or office seeking incentives) pursued by individuals are less than legitimate concerns. By contrast, the model explores how did these goals shaped legislators' incentives to cooperate with the executive and how they affected the calculus of coalitional payoffs.

3. Informal Institutions. Much of the existing debate largely focuses on the institutional (partisan and constitutional) determinants of coalition making as the source of cooperation incentives. This approach is based on the premise that democratic institutions are the "only game in town" (Przeworski 1991). The model however, proposes to look at the other side of the coin to understand the extent to which presidents and legislators can craft coalition strategies despite and beyond the formal rules of the game (O'Donnell 1996).

A dynamic model of presidential choice should incorporate these premises to provide an improved account of bargaining strategies beyond the existing "anticipated reactions" typology. Rather than focusing on discrete strategy choices, this dissertation proposes a dynamic and continuous model of strategic choice given the changing value of payoffs, and the visibility of coalition costs, as well as the inter temporal tradeoffs among them. Since the theoretical framework is inspired by a case study in which constitutional powers have varied very little, it does not make general predictions about the roles of constitutional powers to shape policy outcomes. As expected, there are small variations over time, but when they occur these changes and their empirical implications on the policy making process are tested in Ecuador.
2. Explaining Gridlock and Policy Change

Perhaps the most versatile approach to the question of policy change is offered by Tsebelis' theory of veto players (1995, 2002). Veto players are conceived as individual or collective actors whose agreement is necessary to produce policy changes (Tsebelis 2002: 19). The intersection range of acceptable outcomes for two players on a two dimensional policy space -the intersection of their indifference curves- contains the set of possible outcomes (winset) that can defeat the existing state of things (status-quo).

2.1 Gridlock

A parallel approach is offered by Krehbiel's theory of pivotal politics. Rather than policy change, Krehbiel is driven by the explanation of gridlock in presidential regimes. For the past two decades, the study of (the causes and consequences) of gridlock has brought much scholarly attention (Mayhew 1991; Cameron 2000; Magar 2001; Binder 2003; Nacif 2003). Simply defined, gridlock outcomes refer to those in which "at least a legislative majority wishes to move the status quo policy in the same direction, yet it can not do so" (Krehbiel 1998: 26). Krehbiel's definition offers a baseline concept that does not make normative assumptions about a president's preferred policy choice (1998: 26), or apriori negative connotations about its occurrence. Gridlock outcomes are not necessarily a bad thing: like Tsebelis' notion of policy stability they can be defined as stable equilibria around the status quo.\(^2^9\) A veto players framework offers two considerable theoretical advantages over pivotal politics. First, it allows to model

\(^2^9\) This is a welcome departure from the study of Latin America's mostly reactive legislatures, were gridlock outcomes are usually considered as the presidents' failure to set the agenda (Cox and Morgenstern 2002). By looking at cases of policy success and failure, this study seeks to address that bias.
outcomes in a two-dimensional space, whereas pivotal politics moves along one dimension. Secondly, it allows the modelling of individual as well as collective players, whereas Krehbiel's legislatures are made up of individual legislators who have not direct links to party leaders.

2.2 Policy Change

Consider three ideal decision makers in a legislature: a president -and his legislative party- (P), the leader of the largest congressional party (L), and an individual legislator (V) who has the potential for reversing a possible outcome. The players' capacity for producing policy changes in a presidential setting should depend on the voting rule or majority threshold, relative weights of each player (size, discipline), their utility functions, and the position of the existing policy or status quo (SQ).

An immediate dimension of policy change refers to the original position of the Status Quo vis-à-vis the preferences of other actors. Existing models converge to predict that policy change is more likely when players have distant preferences from the existing status quo, although if players are distant and on opposite ends of the existing policy, the SQ is likely to prevail (Krehbiel 1998, Tsebelis 2002).

A second dimension of policy change is the size of the majority threshold required by the voting rule (with unanimity rule being the highest threshold). The lower the voting threshold (absolute or simple majority), the more flexibility has the coalition formateur (P) in choosing the coalition members; whereas in a qualified majority scenario, any defection from the required 2/3 majority would be enough for killing the

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This is at least a theoretical advantage, although the testing of the model is usually plotted along a single ideological dimension.
coalition, thus increasing the relevance of pivotal players (V). Thus, P may lower the voting threshold to threat L into changing unacceptable legislation, but the decision to sustain or override a presidential veto (and produce policy change) will lie in the hands of V (the 34th legislator in a 100 member assembly).

A third determinant of policy change depends on the number of relevant players: the more players, the smaller the set of possible outcomes (wินset) acceptable to all parties that can improve over the existing status-quo (2002: 19-26). The addition of a new veto player will not increase the likelihood of policy stability if its preferences already lie within the set of preferred points of other players (Tsebelis 2002: 25). This is true for instance, if L already contains and represents the preferences/interests of V.

The size of players is another determinant of policy change. For example, if the largest party (L) has a majority of seats in the legislature, "it becomes a dictator within the legislature and a partisan veto player in relation to the president" -if it is not already the president's party (P)-, thus being able to make decisions without taking into account other player's ideal points (V) (Pérez-Liñán and Rodríguez-Raga 2003: 11). If, on the other hand, the largest party has enough weight to become a necessary partner in any coalition, it becomes a partisan veto player within the legislature (2003: 11).

The effect of party unity on policy stability depends on the size of the party and the ideological distance of this group from the existing policy (SQ) (Pérez-Liñán and Rodriguez-Raga 2003: 13). A majoritarian and disciplined party can be instrumental for

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31 A veto threshold establishes the minimum required support to break a veto override. The threshold changes according to the constitutional provisions established for each country: 3/5 in Uruguay, 1/3 in Ecuador, etc.

32 According to Tsebelis' absorption rule: "if a new veto player D is added within the unanimity core of any set of previously existing veto players, D has no impact on policy stability" (2002: 28).
policy change if its ideal point is located away from the SQ and may potentially benefit from change, but it could severely block any reform attempt if their ideal point is already located at the SQ (2003). This useful distinction can help resolve an ongoing debate of whether low (or high) party discipline would contribute to policy paralysis or it would provide more flexibility to the coalition formation process. Finally but not least important, increasing ideological differences among veto players or greater polarization around the SQ reduces the possibility for policy change (thus reinforcing the status quo) (Tsebelis 2002). The logic implication is that a median location of P's policy preferences vis-à-vis the rest would minimize stalemate situations.

As explained at the beginning of this chapter, the combination of these institutional factors predicts low success rates for presidents confronting a legislature with multiple veto players such as in a multiparty setting, with wide ideological differences amongst them due to the presence of strong regional, ethnic or economic cleavages (Ames 2001: 17). The next section introduces the individual incentives for policy change that presidents, legislators and party leaders have given the institutional framework described in the previous two sections. The section argues that presidents, party leaders and/or legislators craft the best strategies for producing policy change by comparing their ambitions and maximizing their individual preferences given institutional constraints.

33 In a similar vein, Krehbiel argues "the concept (of gridlock) itself is not inherently partisan" since stalemate may be the result of "highly partisan" or "non-partisan" legislative interactions (1998: 4).
3. Incentives for Policy Change

This section addresses three relevant questions: What goals are legislators -and party leaders- trying to maximize? What do presidents want? And what conditions determine each player's decision to cooperate with one another to produce policy change?

3.1 What do Legislators Want?

Theoretically, politicians want to maximize the utility derived from a combination of four major ambitions: policy-making, office seeking, vote seeking and rent seeking. Scholars debate about the ranking of preferences and goals, depending on each legislators' district of origin, party affiliation, electoral rules, and legislative seniority (or lack of) (Fenno 1973; Mayhew 1974; Strom 1990; Cox and McCubbins 1993; Ames 2001). Depending on the electoral structure of a country -some scholars argue-, party organizations may be "instrumental" to help their members advance individual goals such as crafting policy proposals, running for elections, gaining access to political office and/or extracting government rents (Carey and Shugart 1995). While politicians running for office in closed-list proportional representation systems may be constrained to act within the party framework, individuals operating under personalized open list electoral systems or with weak restrictions from party membership, may choose to independently pursue their rent seeking and vote seeking goals outside of political parties (Morgenstern 1996; Mainwaring and Shugart 1997b). Other institutional constraints such as term limits or internal party dynamics may also help advance or hinder individuals'

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34 See Chapter 4 for a full discussion on how different electoral configurations may provide individual legislators with incentives and low restrictions to maximizing their goals outside the realm of political parties.
expectations (Taylor 1992; Carey 1996). While the concrete implications of this debate are fully acknowledged in a later chapter, suffice here to say that all goals are presumed to be interdependent on a vote seeking ambition, and that even the most pork-oriented legislators, can maximize their particularistic interests by retaining office in congress or elsewhere (Mayhew 1974; Samuels 2003; Morgenstern 2004). In pursuing their own "progressive" ambitions, legislators are constrained by party discipline schemes, term limits, and the electoral structure (Samuels 2002: 315-6).35

a) **Policy-Making Incentives**

Following the basic notions of spatial theory, ideological or policy-making concerns can be depicted as points in a unidimensional policy space that ranges from left to right parties (Hinich and Munger 1997; Krehbiel 1998).36 In making his/her decision to cooperate, legislators will compare the ideological (Euclidean) distances between the existing policy (SQ), her ideal policy preference (Xi) with the party's leadership (Xj) and the president's proposed bill (Xp).37 Thus, her utility function favors voting "by its own merits" with the president's proposal (and along party lines) when:

\[
\begin{align*}
\text{(a)} & \quad - |X_i - X_j| \leq 0, \text{ and } \\
& \quad - |X_i - SQ| \geq - |X_i - X_p|
\end{align*}
\]

---

35 Samuels defines progressive -as opposed to static- ambition to the incentive of legislators to advance political office beyond the legislative arena: gaining mayorships at the city level, gaining access to provincial government, or securing a job in the government bureaucracy.

36 For simplicity of the argument, a single policy dimension is assumed. Complex spatial models can be designed in two dimensions (Hinich and Munger 1997, Tsebelis 2002), but doing so would obscure the purpose of this section that is to show the relevant tradeoffs between policy preferences and other payoffs.

37 Euclidian distances are represented with a negative sign to follow the conventional nomenclature used in the literature to simplify the calculation of derivatives (Morrow 1994).
b) Institutional or Office-Seeking Incentives

Institutional ambitions are shaped by the scope and nature of political office from which, legislators can influence policy, allocate rents and distribute patronage. In principle, legislators compare the ratio between the number of portfolios (i.e. cabinets, sub-cabinets, provincial and diplomatic appointments, and so on) offered by the president to his/her party \((P_{ji})\) with the expected gain from winning office by themselves.\(^{38}\) Therefore, this ratio erodes proportionally by a discount factor \((d)\) as potential coalition partners approach new elections. The institutional incentives to cooperate are represented by:

\[
(b) + dP_{ji}
\]

c) Distributional or Rent-Seeking Incentives

The allocation of distributional or particularistic payments can play a key role to tip pivotal legislators in an undecided majority to vote in favor of the president. Legislators may receive side payments \((s)\) such as pork barreling and cash transferences for themselves and their districts depending on the closeness of the vote in question, that is the distance between the required threshold to approve a bill and the perceived number of secure votes \(\div g\).\(^{39}\) The narrower the vote, the higher the probability that a marginal vote will become pivotal. This relation should reflect the individual's price for defection

\(^{38}\) In the light of fairness of agreement, the parliamentary literature assumes that the size of portfolio allocations will grow proportionally to the size of the beneficiary party. It remains an empirical question whether each member's share of the office pie remains constant or diminishes with a larger number of party members.

\(^{39}\) The square root illustrates the point that payments for cooperation should increase exponentially to purchase the last pivotal players that make a majority (Groseclose and Snyder 1996).
and the probability of being chosen as the pivotal actor. Thus, the distributional incentives to cooperate are illustrated by:

\[(c) \quad + \frac{s}{g} \]

d) Vote-Seeking Incentives

There are many proxies to measure vote-seeking incentives, depending on the ability or willingness to reelect, the candidate's position on the list, the candidate nomination procedures, the size of the district, the competitiveness of the race and so on (Morgenstern 1996). But those options do not apply in a context in which legislators could not -or did not want to- seek immediate legislative reelection or were interested in pursuing a political career in an alternative arena (Lujambio 1995; Carey 1996). Under all circumstances, maintaining a good public image vis-à-vis a potential electorate (i.e. by advertising, credit claiming (through case work) and/or position taking), is always a valuable electoral asset to increase the possibility of future electoral success (Mayhew 1974), or R for legislators' electoral reputation. Mayhew adds that in a context where responsibility is diffuse and visibility low, legislators should have fewer incentives to boost their electoral reputation by enacting and claiming credit for making good public policy and would prefer to engage in position-taking or public advertising activities - publicity stunts- to maintain a good electoral reputation (Mayhew 1974, Magar 2001). Consider W to be a proxy for the amount of public advertising or "wing-flapping" that legislators do to boost their own electoral prospects.

Presidents' job approval ratings (S) also have a direct impact on the legislators' electoral reputation. If presidents do poorly in the polls (S), legislators' good electoral reputation (R) can be maintained by denying any association with the president and
setting a prudent distance of political independence in the case of government legislators, and/or engaging in publicity stunts and wing flapping stunts to criticize the unpopular president in the case of opposition legislators ("hacer leña del árbol caído" in Spanish).

The interaction between these three variables is illustrated by:

\[ R^* = \frac{S}{1-W} \]

If presidents do well in the polls, popularity carries a favorable effect for the own legislators' electoral prospects, and no additional wing flapping is needed. In the case of opposition deputies, even some loud wing flapping would do little to oppose an already popular president and boost their own popularity ratings since voters prefer the incumbent candidates. In this sense, presidents' popularity ratings play a key role in shaping the public attitudes and cooperation incentives of both opposition and government parties.

### 3.2 What do Presidents Want?

Presidents want to maximize their policy-making goals by making the fewest possible policy concessions or minimizing the amount of side payments given. As it was argued in the first chapter, presidents' survival in office depended on simultaneously cultivating domestic and international support for adjustment policies.\(^40\) This model assumes that in submitting legislation to congress, presidents would need to consider two questions: how much legislative support they need -to pass legislation- and what is the cost that gathering such votes imposes on their policy-making goals.

\(^{40}\) In principle, presidents could also want to be reelected, prestige, and possibly, even some rent seeking goals, but even then, it makes sense to sustain the premise that presidents were "nationally oriented", and that good policy-making was a relevant proxy.
a) Gathering Legislative Majorities

In the absence of legislative dictators (parties that have the majority of seats in the legislature), and holding constant any ideological concerns for the moment, presidents' ability to pass legislation depends on identifying sizeable and disciplined partners in congress. It matters less if the president enjoys the nominal support of a majoritarian coalition in congress if s/he is not certain about its voting together, or if a tightly disciplined party does not control a majority of seats to pass laws alone (Coppedge 2001). Coppedge's concept of *reliable majority* integrates the numeric criteria of votes needed to pass legislation and their reliability or the extent to which a party will vote together in support of what the president wants (2001). Based on Coppedge's measure, this model claims that potential coalition partners can be aligned on a continuous variable of *reliable partisan support* that combines the agents' size and unity scores. It follows that a *most reliable agent* would be a large disciplined party, whereas a *least reliable agent* would be an individual independent legislator who has the potential for becoming a *pivotal player* for making or breaking a majority. Formalizing these concepts, consider the number of members in a potential coalition party ($m$), faction ($f$) or individual ($V$) and their discipline scores ($l$), then the numerical majority will be met when:

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41 An empirical application of this index on the balancing of budget deficits in Latin America can be found in Mejía-Acosta and Coppedge (2001).

42 As it will be developed in Chapter 4, the notion of reliable party support helps bridge a debate concerning the impact of party leaders on unified voting; while non party-oriented approaches do not make explicit assumptions about leaders' control over individuals (Krehbiel 1998, Mayhew 1974), party-oriented approaches defend the roles of leaders' conditional leadership for enforcing party unity (Cox and McCubbins 1993; Aldrich and Rohde 1997).

43 Depending on their spatial position on an ideological continuum, pivotal legislators may exert tremendous blackmailing power on the president (Groseclose and Snyder 1996, Krehbiel 1998). Chapters 4 and 5 discuss the roles of pivotal players, their cooperation value and the conditions for providing reliable support.
M = (m.l + f.l + S + V);

If m.l is \( \geq M \), that party becomes a decisive coalition member.

Recall that the required majority to produce policy change is set by a legal threshold \( T \) established by the voting rule (with unanimity rule being the highest threshold) as a portion of the total quorum of legislators \( N \). The lower the voting threshold (absolute or simple majority), the more flexibility has the president in choosing different coalition members (Tsebelis 2002); the higher the threshold, and any defection from the assembled majority may be enough to kill the coalition (thus increasing the blackmailing power of pivotal players) (Cameron 2000; Magar 2001). The relationship is illustrated by:

\[
M \geq N.T
\]

Presidents may reduce the effective majority needed for policy change in two ways. One possibility is to lower \( T \) by using veto powers and sustaining their decision with enough votes to break the assembly's required qualified majority (with the votes of 1/3 +1 legislators in the case of a 2/3 override veto) (Tsebelis and Alemán 2003, Tsebelis 2002). The other way is to lower \( N \) by manipulating the necessary quorum to approve legislation, by encouraging vote abstentions and increasing the relative value of effective votes (Carey 2002). Note that the same logic applies in the reverse scenario, since presidents can also (and usually do) disband the necessary quorum in order to prevent unwanted policy change.

b) Allocating Coalition Payoffs

Executives in presidential settings enjoy a wide range of bargaining chips or coalitional payoffs to entice legislative cooperation, ranging from policy concessions to
cabinet portfolios, pork and patronage (Cox and Morgenstern 2002). Other things being equal, the model assumes that the "price" of legislative cooperation is proportional to the size of the potential legislative partner.

Figure 2-2 depicts the relevant trade-offs in the making of legislative coalitions. The horizontal axis represents all the possible payoffs available to the president arranged from the most particularistic to the most programmatic ones. Payments are clustered around four basic types: a) power sharing positions (cabinet positions, control and electoral authorities, and even Supreme Court Judges in some countries), b) policy concessions, c) patronage, and d) pork or particularistic favors and payments. The vertical axis plots the amount of legislative support presidents can expect from any congressional ally.\(^44\) The range goes from the least reliable agent (an individual legislator) to the most reliable one (a large and disciplined party).

\[\text{Figure 2-2 Size Matters: Legislative Support and Coalition Payoffs}\]

\(^{44}\) At this point, no significant distinction between the presidents' party and the opposition is made since the former can also be arranged along this continuum depending on electoral returns and internal cohesion patterns.
Inspired on parliamentary models of coalition formation (Laver and Schofield 1990; Strom 1990; Muller and Strom 2000), some scholars of presidential systems focus on the "programmatic" dimension of coalition making: the extent to which presidents can propose power sharing agreements to the opposition (i.e. by allocating cabinet portfolios) as a mechanism to strengthen the presidents' legislative coalition (Coppedge 1994; Amorim-Neto 2002; Siavelis 2002). The implication is that presidents can secure the support of large ideological parties by making significant policy concessions of national implications. Supporting this idea, Laver and Schofield argue that "cabinet positions are the most important policy concessions granted" (1990: 56). The dotted line around policy concessions in Figure 2-2 represents the often-blurred separation between making policy concessions and making more formal power sharing agreements with coalition partners. A classic example in Latin America is the Chilean Concertación, a coalition of several center and center left parties whose leaders consistently sustained power sharing and policy making agreements as mechanisms to surmount institutional constrains and cement coalitional trust (Siavelis 2002). Other relevant examples are the power sharing and policy making agreements established in Colombia and Venezuela during the Pacto years (Coppedge 1994; Archer and Shugart 1997).

At the other end of the scale, scholars have argued that in the absence of institutionalized or programmatic political parties, presidents grant particularistic rewards such as pork, patronage or rents to purchase legislative collaboration from regional parties, factions or individual mavericks (Mainwaring 1999; Ames 2001). A classic example is Brazil, where: "presidents cultivate the support of governors and (…) mayors

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45 Chapter 5 further develops this notion by providing a detailed scheme and examples of available payoffs, the nature of the beneficiaries, and the territorial scope of payments.
of major cities because they are powerful political figures who shape public opinion, have loyal political acolytes of their own, and can drum up legislative support" (Mainwaring 1999: 190). Gibson and Calvo explain how Argentinean President Menem assembled "cheap coalitions" with the support of representatives from over represented rural provinces in exchange for relatively minor government spending for those rural areas (2000). In the context of the shrinking state sector, many legislators switched from a pure clientelistic to a more problem solving mode in their relationship with their constituents (Hagopian 2003). Other particularistic payoffs granted to individual legislators took the form of city or local government jobs for family members, granting business concessions or other types of government permits and by distributing cash from discretionary funds available to the president (Mainwaring 1999).

4. Coalition Formation in a Multiparty Presidentialisms

Thus far, this chapter has identified the institutional and behavioral constraints to forming legislative coalitions. On the one hand, presidents in multiparty presidentialisms often compensate the lack of a partisan majority to push their agenda through congress, with their use of constitutional prerogatives to impose policy change (by decree) or to resist unwanted legislation (veto). Additionally, presidents enjoy a wide discretion of integrative powers to entice coalition formation by distributing payoffs to potential members, ranging from the most particularistic to the most programmatic compensations. This section assembles these components to propose a matrix of bargaining strategies.

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46 The authors claim that electoral malapportionment allowed for over representation of rural districts in congress, which in turn allowed for the formation of "low maintenance coalitions" as opposed to the most expensive "high maintenance" ones from urban districts (Gibson and Calvo 2000).
available to presidents. The model proposes that in crafting a legislative coalition, presidents need to correctly anticipate the proportional amount of payoffs required to secure the votes of reliable legislative partners, but they also need to anticipate their partners' electoral interests -in terms of political liability- for cooperation. Using a game theoretical framework simply as a formalizing instrument, the following two sections explore the allocation of coalition incentives in terms of legislators' ideological (POLICY), institutional (OFFICE), distributional (PORK) and electoral concerns (VOTES). The next part discusses optimal coalition strategies available to the president.

4.1 Crafting Optimal Payoffs

Presidents can successfully pass legislation through congress when they the payoffs and concessions granted to legislative partners (parties or individuals) do not impose a heavy toll on their policy objectives. Ideally speaking, presidents would be able to minimize the costs of legislative support if they can anticipate payoffs according to the ambitions and preferences of legislative players. Recall the proposed game between three ideal players, a president P, a party leader L, and an individual and potentially pivotal legislator V. Between these actors, there are three sequential sub-games worth exploring: first, there is a bargain between the president and a party leader (P- L), secondly, the party leader presents that bargain to the individual member (L-V), who in turn, can accept the bargain or seek an individual agreement with the president (P-V). In making their decisions to cooperate with one another, players select the choices that best advance their own interests, given what the third one does (offers). Given conventional game theoretical assumptions, the ideal bargaining outcome depends on the last decision node, in this case, with the cooperation decision of the pivotal V (Morrow 1994).
case, the game needs to be solved backwards, starting with the individuals' decision to cooperate with the president or the party leader \((V(P, L))\), then model the leaders decision to cooperate with the president given the choice of the individual member \((L(P, V))\), and finally, the presidents decision to negotiate with the leader or cut an independent agreement with an individual \((P(L, V))\).^{47}

\hspace{1cm} a) The Decision of a Pivotal Legislator

A legislators' utility function depends on the combination of ideological \((\text{POLICY})\), institutional \((\text{OFFICE})\), and distributional \((\text{PORK})\) concerns. For the moment, electoral concerns \((\text{VOTES})\) are held constant since legislators' future electoral (political) ambitions are assumed to be a permanent concern affecting all other payments. A self-interested legislator would consider whether to obey the party line imposed by the leader or to vote "her own conscience" by comparing her own policy preferences with the status quo and the proposed party policy.\(^ {48}\) When policy differences are not significant or legislators are indifferent between the two, their vote is decided by other considerations that would advance her personal interests, such as the value of available portfolios and the possibility of side payments. Confronted with an opportunity to vote with the president and betray the political party, the legislator faces a similar decision node: vote with the president if her ideal policy preferences are closer to the presidents' than the party's, or if her (lack of) ideological concerns are compensated with side payments \((\text{PPORK})\). Thus, the legislators' dilemma can be formalized as follows:

---

\(^ {47}\) Solving the extensive form of this particular game can be done by identifying the Nash equilibrium in each of the possible sub games. A proper sub game is a subset of a decision node that preserves all the key elements of the original game (acts, payoffs, chance moves, etc). We can find sub game equilibria by solving the game backwards (Morrow 1994: 128-133).

\(^ {48}\) This game is fully developed in Chapters 4 and 5.
\[ V^* = f(P, L): \text{vote with } P \text{ when:} \]

\[ \text{President's offer} \geq \text{Party Leader's Offer} \]

\[ PP\text{olicy} + PP\text{ork} + [\text{votes}] \geq LP\text{olicy} + LP\text{ork} + [\text{votes}] \]

Stay with \( L \), otherwise.

Recall from Figure 2-2 that the president would not offer more than particularistic payments for the vote of one politician. Also recall from the utility functions outlined in Section 3 (c) that the magnitude of side payments offered by the president to one additional legislator would depend on the perceived gap needed to complete a legislative majority: the more pivotal players needed, the lower the expected benefit. In the decision of voting with the party leader, the legislator would consider the leaders' availability of pork to distribute and the number of fellow legislators she has to share payments with.

b) The Party Leader's Decision

The same two previous premises apply: the legislators' utility function depends on the combination of \( \text{policy}, \text{office}, \) and \( \text{pork} \), and \( \text{votes} \) are held constant. The party leaders' capacity to maintain or advance her political ambition would depend on her ability to provide collective incentives that advance the ambitions of their followers.\(^49\) Failure to provide collective goods to the rank and file will result in party disarray and eventually her replacement as the party leader. Given a presidential offer for cooperation, the leader compares the expected gain in terms of cabinet portfolios, policy concessions, pork and patronage received from the president, with the expected benefits from staying \textit{away} from the president (i.e. win the next election). The first criteria of

\( ^{49} \) This game is fully developed in Chapter 4.
choice is ideological, the party leader would vote with the president when the party's policy position is closer and in the same dimension to the presidents that the Status Quo's. When policy differences are not significant or leaders are indifferent between the two, their vote is decided by other considerations: that the value of portfolios, policy concessions and the availability of side payments are enough to compensate the collective demands of the rank and file. The larger the party, the more demands it makes. Thus, the legislators' dilemma can be formalized as follows:

\[ L^* = f(P, V): \text{vote with } P \text{ when:} \]

\[ \text{President's Offer } \geq \text{Party's Demands} \]

\[ P_{\text{Policy}} + P_{\text{Office}} + P_{\text{Pork}} + [\text{Votes}] \geq V_{\text{Policy}} + V_{\text{Office}} + V_{\text{Pork}} + [\text{Votes}] \]

Stay with V, otherwise.

The underlying logic behind the party leaders' dilemma is one of conditional leadership. Recall that presidents would grant greater coalition payoffs to sizeable and disciplined parties. But the leader can only enforce a coalition agreement that is acceptable to the rank and file in exchange for disciplined voting, whereas far-fetched commitments may alienate legislators who may in turn disband party lines.

c) The President's Decision

Recall that presidents' policy objectives are best served when they are able to assemble the cheapest possible legislative majority. For this purpose, presidents compare the expected cost of assembling coalitions with partisan or non-partisan allies. The president's decision resembles that of an investment manager calculating which combination of investments is likely to yield higher returns (votes). They could go for a more solid government bonds with predictable but fixed return rates (sharing power with
a reliable political party), or with a more volatile investment in an emerging market that may yield higher returns but with much less certainty (buying cheaper votes from individual legislators). As it is suggested below, an efficient portfolio allocation strategy would suggest a diversification of risks depending on the expected return and past performance (party size and discipline) of such documents.

A first criterion for decision is again, of ideological nature. Assuming that presidents want to move away from the status quo, they compare their ideal policy proposal to the one that would be acceptable to the median legislator. Inasmuch as they can effectively anticipate the preferences of the legislative majority (i.e. propose legislation to broadcast the Soccer World Cup games on national, not cable TV), legislation is passed by its own merits and no additional bargaining is necessary. When passing median legislation is not a possibility, policy concessions, cabinet or government portfolios, pork and patronage become acceptable currencies. Policy concessions can be made in the same or alternative areas to the proposed legislation. Presidents can offer cabinet and sub-cabinet portfolios and regional, local or city government offices, as well as a wide range of particularistic payments. In all cases, the value of payoffs depends on existing legislative fragmentation (more coalition partners demand more payoffs) and the perceived closeness of a vote. The president's dilemma is summarized as follows:

\[
P^* = \min (L, V) \geq M \\
P (L) = -LPOLICY - L\{OFFICE - V(PORK)\} - [VOTES]; \text{ if } L \geq M \\
P (V) = -V\{OFFICE - PORK\} - [VOTES]; \text{ if } V \geq M
\]

Note that the utility functions are represented with a negative sign, indicating the presidents' loss in making these payments. In the presidents' decision to allocate payoffs
to the party leader is implicit its size and level of discipline \( (L=\square) \), meaning that a more reliable party can access greater payoffs. Also, note that the president would choose to bargain only with a party leader \( L \), if that party alone can ensure the majority of votes. In this case, any individual members' request for pork is clustered within the party leaders' utility function, meaning that \( L \) will sub-allocate payoffs to the rank and file. Finally, if legislators want to bargain as independent agents, the president would consider their joint contribution to the majority and distribute piecemeal agreements to each one of them. If independent legislators join together to form a faction however (a possibility not depicted here), they can improve their collective bargaining vis-à-vis the president, and the bargaining logic would resemble again to that of \( P \) and \( L \).

4.2 Optimal Choices: The Roles of Party Brokers

In a perfect information bargaining game, presidents would be able to anticipate legislators' goals and demands and respond accordingly by selecting an optimal allocation of coalition payoffs according to their political ambitions and the expected level of support.\(^{50}\) In a context of multiparty competition however, this premise is far from realistic since information about legislators' preferences is far from complete. In this context, party leaders emerge to provide useful information shortcuts for the president. In their roles of brokers, party leaders can act as mediators between the president and the rank and file, to negotiate collective agreements with the president in exchange for bulk legislative support. Using the image of matrioshka dolls, Figure 2-2 illustrates that greater rewards given to larger legislative partners contain sets of smaller compensations

\(^{50}\) This premise is also present in Morgenstern and Nacif's "anticipated reactions" approach (2002: 15).
that party leaders use to secure the discipline of their own followers. For instance, local caudillos that demand government patronage would also have some access to distributing favors and particularistic benefits to loyal legislators from their province. Party leaders negotiating policy concessions at the national level would have a distributive impact on the strongholds of their provincial caudillos. And leaders who negotiate power sharing agreements, not only gain considerable independence to influence policy making from within the executive, but they could also distribute pork, patronage and rents to their followers as an added value from holding political office. In this sense, party leaders were regulating valves that gauged the presidents' needs for votes with the party's political demands. Inasmuch as leaders were able to effectively whip disciplined voting, they strengthen the party's bargaining power vis-à-vis the president.

In theory, presidents would prefer to form coalitions with independent agents as long as they can reduce their bargaining costs by lowering the effective majority threshold M in two ways. Recall from Section 3.2 (e), presidents could do so by vetoing important legislation that could only be overridden with a 2/3 majority, and sustaining the veto with the votes of only 34 legislators (in a 100 member congress). The other way to lower the effective majority threshold is to promoting absences and abstentions from the voting floor in order to lower the number of votes needed to pass legislation. An significant implication of the presidents' veto power, is that it could be effectively used as a bargaining threat against party leaders who are reticent to accepting the offered payoffs, if leaders do not accept the presidents' bargain, he can impose a veto and pass legislation through individual vote buying.
5. **Informal Institutions and Coalition Making**

This second dimension of presidential strategies moves beyond the study of formal political institutions or rational choice behavior to incorporate the roles of informal institutions. This section incorporates legislators' vote seeking goals to explain how informal rules and legislative practices enabled them to cooperate with presidents despite potentially high electoral costs of association. While informal rules and practices are often seen in the workings of presidential - and some parliamentary- politics they have not been fully modeled or incorporated into existing works on coalition making and policy-making.\(^5\)

A growing set of scholars have recently brought attention about the existence of a parallel set of "informally institutionalized" rules, that are commonly practiced and followed, but differ from the legal framework of formal democratic institutions (Brinks 2003; Helmke and Levitsky 2003; O'Donnell 1996: 9). An immediate advantage of using this approach is to overcome explanations of institutional change in terms of lacking attributes or deviant behaviors from an ideal goal, but focusing instead on the rules and dynamics of the political game being played (O'Donnell 1996).

Informal institutions are defined as "socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels" (Helmke and Levitsky 2003).\(^5\) Players share expectations about the behavior prescribed by the informal rule and device mechanisms to enforce non-compliance with it (Brinks

\(^5\) As it is shown below, there are strong reasons to believe that informal patterns of legislative politics are found in other multiparty democracies, presidential or not, so long as legislators' low identifiability lowers their public responsibility.

\(^5\) Chapter 6 fully develops this concept, detailing what are and are not informal institutions, how they emerge and how they are monitored or enforced.
In their relationship to existing formal institutions, informal institutions can be classified according to their effectiveness for producing expected outcomes, and the extent to which the actor's goals are compatible with existing formal institutions (Lauth 2000). Thus, informal institutions can adopt complementary, substitutive, conflictive or accommodating roles when existing formal rules constrain or limit the goals and ambitions of political actors (Helmke and Levitsky 2003, Lauth 2000: 25).

In the context of coalition making in presidential regimes, it is often contended that formal rules do not provide political parties with visible incentives to cooperate with the government under a winner-take-all presidential regime (Linz 1990; Linz and Valenzuela 1994). Without any formal mechanisms to ensure power-sharing agreements, parties -especially in multiparty democracies- face a cooperation dilemma: if their cooperation produces successful policies, presidents tend to monopolize all the gains, but if policies fail, the blame is shared with the congressional opposition (Lujambio 1995: 61-2). "Supporting the government may be a suicidal act for an opposition party" Lujambio argues, "since they play an ambiguous role of playing the opposition, cooperating with the government, but not being part of the government" (1995: 62. emphasis added)." The underlying premise is that representatives relate to their voters along two dimensions: the identifiability (the who dunnit question) and the responsibility or flexibility that representatives have for arranging deals with other parties (Morgenstern 2004). Thus, the more visible a legislator is, the more responsible (or less flexible) is for

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A relevant clarification is that informal rules do not prescribe illegal behavior. For instance, much of the existing literature has emphasized on the presidential use of constitutional prerogatives such as veto or decree powers to bypass the legislative opposition (Carey and Shugart 1998, Mainwaring and Shugart 1997). The abuse of presidential decree power however, cannot be considered an informal institution but rather, a non-legal extension of formal rules (Helmke and Levitsky 2003: 8).
her policy-making. In the Linzian dilemma, politicians want to avoid the visibility of voting for the government, because this might hold them liable for the policies they make in the next election. Conversely, in a context defined by lower identifiability such as multiparty legislatures where responsibility for policy making is diffuse, legislators would have fewer incentives to care about policy and openly engage in rent seeking activities. Yet, Morgenstern argues that even if these "bandits" were not allowed or not interested in being individually accountable to voters, democratic elections enforced some accountability on the parties to which they belong to since they were concerned about electoral popularity as a tool for political survival: "In modern democracies, representatives who want to maximize their plunder (for selfish or altruistic ends) must work to maintain their electoral popularity" (2004: 3). A question worth asking then is, how were politicians able to maintain or not entirely loose their identifiability -and popularity- to voters, without being accountable for their policy-making choices?

If "not being part of the government" is an important ingredient to understand politicians' motivations not to cooperate, then coalitions could form if potential coalition members are overcompensated by decreasing their partners' visibility for voting with the government. In other words, cooperation was more likely to take place if legislators or parties were able to claim some electoral returns (i.e. by bringing pork to their districts), without being directly responsible for the policies made by the government. By focusing on the observed rules of the legislative game, this model contends that informal mechanisms were devised between presidents and coalition partners to disguise, deny or decoy government cooperation while avoiding the electoral liability that came with it.

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54 As it is explored in Chapter 5, the "short term" bandits were the most detrimental both to internal party dynamics and unity, and to democratic accountability.
5.1 Making Strange Bedfellows? Lowering Coalition Visibility

The section on coalition payoffs argued that presidents would seek to form coalitions with reliable partners. This section claims that coalitions formed as long as legislators did not become liable partners of the policies made.

Recall from section 3.1 (d) that downward swings in presidential popularity, measured by job approval rates had a direct negative impact on the legislators' electoral popularity especially if they were on the government's party, or at least it deterred cooperation if they weren't. Presidential decline also imposed a net devaluation on the "package" of presidential payoffs available to potential partners, since a political coalition with an unpopular president -much less voting for controversial legislation- also affected their own electoral prospects.

Confronted with falling presidential popularity rates, coalition parties could: a) ignore the stigma of collaborating with the government as long as they hold on to their payoffs, b) renounce to all government perks, concessions and offices in order to voice a loud opposition, or c) do both, by simultaneously criticizing the government while holding on to payoffs. In this last scenario, the value of cooperation payoffs offered to legislators can be restored if they can safeguard their electoral concerns [VOTES] without being co-responsible of government policies. A fundamental condition of coalition maintenance was to guarantee the anonymity of legislative partners. To this purpose, legislators engaged in "wing-flapping" activities like advertising, credit claiming, position taking, and other publicity stunts especially if these maintained their anti-government status or at least an image of government independence or "political chastity". In sum, clandestine agreements were formed to allow legislative partners to
become "passive doers while being very loud speakers" (Mayhew 1974: 62). The absence of legislative watchdogs enabled the existence of this double discourse.

5.2 Optimal Choices: The Roles of Ghost Coalitions

Clandestine or ghost coalitions were informal mechanisms to ensure the allocation of government payoffs while reducing or disguising the visibility of the agreements to release legislators from electoral liability. Payoffs were allocated following the same logic explained in section 4.2. At the wholesale level, "ghost coalitions" were agreed with party leaders to make policy concessions and share some government offices in exchange of votes to pass a modest agenda of reforms, or to avoid sound government defeats in the legislature. Clandestine agreements were also sealed with party factions or individual legislators by offering particularistic payments like pork and patronage in exchange of breaking party ranks and voting with the president. Unlike party switching legislators who made public and visible defections from their parties, dissident legislators were strategic defectors who lend occasional support to the president while formally remaining attached to their own parties. Because of their dependency to party leaders, these were cases of "silent dissent", since they took advantage of opposition leaders' inability to enforce discipline of sub party units (factions and individuals), by taking advantage of congressional rules like passing legislation with their abstention to vote, or disabling opposition majorities by breaking the required legislative quorum to hold a vote. Like party switchers, silent dissidents would be defined by a similar particularistic profile (outlined before), represented by their small district origin, with short-term careers and centrist or vague ideological positions. In their relationship to existing mechanisms for coalition making, clandestine alliances played a substitutive or complementary role to
secure coalition trust and produce policy change, though at an elevated cost for
democratic accountability.

The existence of informal or clandestine agreements has been repeatedly
acknowledged by scholars in other -particularly but not exclusively- fragmented polities,
both in the presidential and parliamentary traditions. After interviewing legislators in 10
Latin American countries, Carey suggested that presidential influence over executive-
legislative exchanges would attract criticism if exposed to public scrutiny (2002).55
Commenting from the European experience, Kaare Strom (1990) talked about how
several coalitions were facilitated by clandestine negotiations in Ireland and Italy. Carol
Mershon further argued that Italian coalitions were partly made possible by lowering
their cooperation costs (Mershon 1996). DiPalma relates how certain Italian parties'
"omission to vote" was a frequent and effective way of supporting (government)
legislation (1977: 59). Finally, in talking about minority governments, Laver and
Schofield argue that opposition parties calculated the benefits of influencing policy
outside the government, to ensure "lower costs of governing" (1990: 74-5). While these
events are often reported as marginal or sub optimal occurrences -with the exception of
Mershon-, the advantage of adopting an informal institutions approach to this political
phenomena is to explain the conditions under which informal coalitions appear, change
or endure within existing political institutions, and what their consequences are for the
overall performance of the democratic system.

55 Additionally, Carey argues that public voting may reduce presidential influence on Congressional
votes. This response echoes similar concerns voiced by Ecuadorian legislators interviewed in this project.
6. **Formal vs. Informal Strategies**

Thus far, the chapter illustrates the workings of two different dimensions in the making of legislative coalitions. The first one discusses the availability of particularistic and programmatic cooperation payoffs according to the levels of support and party discipline found in congress (Section 4). The second dimension claims that coalitions were also enabled when legislative partners were allowed to pursue their electoral interests while avoiding the electoral costs of collaborating with an unpopular agenda or being associated with an unpopular president (Section 5). In the realm of payoffs, model predictions claimed that presidents offer can offer "programmatic" deals to potential coalition partners by making significant policy concessions, allocating cabinet members, or a combination of both (Krehbiel 1998, Strom 1990). Additionally, presidents have discretionary authority to offer "particularistic" payoffs to coalition members such as making individual favors, allocating sub-cabinet jobs, or granting permits, licenses and personal favors. Along the second dimension, presidents can ease their partner's political costs of government collaboration by crafting short term agreements, disguising or denying the existence of political agreements, and allowing publicity stunts from their opposition partners to hide their cooperation as long as they continue voting together in congress.

Table 2-1 brings these two dimensions together to propose a four-fold **typology of coalition-making strategies** available to presidents. Conventional institutional explanations -often inspired on the parliamentary experience-, often imply that that government coalitions are made of ideologically close political parties who bargain significant policy concessions and cabinet appointments with the president (Table 2-1,
outcome b). But coalition making in less institutionalized systems requires relaxing two conventional premises proposed by the parliamentary literature: coalitions may not only take place with political parties, and coalition incentives may not be exclusively programmatic. In fragmented legislatures, coalitions may be formed with the contribution of party defectors, who may be enticed to vote with the president in exchange of particularistic benefits (outcome a).

<table>
<thead>
<tr>
<th>Nature of payoffs/Visibility of agreement</th>
<th>Particularistic (Patronage, Pork, and Rent-seeking)</th>
<th>&quot;Programmatic&quot; (Cabinet allocation, Policy concessions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visible/formal</td>
<td>a. Promoting party defections</td>
<td>b. Forming partisan coalitions</td>
</tr>
<tr>
<td>Clandestine/informal</td>
<td>c. Promoting party dissent</td>
<td>d. Sponsoring ghost coalitions</td>
</tr>
</tbody>
</table>

This chapter makes the case for the existence of an often latent but under explored second dimension in the coalition making toolbox. By reducing coalition visibility, politicians were able to cash in coalition benefits from the government without necessarily paying an electoral premium for government policies approved with their support. Along this dimension, clandestine pacts or ghost coalitions with parties were cemented with policy concessions, government postings and particularistic payoffs (outcome d). Alternatively, promoting party dissent was an instrumental strategy for
coalition making without incurring in the reputation costs -or punishments- of visibly defecting from party lines (outcome c).

Most existing institutional and rational choice approaches have focused their explanations on the political determinants of partisan coalitions (outcome b). Alternatives to this scenario have been often considered as deviations from an ideal goal (as in the case of outcomes a and c), or by modelling legislative politics as a continuous body of single-minded seekers of reelection (modified outcome a). By incorporating and describing an additional scenario of clandestine alliances with political parties (outcome d), this proposed model sets the elements to explain the gray areas of coalition formation, where the observed practices differ from the established formal rules.

The next section summarizes the main theoretical premises of the model and elaborates testable hypotheses that are empirically examined throughout the dissertation.

6.1 Testable Hypotheses

Unlike institutional models for political change, the predictions of formal theory frameworks such as that of veto players, are scarce in the literature given the controversial nature of measuring ideal positions, policy (revealed vs. observed) preferences, the number of veto players, the size of their winset, and so on.\textsuperscript{56} Furthermore, even in the case of defining an "optimal structure" of payoffs, often different utility functions of ideal preferences do not add up, and therefore cannot be compared on a one to one basis. Nevertheless, predictions made throughout this model can be tested "at the margins" by using comparative statistics, running pair wise

\textsuperscript{56} An interesting exception is Pérez-Liñán and Rodriguez-Raga's (2003) use of a computational model to flesh out empirical implications from the veto players framework in presidential regimes.
comparisons, and calculating expected likelihood of events given the theoretical premises. Several testable hypotheses can be derived from a dynamic model of coalition formation:

* Constitutional provisions like decree and veto powers increase the presidents' agenda setting power when pushing for policy change.

The direct implication is that presidents rely on constitutional powers in the absence of weak congressional support (Mainwaring and Shugart 1997b).

* The proximity of new elections reduces the likelihood of policy change.

The electoral calendar has a negative effect on policy change in two senses: First, legislative coalitions falter as the passing of time erodes the political value of government payoffs and government resources become scarce, government jobs are already allocated and policy concessions are constrained by exogenous factors (Magar 2001).

The proximity of new elections offer less incentives for ambitious politicians to be associated with incumbent lame duck presidents (Coppedge 1994), especially if they face low job approval ratings.

* Policy change is favored when there is a smaller ideological gap between the presidents' ideological position and that of the median legislator.

Cox and Morgenstern best describe this scenario: "The cheapest strategy will often be to cobble as many legislative votes as possible purely on the merits, conserving
other assets (such as pork and patronage) for securing any necessary marginal votes" (2002: 446).

*Policy change should be more likely if presidents privilege partisan coalitions with party leaders

Party leaders can help reduce transaction (bargaining) costs (Kiewiet and McCubbins 1991) by cutting wholesale agreements with the president. One direct empirical implication is that policy change should be associated with high party unity scores (once ideological differences are controlled for).

* Falling presidents' job approval rates decrease the likelihood of policy change.

During the presidents' "honeymoon" period, high job approval rates contributed to their ability to recruit potential coalition members at relatively low costs. The abundance of new benefits from sharing political office and the added electoral reputation from collaborating with a popular president would increase legislators' willingness to pass policy change.

This hypothesis has an important corollary for the formation of ghost coalitions: these are likely to appear if falling popularity rates and/or the proximity of new elections does not significantly reduce the likelihood of policy change.

* Strong party leaders are instrumental for adopting policy change

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57 In crafting their definition, the authors limit themselves to describing delegation in terms of one's acting on behalf of the other, without further implications for expected gains, formal or informal agreements or sanctions for non-compliance (1991: 240).
This hypothesis has two premises. First, party leaders should be strong agents of party unity, regardless of the party's tendency to vote or not with the government. Secondly, parties with higher unity scores are more likely to be coalition partners than parties with low unity scores, after controlling for ideological differences. The implication is that strong leaders have more leverage to delivering reliable votes to the president.

* Individual vote-buying is instrumental for adopting policy change

Higher rates of party switching of party indiscipline would be associated with presidential success. According to the theoretical framework, two conditions must be present in order to make vote buying a profitable strategy. First, that the legislators' ideal policy preferences are close to the presidents' own ideal points. And secondly that vote buying takes place simultaneously with lower majority thresholds, such as the use of presidential veto powers for example.

7. Conclusions

The proposed theoretical framework offers three useful improvements over existing works. First, it facilitates an account of changing -as opposed to static- bargaining strategies available to the president. Secondly, the dynamic choice framework acknowledges the existence of gray areas in legislative dynamics, by formalizing common mechanisms known to politicians that are not fully explored or at best treated as

58 This premise concedes greater advantage to the president as coalition formateur, since he has the upper hand for playing out pivotal players -against each other- and choosing the cheapest partners when assembling majorities.
marginal outcomes by existing institutional explanations. Finally, the proposed framework offers testable propositions that can be useful to explain cases of stalemate or interbranch conflict with respect to and beyond the multiparty presidential setting.

Institutional approaches offer a comparative framework of rules of the game in which policy coalitions take place, but it is less sensitive to case specific variations over time. Rational choice approaches make predictions about individual interest-maximizing behavior and the strategic interactions that take place within a specific institutional context. But these approaches are less inclined to provide testable empirical hypotheses to sustain their claims. But few scholarly studies have set out to explain dynamic policy change by empirically testing the combined policy implications of institutional and rational approaches together. This model simultaneously considers the interaction between structural (constitutional, partisan, electoral) and the individual (rent, vote, office and policy seeking) factors when adopting policy change in a multiparty setting.

Finally, the proposed dynamic choice framework illustrates the roles played by informal institutions to provide a better explanation of gray areas in legislative bargaining approaches. While most of the literature has focused on the conditions under which legislative coalitions with parties were formed, or explained alternative outcomes of party indiscipline and defection as marginal or sub optimal choices, this model illustrates the conditions under which alternative bargaining strategies enhance the presidents' coalition making capacity. In this sense, this work seeks to reconcile existing models on coalition formation and propose a new perspective on the existing knowledge.

The following chapters are devoted to testing the theoretical relevance of the model using Ecuador as a case study. Subsequent chapters test separate aspects of the
framework proposed in this section. Chapter 3 explores the combined impact of constitutional and partisan powers over legislative success. Chapter 4 explores the role of legislative brokers on party discipline and the likelihood of government cooperation. Chapter 5 advances an explanation to identify the motivations for maverick legislators to defect their parties or remain silent dissidents. Chapter 6 develops a detailed account of available government payoffs and concessions and how informal agreements were crafted to monitor and enforce these payoffs in exchange of clandestine legislative cooperation.
CHAPTER 3
"ET PLUS ÇA CHANGE": EXPLAINING EXECUTIVE SUCCESS IN A FRAGMENTED LEGISLATURE

"In Ecuador being a President is like playing the game of "greased pole" (palo ensebado): When there is a game in town everybody helps the player to climb, they lend their shoulders, and support him until he is close to grabbing the prizes. When he is ready to win, everybody wants to stone him down". 59

This chapter empirically analyzes the impact of institutional factors on the likelihood of policy change. For this purpose, the chapter analyzes the share of executive-led bills that were approved by the Ecuadorian Congress as a proxy of policy change. The case at hand is one of the countries with largest numbers of veto players in Latin America (Ames 2001, Conaghan 1995) and features considerable regional and ideological fragmentation reflected in the political composition of Congress (Pachano and Pizzarro 2002; Jones and Mainwaring 2003). As defined in previous chapters, veto

59 Jorge Marín (PRE-Nacional), citing former president Abdalá Bucaram (1996-1997). Interview. Quito, July 21st, 1999. A "greased pole" is a popular game throughout Latin America that requires climbing a 15 to 18 ft. pole covered in grease, at the top of which, there are cash and food prizes.
players are individual or collective actors whose approval is necessary to produce policy changes away from the status quo (Tsebelis 2002). According to this theory, policy changes are most likely to occur with the participation of fewer veto players sharing small ideological differences, whereas policy stability (or gridlock) results from an increased number of veto players with greater ideological differences. According to theoretical expectations, Ecuador should feature considerable levels of policy stability reflected by low presidential success rates in passing economic reforms.

Contrary to expectations, the main empirical finding is that politically weak presidents only used decree powers to submit 35% of the total number of bills, though decree rule produced a 75% success rate. The effectiveness of using presidential decree powers to push legislation was enhanced when the bill had partisan support in Congress. Whether to sustain a decree or to pass legislation on its own, presidents engaged in coalition making politics. The evidence suggests that the size of the government coalition matters more for the approval of economic reforms than the size of the president's party. Higher rates of party switching are associated with legislative success. Presidents were more likely to get reforms passed when they closed the ideological differences between them and the mean legislator, and when they were able to anticipate congressional defeats. There were no significant effects of popularity rates or cabinet partisanship on success.

The first part of this chapter surveys the connection between policy change and regime instability; the second part explains the problems of measuring presidential success across different legislatures and offers some alternative approaches. The third part runs a logistic model of legislative success and analyzes the implication of
presidential powers for the formation of economic reform coalitions; the fourth part concludes.

1. **Regime Instability and Policy Change**

Coalition politics matter in presidential systems almost as much as they do in parliamentary ones. Unlike parliamentary regimes, where failure to form a government coalition usually results in the dismissal and replacement of the government (Strom 1990; Mershon 1996), the "breaking of a government coalition" does not end the president's fixed mandate (Shugart and Carey 1992). Thinking from the parliamentary perspective, where the government's inability to push reforms away from the status quo is generally solved with the formation of a new government coalition, Tsebelis advanced the idea that gridlock in presidential settings may also lead to regime instability and even government change (2002). As illustrated in Chapter 2, the literature on American Politics features a vivid debate as to what are the consequences of coalition making in presidential system, especially under conditions of divided government. While divided control of the government ensures an effective system of checks and balances among the government branches (Mayhew 1991), divided government can also produce gridlock and stalemate in the policy making process (Krehbiel 1998; Binder 2003). But even though divided government is a frequent occurrence in both the US and in Latin American presidentialisms, some scholars indicate that gridlock in the former has been usually associated with problems of ungovernability and regime instability (Magar 2001).

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60 Mayhew contends that between 1946 and 1990 important pieces of legislation were approved by the US. Congress due to factors largely unrelated to conditions of (divided) party control (1991).
Beginning with Juan Linz' seminal work on "The perils of presidentialism" (1990), several authors corroborated the hypothesis that presidents had structural weaknesses to effectively deal with the legislature and produce significant policy changes (Linz 1994; Linz and Valenzuela 1994; Sartori 1994). In the context of weak or developing democratic institutions, these authors argued that the continued inability to produce policy changes could also lead to severe regime instability (Mainwaring 1993; Tsebelis 2002).

The prevailing institutional explanations underlined that presidential systems, especially those who combined an electoral system of proportional representation, a multi-party system, and non-concurrent legislative elections, significantly hindered the executive's ability to form government coalitions and pass significant legislation through Congress (Mainwaring 1993; Jones 1995). Furthermore, divided government and enduring interbranch conflict contributed to institutional deadlock and the erosion of democratic institutions (Mainwaring and Scully 1995). A sequence of presidential crises throughout Latin America during the nineties seemed to corroborate this apparent link between institutional deadlock and regime instability. These included: coup-attempts against Venezuela's president Carlos Andrés Pérez (1991), Ecuador's Jamil Mahuad (2000), Paraguay's Lino Oviedo (1999), Venezuela's Hugo Chávez (2002); the closing of Congress by Peru's president Alberto Fujimori (1991); the presidential impeachments against Venezuela's Carlos Andrés Pérez (1991) and Brazil's Fernando Collor de Melo (1992); and the congressional dismissal of Ecuador's Abdalá Bucaram.

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61 Jones (1995) and Mainwaring (1993) suggest that the probability of a president holding a single party majority of seats decreases dramatically as the effective number of parties increase.

62 The work of José Antonio Cheibub stands as an interesting exception to this trend. He argues that while institutional factors might be associated to the production of divided government, "whether they induce deadlock or affect performance is another question" (1999: 3)
(1996), Peru's Alberto Fujimori (2000) and resignation of Argentina's Fernando De La Rua (2001). At some point or another, conflict was triggered or quickly escalated due to the president's lack of political support in Congress (Pérez-Liñán 2000).

While intense political and scholarly debates witnessed the need for constitutional changes to avoid regime instability that took place during the nineties, it seems that in the end, the presidential -separation of powers- system has come to stay. Recent cross-country comparisons suggest that the apparent connection between institutional deadlock and regime change does not survive the statistical analysis. Cheibub explains that 42 out of 91 presidential world democracies "died" between 1946 and 1996. Analyzing the causes for breakdown, he concludes "presidential regimes are as likely to "die" when governments are divided as when governments are unified" (Cheibub and Limongi 2002). More recent accounts of presidential crises acknowledge that interbranch conflict was a necessary but not a sufficient condition for regime instability. Other extra-legislative factors such as corruption scandals, the strength of the military or the role of the mass media were crucial for the development and explosion of regime crises (Pérez-Liñán 2000).

2. Presidential Success and Policy Change

Mainwaring and Shugart challenged at the end of the 90's the Linzian argument that presidentialism hinders democratic governance and stability in the region (1997).

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63 With the exception of Bolivia (where the president is elected in practice by a legislative majority), most attempts at constitutional reform in Latin America during the nineties have reinforced the role of presidential institutions.

64 Similarly, the presence of deadlock, electoral, or partisan variables, did not yield statistically significant differences in producing regime changes.
Instead, their seminal work "Presidentialism and Democracy in Latin America" offered a useful conceptual framework to understanding different types of presidential powers and established important variations within presidential democracies. By focusing on presidential strength, that is the president's ability to put their own stamp on policy (1997: 40), the authors claimed that the levels of institutional conflict and cooperation significantly changed across Latin American democracies, depending on the allocation of constitutional and partisan powers (…). As illustrated in the previous chapter, constitutional powers enabled agenda control by defying the status quo (proactive) or maintaining it (reactive). The second source of presidential strength, the configuration of partisan powers, defined by the extent to which presidents could assemble the legislative support of sizeable and disciplined parties (Coppedge 2001). Assessing the allocation of constitutional and partisan powers in comparative perspective shows that there is an important tradeoff in presidential powers. Presidents can compensate for their weak partisan support by relying heavily on their constitutional powers to push their congressional agenda by virtue of vetoes and decrees (Tsebelis and Alemán 2003), whereas presidents with strong partisan backing in congress can usually do without strong constitutional prerogatives as in the case of Mexico (Weldon 1997).

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65 Haggard and McCubbins (2001) offered an alternative approach to classify presidential and parliamentary regimes according to a separation of purpose vs. separation of powers criteria, but Mainwaring and Shugart's exclusive focus on presidential regimes allows for more specific comparisons across Latin American regimes.

66 More recently, Cheibub has acknowledged the potential of divided governments for conflict, but “whether they induce (Executive-Legislative) deadlock, or affect (democratic) performance, however, is another question” (Cheibub 1999: 3).

67 Proactive powers include those that enhance the president's capacity to push for legislation, such as the use of decree powers, exclusive initiation of bills, emergency powers and other prerogatives to call for plebiscites. Reactive or veto powers usually refer to the presidents' ability to block legislative amendments, and they include block veto, pocket veto, partial veto and line item veto, according to the breath and scope of the amendment.
In addition to the allocation of constitutional and partisan powers, there are other factors that have an additional impact in helping presidents cement pro-government coalitions and approving legislation in congress. Drawing on the experience of Uruguay and Brazil, Altman (2000) and Amorim Neto (2002) claim that different patterns of cabinet formation have a positive impact on legislative cohesion and presidential performance (2002: 40-2). They also confirm existing contributions in the literature (Coppedge 1994) showing that presidents have higher probabilities of legislative success at the beginning of their terms, whereas incentives for executive-legislative cooperation evaporate as new elections approach (Altman 2000).68

2.1 Assessing Success in Comparative Perspective

One way to assess patterns of conflict and cooperation between the Executive and the Legislature is to compare presidential success rates across countries. Success rates are no more than a "batting average", a ratio between the number of executive-initiated bills approved in the legislature, and the total number of bills introduced by the executive (Cheibub and Limongi 2002; Saiegh 2003). Prima facie, success rates are a good way to develop comparable estimates of how institutional variables and congressional procedures affect the likelihood of approving laws across different countries. The next section presents relevant comparisons across some Latin American legislatures.

One important criticism of using success rates is that the outcomes do not discriminate the different nature and scope of bills, including in the measurement everything from inconsequential resolutions, the creation of new districts and minor

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68 Amorim Neto (1998) and Altman (1998) challenge the notion that a large party contingent in the legislature is crucial to provide support for the president and show that the size of the president's party does not always matter in the formation of legislative coalitions in Brazil, Uruguay and Venezuela.
amendments to existing laws, to more controversial issues such as decentralization, privatization, economic or constitutional reforms. Although this problem cannot be corrected with a cross-national analysis, one way to address this "kitchen sink" problem is by concentrating solely on the fate of bills of economic reform submitted to the Ecuadorian congress between 1979 and 2002. Another problem of measuring success rates is that they only consider the legislative initiatives presented to Congress, but failing to explain the fate of other proposals pending in the president's agenda. If presidents were able to accurately anticipate the legislator's preferences, it is reasonable to expect that they could successfully "stave off" conflicts by only sending bills acceptable to the legislative majority (Krehbiel 1998; Cameron 2000; Cox and Morgenstern 2002). Following the “anticipated reactions” approach, there would be an optimal presidential response depending on whether the legislature is perceived to be subservient, workable or recalcitrant. An optimal strategy would therefore drive the success estimators upwards, given that presidents only submit legislation that is likely to be considered/approved by Congress (Ames 2001, Jones 1995). The forthcoming analysis looks at the combined effect between the total number of economic presidential bills initiated in each period and the duration of the presidential mandate as a proxy of the president's expectations of success in Congress.

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69 Conversely, Cox and Morgenstern (2002) explain that the most inefficient strategy for presidents would be to pretend that the legislature “does not exist and propose whatever policies he likes, then react spasmodically when the legislature refuses its assent”.

70 The complete typology is fully discussed in Chapter 1.

71 However, interviews with three former presidents did not reveal this strategic behavior, but a more systematic way to verify this claim is by looking at all the proposed bills aired by presidents to the public (and registered by the press) that never made it to Congress (Ames 2001).

72 The underlying logic is that more “conservative” presidents would submit fewer, well-crafted bills towards the end of their mandates in anticipation of legislative approval.
Figure 3-1 reports the relationship between the number of bills proposed by the executive and the number of executive-led laws approved in Argentina, Brazil, Chile, Colombia, Costa Rica, Honduras, Ecuador, Mexico, and Venezuela. Needless to say, each country and legislature has a different manner of aggregating legislative data, for different periods, types and sources of bills. Ordinary Congressional laws are considered in all cases. In Brazil, the rate of success includes regular bills as well as medidas provisorias, but it does not include budgetary laws (or leis orçamentárias).

For a more complete discussion of the advantages and shortcomings of comparing legislative success rates, see Saiegh (2003).
Some informed inferences about the interaction between constitutional and partisan powers and rates of legislative success are drawn from the comparative review of legislative productivity in nine countries. On the one extreme Mexico stands out as a case of a dominant president with a subservient (rubber stamp) assembly approving an average of 98% of his agenda (Casar 2002). Despite their weak allocation of constitutional powers, Mexican presidents were able to dominate the legislative agenda thanks to their solid base of partisan support (Weldon 2002). The overwhelming predominance of the Executive in Mexico dwarfed the role of the legislature, which obtained a very low rate of success (14.9%). With the transition to a more competitive party system in 1997, Nacif argues that Mexican presidents' success in Congress was diminished and they had to compromise with opposition parties by adopting a median position in the legislature (Nacif 2003). Honduras also shows a high rate of executive success (81.3% between 1990 and 1995), which is consistent with the traditional predominance of the executive branch and the military over the policy making process in the hands of an enduring two party system (Liberal Party and National Party).

The next set of countries show interesting patterns of coalitional politics, characterized by the formation of implicit and explicit coalitions and inter party consultations resulting in moderate to high rates of executive success. During the Pacto de Punto Fijo years (1959-1989), the two main Venezuelan parties (AD and COPEI) moved towards the ideological center, bridging their programmatic differences and promoting a common political agenda that would allow their presidential candidates to alternate in power (Coppendge 1994). Even though Venezuelan presidents had weak constitutional powers by Latin American standards (Mainwaring and Shugart 1997,
Shugart and Carey 1992), their relative high degree of legislative success (67.84%) was further secured through a rigid party discipline in Congress.\textsuperscript{74} The story of Chile’s Aylwin administration (1990-1993) also suggests the relative success of the executive (62.78%) is related to the president’s ability to exert conditional leadership on the congressional parties that compose his base of support (Siavelis 2002). Different from Venezuela, Chilean presidents have tremendous constitutional powers to legislate. However, as in Venezuela presidents followed a workable, conciliatory legislative strategy to maintain the unity and the support of the center-left parties that were part of \textit{Concertación}. In both cases, ensuring congressional support through conditional leadership was more relevant to obtain executive success than the use (or absence) of constitutional powers. According to Mustapic, executive success in Argentina is partly explained by the use of constitutional powers and the distribution of selective and collective benefits to potential government supporters (Mustapic 2002). Following a similar logic, Pachón argues for the case of Colombia that there is an implicit compromise between legislators approving issues pertaining to the president's national agenda as long as they can also claim credit for passing laws relevant to their localities (Pachón 2003).

Finally, a third group is composed by countries where legislators have few incentives to collaborate with the president's agenda, with resulting low levels of legislative success. Brazil and Ecuador seem to conform to the description of imperial (or sometimes impotent) presidents who struggle for support from recalcitrant assemblies. Both executives are characterized as having strong constitutional powers

\textsuperscript{74} For the case of Venezuela, the rate of success of bills initiated in Congress is surprisingly higher than that of the president (76.6%).
including decree and veto powers, but lacking the support of a solid partisan majority in Congress to carry out their will. The success rate of ordinary executive-initiated bills in Brazil is 46.2%. If *medidas provisorias* were included in the total count of introduced bills by the president, the average success rate would significantly drop to 35.1%. On the other hand, only 176 of 9454 introduced by Brazilian congresspeople (an average of 2.9% per year) were approved between 1989 and 1994 (Figueiredo and Limongi 1995a). Ecuador presents a similar landscape, with an average presidential success rate of 41.76%, a figure significantly larger than Congress' 14.51% success rate between 1979 and 1996. For both cases, it has been argued that the excessive use of constitutional powers to bypass congress often backfired and provoked confrontational responses from the legislature (Sánchez-Parga 1998). Costa Rica also appears in this cluster of uncooperative legislatures. Taylor Robinson argues that without the possibility for immediate legislative reelection, legislators have fewer incentives to collaborate with a lame-duck incumbent president and hold their support until they can identify a candidate who could help advance their political careers (Taylor 1992).

This brief comparative overview illustrated the changing nature of executive-legislative relations in several Latin American countries, using the rate of legislation produced as a rough measure for success. The following sections analyze several interactions between constitutional powers, partisan contingents and other political determinants to develop a more accurate explanation of these low rates of legislative success in Ecuador came into place.

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75 The large amount of initiated bills in Brazil could be a function of the large number of deputies and senators who pursue particularistic and clientelistic benefits for their districts. However, the low success rate shows that the massive amounts of introduced bills in Brazil only contribute to clog the legislative agenda in Brazil. But this could also be a favorable factor to help approve the bills that come from the executive.
2.2 Measuring Success in the Ecuadorian Legislature

The apparent use and abuse of constitutional powers to compensate for the lack of partisan support explains much of Ecuador's pervasive *pugna de poderes* (Executive-Legislative conflict) in more than 24 years of democratic rule (Conaghan 1994; Burbano de Lara and Rowland 1998; Sánchez-Parga 1998). The constitutional powers of Ecuadorian presidents rank among the highest in Latin America, with strong prerogatives for using decree authority, issuing total, partial and pocket vetoes and having the authority to call for a plebiscite (Shugart and Carey 1992; Carey et al. 1997a; Tsebelis and Alemán 2003). On the other hand, the weakness of the party system and the lack of solid party support has been the nightmare of every Ecuadorian president (Conaghan 1995, Mainwaring and Scully 1995). In a comparative study of 10 American nations between the 1950s and the 1990’s, Deheza (1997) has shown that Ecuadorian presidents have had the lowest average support in the legislature between 1958 and 1994 (32.10%).

The volatile combination between a powerful executive (in terms of its constitutional prerogatives for unilateral action) with a *recalcitrant assembly* (who is unwilling or unable to collaborate) would describe Ecuador as a case of “structural and irreversible conflict that constraints and marginalizes political actors to engage in non-cooperative games” (Sánchez-Parga 1998: 55). In terms of policy outcomes, the theory

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76 In 1995, the presidential party literally disappeared from Congress when the only two deputies affiliated to the Conservative Party. A similar thing happened in 1981 and 2000, when the vice president assumed office without having a single legislator of his own party in Congress.

77 As it has been argued elsewhere, Executive-Legislative deadlock has not been an exclusive feature of the current democratic period: the most illustrative case is Mr. José María Velasco Ibarra who in 1933 led a legislative ousting of the Executive, and he dissolved Congress when president in 1946 and 1970 (Mejia-Acosta 1996b: 155).
of veto players would also predict permanent gridlock and stability of the status quo (Tsebelis 2002). How then, were presidents and legislators able to negotiate the significant economic reforms explained in Chapter 1? Did presidents compensate for their lack of partisan support by relying excessively on such constitutional prerogatives as veto and decree powers to push their reforms through Congress? The following pages evaluate the factors that may have influenced executive success in Congress, including additional variables such as the impact of job approval rates, the electoral cycle, and the breaking of party loyalties.

3. **The Ecuadorian Legislative Process**

Figure 3-2 illustrates the sequence of the legislative process in Ecuador. The political constitution approved in 1998 grants the right to initiate legislation to the president, Supreme Court, and individual legislators backed by their parties or a group of more than 10 legislators, and sets specific provisions for initiation of laws by cabinet members, regular citizens and other organized groups from society (Arts. 144-6). However, only the president can initiate bills related to fiscal reform, government spending or political-administrative reforms (Constitución Política 1994). The president of congress submits the bill to the corresponding legislative committee that in turn, may impose amendments that are voted on the floor during a first debate (Art. 147). Further amendments and committee revisions come to the floor again for a second debate after which, Congress has to approve it, deny it or modify it by the simple majority of its
members (Art. 150-2). The approved project has to be approved or rejected by the president.

In the first case, the bill becomes law and it is published in the Official Registry (Registro Oficial). If the president completely vetoes the bill, Congress would only be able to reconsider it after one year and approve it with an absolute 2/3 majority in a single debate. If the president partially vetoes the bill, the president could resubmit an alternative text and Congress would have to accept the amendments (allanamiento) or override the veto (and insist on its own version) with a 2/3 majority; in either case, it will appear published in the Registro Oficial. If congress does nothing in a period of 30 days after the bill is returned, the president's bill will become law.

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78 According to Art. 47 of the Internal Code of the Legislative Branch (RIFLE), Congress need at least 42 legislators to proceed with a debate. The required majority thresholds are: 2/3 N for a qualified majority required to make a constitutional change or impeach the president (where N is the total number of existing legislators), 1/2N + 1 for the approval of an organic law or minister dismissal.

79 Although this ability is known as a “partial or line item veto”, in reality the president is simply using his/her amendment power to rewrite significant parts of the bill and turn it into a new bill.

80 In case of controversial interpretation of the law of alleged constitutionality of the bill, there is a Constitutional Tribunal to make a final decision and solve any impasses between the executive and the legislature.
Finally, presidents can submit Economic Emergency Decrees (Decretos de Urgencia Económica) to congress. In their basic structure and timing, DUE's are treated like ordinary legislation with the only difference that, if Congress does not consider them in less than 30 days, they automatically become law and Congress would need to reconsider them through ordinary legislative procedure. Also presidents can only submit one DUE at one time.

3.1 Building a Model of Presidential Success

To overcome the problems of measuring success rates, an alternative approach is offered. The dependent variable examines the FATE of economic reform bills (approved,
not approved) that were submitted to the legislature by the executive between 1979 and
2002. A logit model is used to predict the likelihood of approval of an economic reform
bill initiated by the executive.

The first advantage is that it analyzes success in a specific domain of policy
change: those legislative initiatives that aimed at promoting economic liberalization and
improving efficiency in the market allocation of productive resources (Lora 1997).
Following the definition of economic reforms presented in Chapter 1, only executive bills
proposed along five main areas of reform are considered: trade liberalization, financial
reform, tax reform, privatization and labor code legislation (Lora 1997; Morley et al.
1999). A second important advantage is to analyze a significantly larger number of cases
with much greater detail. Included are all economic reform bills introduced by the
executive between 1979 and 2002 (N=277 bills). For each bill, information is provided
on its subject matter, who sponsored it, whether it was discussed/approved, and what the
outcome was.\footnote{81} This level of detail allows to model the interaction between partisan and
constitutional powers of the president as well as other variables such as popularity or the
electoral calendar in the approval of bills. It also allows to go beyond scandal politics
and model patterns of executive-legislative conflict and cooperation on a day-to-day
basis.

\textbf{a) Constitutional Powers}

In Ecuador, presidents have a tremendous agenda setting power to introduce
legislation (Carey, Shugart, Amorim-Neto 1997). The constitutional prerogatives for

\footnote{81} The units of analysis in the dataset (rows) are the fate of a legislative initiative in a given legislative term (from August to August). Thus, if a president failed to get a bill approved in one legislative term but it succeeded in the next, two entries for this bill are coded, with FATE=0 in year t, and FATE=1 in t+1. This coding rule adds 32 more cases to the sample.
agenda control come from the fact that he has exclusive initiative power in some
economic matters, the ability to use decree powers, the ability to veto and resubmit
revised legislation, with a 2/3-majority threshold for veto override, and even the
discretionary capacity to call a referendum on controversial matters, when Congress has
rejected legislation proposed via ordinary procedures.\textsuperscript{82} Presidential decree powers
became available to President León Febres Cordero in 1984 after a constitutional reform
approved the previous year, with the explicit purpose of strengthening his legislative
submit legislation by decree and these would become laws unless Congress revised or
amended them within 15 days. The Constitution however did not allow presidents to
make further (partial) amendments on the revised decrees, thus leaving Congress in a
position to amend decrees and make a take it or leave it offer to presidents.\textsuperscript{83} Only after
1998, were presidents allowed to make revisions to their amended bills, thus gaining
increased agenda control over legislation (Tsebelis and Alemán 2003).\textsuperscript{84} The
combination of strong decree with partial veto powers gave Ecuadorian presidents a
significant advantage over congress by Latin American standards (Carey and Shugart

\textsuperscript{82} What is more interesting is that these presidential powers increased over time as an appropriate
response to face what were perceived as being increasingly recalcitrant legislatures (Mejía-Acosta 2003).

\textsuperscript{83} This relative weakness actually discouraged some presidents from using decree powers between
1984 and 1998, since they could still make further (partial veto) amendments on ordinary legislation.

\textsuperscript{84} The Constitution allowed presidents to send some “alternative text”, leaving unclear whether it
meant \emph{rewriting} previous ammendments or \emph{simply adding} new text, but in practice, the best interpretation
was left in the hands of the president when he commanded a legislative majority. Legislator Alexandra
Dummy variables are included to account for bills initiated by decree (35% of sample) and the use of (partial) veto power (10% of all bills).

b) Partisan Powers

A recurrent explanatory variable present in the literature is the size of the legislative contingent that supports the president (Jones 1995; Deheza 1997; Amorim-Neto 1998b). First is the size of the presidential contingent in Congress in terms of the share of seats held by the president’s party ($PZ_{PARTY}$) in a governing coalition (Altman 2000). A larger presidential share in the coalition would have a positive impact on the fate of economic reforms. A second measure is the size of the government's legislative coalition ($PZ_{COAL}$), defined by the share of parties who voted for the president's candidate for President of Congress at the beginning of each legislative year.86

Cabinet formation ($CAB\_PARTY$) is used as a proxy for legislative support for the presidential agenda (Amorim-Neto 1998b).87 Increased partisan composition in the president's cabinet is expected to increase the probability of passing a presidential bill in Congress (1998b). This variable measures the congruence between the cabinet and the legislative party and it calculates the difference between share of cabinet seats held by a party and their share of seats in the legislature.88 The index goes from 1 (total cabinet

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85 With a stronger endowment of powers, post-1998 presidents could in theory effectively persuade congress to approve their bills with a simple majority of the votes (1/2 of N) in the early stages of the game, or choose to veto amended legislation and insist in passing a sub optimal bill by breaking an override coalition (i.e. by simply purchasing 1/3 of the floor votes).

86 From 1979 until 1998 the Ecuadorian Constitution established that simple majority should elect the President of Congress at the beginning of each legislative year, in August. A 1998 reform has ruled that the President of Congress should come from the larger party in Congress and extended the mandate to two years.

87 I thank Michel Rowland G. who generously provided me with the cabinet composition data for Ecuador.

88 This indicator is based on Rose’s index of proportionality (1984).
party congruence) to 0 (non-partisan cabinets). It is expected that higher cabinet-party congruence increases the chances of success of the president's bills in congress.\(^8\)

A fourth variable is the percentage of legislators who defected (switched out of) their parties in a given year (PSW). It matters to test the argument that party defections could be instrumental to helping presidents break opposition majorities and forming government coalitions (Mainwaring 1999; Desposato 2002). This variable is expected to be positively associated to legislative success.

c) **The Electoral Calendar**

Three different measures to capture the effect of time on the fate of economic reforms are considered. The underlying argument is that without the possibility for presidential reelection, presidents become lame ducks towards the end of their administrations since legislators have decreasing incentives to cooperate with an outgoing president (Coppedge 1994). As the next election approaches, a negative impact of time on the likelihood of approval of presidential bills is expected. The first step is to look at the ratio between the number of days elapsed between the beginning of the presidential term and the date a bill is initiated, divided by the total number of days in a presidential mandate \((OAN\_LAME)\).\(^9\) Given that for the most part of the period in study there was a complete renewal of congressional authorities at the end of every legislative year (in August), the model includes the number of days elapsed since the initiation of a bill as a proportion of the total number of days in a legislative year \((YEA\_LAME)\), to see whether

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\(^8\) Alternative measurements for this variable were considered, such as the partisan composition of legislative committees and the partisan composition of other congressionally elected offices such as Supreme Court officials and Electoral Tribunals. Unfortunately, this data remains incomplete and not reliable for use.

\(^9\) The complete formula for the Lame Duck Effect is \(1 - \frac{Nb}{Pt}\), where Nb is the number of days passed at the initiation of the bill, and Pt is the length of the mandate in days (Amorim-Neto 1998b).
presidents send and approve more bills at the beginning of each legislative period than towards the end of them. Finally, the model considers a simple measure of duration (the number of days elapsed since the submission of a presidential bill until its approval) to verify whether a speedier introduction and debate of a bill has a positive impact on its chances of approval ($LAPSE^2$). Finally, the model creates an interaction term ($ANTICIPA$) to combine the number of economic bills introduced to congress in a given year ($INTRO^*_EX^*_EC$) with the number of days elapsed since the initiation of a bill as a proportion of the total number of days in a legislative year ($YEA^*_LAME$). This is expected to have a positive impact on the likelihood of approval.

d) The Ideological Spectrum

Executive-Legislative cooperation and policy change is more likely to take place when the president and the Congress share significant ideological affinities (Tsebelis 2002, Krehbiel 1998). To test these hypotheses in a Latin American context, Coppedge's (1997) seminal work for measuring the ideological landscape of Latin American political parties is instrumental. First, the model considers a measure of the Mean-Left right position ($MLRP$) of ideological blocs that is how far to the right or to the left was the average congressional party in each legislative period (Coppedge 1997). The $MLRP$ indicator goes from -100 (all parties on the extreme left) to +100 (all parties on the right). Considering the economic differences between left and right parties, $MLRP$ is expected to have a positive impact on the FATE of approved bills, that is, a larger presence of rightist

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$^9$ Coppedge's classification is based on two main dimensions, the classic Right-left cleavage and a Secular-Christian divide. Additionally he codes for other parties that are consider personalistic, unknown or environmental, regional, ethnic parties. For a full description on the formula used and its country codings see Coppedge 1997.
parties in congress would increase the likelihood of approving reforms for economic liberalization.\footnote{It is also tested whether "non-traditional" centrist, personalistic and populist parties had a positive impact on the approval of economic reforms ($ZCENT$). The size of "center-center" parties (not included in the definition of Coppedge's $MLRP$), can represent up to 50\% of all congressional seats in the case of Ecuador. Findings for this variable are not reported, since it is highly correlated to PSW. A more thorough analysis of the roles of pivotal players is offered in Chapter 4.}

A second measure of ideological preferences ($DIST$) captures the distance between the legislator's $MLRP$ and the president's own policy position (given by the president's own party classification and/or a qualitative assessment of the policy changes endorsed during electoral campaigns or implemented in office in the case of populist, centrist or "other" candidates). It is expected to find higher probability of approval when interbranch policy differences are small.

e) Presidential Popularity

Here it is important to measure the impact of the president's job approval rates on the likelihood of getting legislation approved. Following Neustadt's work on the American presidency, if people perceive that the president is generally doing a good job, presidents would be able to persuade Congress to cooperate and share the benefits of having a good public reputation (Neustadt 1980). The same logic applies if the country is facing an external threat, war or a domestic natural disaster. However, a good public reputation could also boost the president's ability to go public and use the media to blame policy gridlock on Congress (Cameron 2000: 108). Grindle and Thoumi also provide evidence that Ecuadorian presidents played this "blame game" to persuade, explain and appeal for public support to his agenda, but also to discredit or blame Congress for
holding up economic modernization (1993: 160). To test this hypothesis, the model uses series on presidential popularity from Informe Confidencial. It is expected that the higher the presidential popularity during the approval of the bill (POLLSECU), the more likely it is that his economic reforms will pass in Congress.

4. Regression Analysis

Table 3-1 reports the coefficient estimates of the LOGIT regression. A cut-off point of 0.5 is established for positive and negative values of FATE. All models yield overall predictions of success and failure of over 65%. Two sets of models are reported, 1 thru 3 report success levels using presidential decree authority, and 4 thru 6 replicate the analysis without presidential decree authority. The regressions feature significant coefficients with the expected sign for decree powers, veto powers (when non decree is observed), the share of the government coalition, the share of party switchers, anticipated success, the elapsed time of approval and the ideological distance between the executive and the legislature. Significant coefficients, but with the wrong sign were reported for the mean-left right position and the size of the president's party. These results are discussed and illustrated below.

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93 More extreme actions included capitalizing on public support to threat with calling for a plebiscite to bypass congress and approve reforms.

94 The data contains bi-weekly of favorable popularity rates collected from a sample of over 1,000 respondents in Quito and Guayaquil since 1988. For previous data I rely on Market's yearly data. I thank Jaime Durán, Omar Simon and Tatiana Larrea who generously provided me access to this data.
<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
<th>Model 6</th>
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<tr>
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<td>-0.0164</td>
<td>-0.0295*</td>
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<tr>
<td>(0.0079)</td>
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<tr>
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<td>(0.0113)</td>
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Success correctly predicted: 69.63% 67.83% 72.03% 47.83% 43.84% 49.32%
Failure correctly predicted: 64.80% 67.91% 71.64% 78.00% 92.59% 90.74%
Overall Prediction: 67.31% 67.87% 71.84% 65.68% 72.93% 74.03%

N = 260 277 277 169 181 181

$\chi^2$ / Pseudo $R^2$ = 39.6/.1099 44.23/.1153 57.60/0.1501 28.49/0.1246 32.55/0.1333 37.43/0.1533

* Significant at a 0.05 level.
** Significant at a 0.01 level.
*** Significant at a 0.001 level.

NOTE: Standard errors reported in parenthesis.
4.1 Constitutional Powers

The first three models (1-3) report logit regressions for executive success, including the impact of presidential decrees. Not surprisingly, the use of decree powers largely explains presidential success: 70 of 97 decrees of economic urgency submitted to Congress were approved (72%). The use of decree powers yielded significant coefficients of the expected sign in all models.

Figure 3-3 illustrates the impact of using decree powers to get legislation approved in the Ecuadorian legislature. First consider an optimal or "consensus" scenario, one in which there is a large government coalition that has minimum policy differences with the president. Submitting legislation by decree would boost a bill's probability of success from .72 if decrees were not used to .93 if decrees were. In the opposite, "fragmented" scenario, when the president has large policy differences and a small partisan coalition, even the use of decree powers would not be significant to bring legislative success. This would be the case of "imperial presidents" who disregarded coalition politics and tried to bypass congressional opposition through the use of decrees, only to find fierce opposition from legislators.\(^9\) Holding all other variables constant at their mean values, the use of decree powers were in fact crucial to seal the fate of economic reforms in congress, boosting their probability of approval from .39 to .75. This finding lends support to Carey and Shugart's qualification that executive decree

\(^9\) When asked about the making of economic policy, former president Rodrigo Borja admitted that he did not include the opinion of the legislature: “sometimes is inevitable to hurt congressional sensitivities, but legislators do not have the relevant information to draft policy proposals.” (Interview, Quito, 2 July 1999).
authority is likely to be used more effectively in a context where there are preexisting conditions of political support (1998). From the perspective of veto players, Tsebelis' also argues that presidential agenda control (in this case, through the use of decree authority) can be more effective when there are fewer relevant veto players involved, as in the case of legislative coalitions (2002: 186).

The use of partial veto, dropped from the original analysis since it fully predicted success, is reconsidered in models 4-6. Controlling for the use of decree powers (decree = 0), the use of partial vetoes was also a powerful tool to break congressional opposition and get legislation approved. Presidents could use their veto powers to block unwanted legislation and insist on their most preferred legislation (Tsebelis and Alemán 2003, Cameron 2000, Magar 2001). Since vetoed legislation could be overridden only with a 2/3 majority, presidents only needed to persuade the necessary "pivotal" legislators to break a supermajority.96

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96 To minimize the cost of vote buying, presidents will seek the (pivotal) legislators with the closest policy preferences to his/her own ideal points.
4.2 Partisan powers

Surprisingly, regression models 1, 3, and 4 show that the size of the president's party has a negative and significant impact on the likelihood of bill approvals. Considering that presidents have never had a single party majority in Ecuador, this finding means that the larger the plurality, the smaller the possibility for approval of presidential bills. An intuitive interpretation of this finding would be that presidents with smaller or no party contingents in Congress were even more aware for the need to making coalitions with multiple parties in congress. In a comparative assessment of presidential and parliamentary democracies Cheibub and Limongi further strengthen this point: "the frequency of coalition and majority governments (under presidentialism) actually increases significantly when no party holds more than a third of the seats in the
In Ecuador, presidents with weak parties in Congress like Febres Cordero in 1985 (12.68%) and Durán Ballén in 1992 (15.58%) were able to form majority coalitions that approved a higher percentage of bills (64.71% and 65.22% respectively) than President Borja, whose party represented 42.25% of seats in Congress in 1988-1989 (and it approved 53% and 56% of his agenda). Even president Durán Ballén who lacked a government coalition in 1993 and 1994 was able to pass a higher percentage of initiatives (55% and 44%) than his antecessor Borja who in 1991 commanded a majority coalition but only got 25% of his legislative agenda approved by congress. This finding also challenges the conventional fear that a more fragmented party system makes coalition formation more difficult in presidential systems.

The coefficient estimates for the size of the coalition indicate that the larger the size of the coalition supporting the president, the more likely are reforms to be approved. The size of the president's coalition has a positive and significant impact at the 0.01 level in regression models 2, 3 and 5. Figure 3-4 shows that, holding all variables constant at their mean values, the size of the president's coalition has a moderate impact on the likelihood of approval of reforms. Once the size of the coalition reaches its mean value at 47.37% of congressional seats, the positive impact stalls around the 0.5 success probability range. Only when a large legislative support is backed with the use of decree authority, the probability of success boosts to 0.75 at the mean value and to .83 at the maximum coalition size. Chapter 3 further explores the incentives and political rewards for keeping a coalition together.

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97 They also found no significant differences with parliamentarian systems, but they overstate the conclusion that the incentives for coalition formation might be the same under regime types.
Finally, Mainwaring and Shugart's (1997) claim that presidential powers are likely to be used to compensate for the lack of partisan powers is partly confirmed at least for the case of decree usage and the size of the coalition supporting the president. These two variables are negatively correlated ($r=-0.1212$) and significant at the 0.05 level: the smaller the government coalition, the more likely that presidents will use their decree powers.

![Figure 3-4 Impact of the President's Coalition on the Fate of Economic Reforms (controlling for decree power)](image)

The percentage of legislators defecting from parties in a given year (reported in models 2, 5 and 6) does have a positive and significant impact on the likelihood of approval. What is more interesting is that the percentage of party switchers is inversely correlated with the size of the president's party ($r=-0.555$ at the .0001 level). During 1993, 1 out of every 4 deputies had defected from their party organizations, many of them to support the government's coalition (Mejía-Acosta 1999a). When asked what the motivations were for defecting from the party, one independent legislator explained, “It is
the only way (we) Provincial Deputies can obtain (from the executive) the approval of some priority policies that would serve our peoples".98 The hypothesis that "orphan" presidents (lacking congressional support) might have indeed promoted party defections from the opposition to complete their coalitions (Desposato 2002) is fully explored in Chapter 4.99

The reported evidence does not support the notion that a larger partisan composition of the cabinet could have a positive impact for gathering legislative support and approving economic reforms (Amorim-Neto 1998). Traditionally, Ecuadorian presidents have avoided partisan criteria when appointing their cabinet ministers, especially on the economic front. Conaghan explored how during the first years of democratic rule, and before the large debt crisis and the need for economic adjustment, presidents choose to isolate their cabinets from the political realm and staffed their ministries with technocrats accountable to the president only.100 The fact that many cabinet members had no apparent political affiliation did not mean that the president endorsed or appealed to the support of specific political groups or regions. Often, the distribution of cabinet positions was a clandestine process of congressional bargaining that was consistently denied by involved parties to save their reputation of "political chastity" (Mills 1984). While the appointment of new cabinet members generally

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99 One of the interesting findings of party switching patterns is that most of the party switchers came from centrist parties and small districts between 1979 and 1996 (Mejía-Acosta 1999).

100 President Hurtado best illustrated this attitude when he argued that he and three other cabinet ministers only administrated economic policies... and later they notified to other cabinet members: “I appointed all my economic cabinet based on the fact that they were not from the DP party. I did not want that (the discussion of) economic policy would fall in political hands”. Interview, Catherine Conaghan, Quito, March 29, 1986 (1994: 275).
announced the formation of new congressional coalitions, ministers also were impeached and even censored by legislators as a way to reshuffle congressional majorities.101

4.3 The Time Factor

Contrary to expectations developed from previous works on Ecuador and other Latin American democracies, the model finds no independent impact of the time factor on the likelihood of economic reforms approval (Amorim-Neto 2002). Both the timing of the initiation of bills, measured as the percentage of the mandate elapsed at the time of initiating a bill in congress, as well as the percentage of legislative year elapsed, are not significant predictors of executive success. One possible explanation would be that Ecuadorian politicians make strategic calculations with short time horizons in mind, due to factors like midterm congressional elections every two years (between 1984 and 1998), the prohibition on immediate legislative reelection (1979-1996), and several government changes in 1981, 1997 and 2000. Such a high degree of political uncertainty is likely to distort any long-term-strategic calculation on the part of legislators as well as presidents.

While the number of days left in a legislative period does not predict success, the interaction of this variable with the yearly number of economic bills sent to Congress has a positive and significant impact in models 2, 3, 5, and 6. This would suggest that presidents who acted more conservatively by sending fewer bills to congress towards the end of the legislative year were more likely to get legislation approved.

101 Other ways to measure the political composition of the government coalition is to look at the congressional appointment of control authorities in the Electoral Tribunal, Supreme Court Judges, Constitutional Tribunal members, Customs administrations, and the administration of State-Owned enterprises, who were for the most part chosen from a pool of presidential-nominated candidates. Another way to distribute political power was the configuration of legislative committees within the legislature, although party leaders did not seem to regard committee work as a strategic space for negotiating policy initiatives. Unfortunately, the available data does not offer comparable figures to do the analysis of the entire period.
The number of days elapsed from the initiation of the bill until its approval is also relevant for congressional approval. This coefficient has a negative and significant sign: the sooner a bill was considered, discussed and voted, the more likely it was to be approved. While this variable is associated with the use of decree power as a constitutional fast-track for controversial legislation (model 3), only 35% of the legislation contained in this dataset was initiated by decree. The variable remains significant when no decrees are used (models 5 and 6). This shorter "approval window" in Congress would be an indicator of the executive's interest in lobbying and negotiating specific pieces of legislation that were a crucial part of his reform agenda.

4.4 The Policy Space

Three measures of policy preferences were used in this model. First, the mean left-right position (MLRP) appeared to be significant but with the "wrong" sign, meaning that economic reforms were more likely to be approved by leftist parties. This is a very puzzling result indeed. From a methodological standpoint, it would be useful to reconsider the use of the MLRP index in a context where most political parties are clustered around vague, personalistic or centrist ideologies.

A more substantive interpretation suggests that the set of structural economic reforms usually considered by the literature (labor, markets, fiscal, financial and

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102 Between 1983 and 1997, the Ecuadorian Constitution established that legislation submitted as an economic emergency decree had to be considered (discussed, amended or rejected) by Congress in a 15-day window; after 1998, this window was extended to 30 days. After this period, executive decrees automatically become laws.

103 Furthermore, a dummy variable for the size of the rightist Social Christian Party (PSC) (not reported in the models here) had a negative and very significant impact on the approval of reforms.

104 Findings for the size of center parties (personalistic, unknown and other parties such as the indigenous Pachakutik), are not reported here because of its high correlation (.73) with the percentage of party switches.
privatization) may have different meanings for interest groups on the right and the left. For example, the leader of the rightist Ecuadorian Social Christian Party (PSC) had his members sign a public and notarized commitment not to create new taxes during the Mahuad administration. The party also opposed some trade liberalization reforms, but favored some labor (market flexibilization) reforms and opening of financial markets.\(^{105}\) On the other hand, the Left seized opportunities to push its own agenda and obtain significant concessions from President Mahuad at a strategic point in which he faced the option of passing no reform at all, or bargaining concessions with the Left. Paco Moncayo, leader of the Democratic Left Party (ID), acknowledged that in the aftermath of the Banking crisis of March 1999, when public sensitivities about banking scandals and freezing of bank accounts were high, his party took the opportunity to reintroduce concessions in the Law of Financial Institutions, as well as restoring Income tax (abolished by the PSC only six months earlier) as a new source of revenues.\(^{106}\) Pachakutik (PCK) leader Nina Pacari further explained that given the magnitude of the banking crises, the President had to comply with the conditions of the Left (instead of the party being subservient to the President) and include its demands in his policy proposal.\(^{107}\) President Mahuad approved the law of Financial Institutions with the help of PCK and ID votes in March 1999.

The model shows that the likelihood of approval of reforms significantly increases when there were narrower ideological differences between the president and

\(^{105}\) This puzzling finding is confirmed when disaggregating the MLRP components. The absolute share of leftist parties has a positive impact on approval of reforms, but (the absolute share of) rightist parties have a negative impact.

\(^{106}\) Interview, Paco Moncayo (ID-Nacional), Quito, July 6th, 1999.

\(^{107}\) Interview, Nina Pacari (PCK-Nacional), Quito, July 14th, 1999.
congress (DIST). Figure 3-5 shows that the use of decree powers can reinforce the favorable effect of ideological proximity on approval of economic reforms. At its mean value (37.7), the ideological distance predicts a 0.50 probability of success of reforms, but when decree powers are used, this probability goes up to .87 at its minimum distance and down to .59 when the ideological gap between the president and congress is the largest.

![Figure 3-5 Impact of the Ideological Distance Between the President's Ideological Position and the Mean Legislator on Policy Change (Controlling for Decree Power)](image)
4.5 Public Opinion and Job Approval Rates

Model 3 shows that job approval rates in Quito and Guayaquil do not have a significant impact on the likelihood of approval of economic bills (POLLSECU). More work could be done to accurately account for the impact of public opinion at different stages of the legislative process, not only at the time of congressional approval. In any case, this finding would confirm the conventional wisdom that Ecuadorian presidents and legislators are simply not accountable to their constituents, in partly due to the absence of legislative reelection.

4.6 Can Presidents Successfully Anticipate Congressional Reactions?

The model proposed that Presidents could take into account some criteria of past performance when assessing their current chances of success in the legislature. There seems to be an adjustment of future expectations of legislative success with the passing of time, a tendency that is called the learning curve. Passing a high rate of bills in the first presidential year could inspire optimism and make the president more likely to send more bills to Congress in the second year, as was the case with Roldós, Borja and Durán Ballén. After midterm elections renewed 85% of congress, presidents Borja and Durán Ballén had to win the support of a new legislative majority. With dimmer expectations of success, the optimal strategy would have been to “play it safe” and submit fewer initiatives to Congress, which they in fact did. During the last presidential year, the proximity of the next election has a strong negative impact on the chances of presidential success. The lame duck president could choose to: a) minimize damage by sending fewer but carefully-crafted legislative initiatives to Congress (Durán Ballén), or b) bomba
The Febres Cordero administration was an interesting case of an abrupt learning curve. Facing a large opposition in Congress from the start, Febres Cordero quickly adopted a dominating strategy and declared war on Congress. The first incident took place only a few months after his inauguration when the opposing majority appointed Supreme Court Judges. Unhappy with the appointments, Febres Cordero refused to remove the sitting judges, and ordered the military to prevent the new ones from assuming their responsibilities. The political deadlock lasted for three months until the legislators agreed to compromise with the president and new judges were elected (Ortiz Crespo 1987). To his “imperial” strategy (of bombarding Congress with bills and decrees during the first year), the legislature responded by blocking his agenda and approving less than 27% of it. In the second year, León Febres Cordero strengthened his strategy of “divide and conquer” politics: he disbanded the opposition by intimidation or co-optation, he abused his constitutional prerogatives over Congress, he manipulated the legislative elections, and even the voting of the legislative sessions (Burbano and Rowland 1998: 58). His success rate skyrocketed to 65% during this period. After the 1986 midterm election, a new contingent of legislators reorganized the opposition and counterattacked the president. Congress impeached several cabinet ministers and the legislative majority in the hands of the opposition approved only 10% of his agenda. The next year was marked by a major constitutional crisis, with the president being held hostage by military officers in the military base of Taura. This episode was crucial to lowering President Febres Cordero’s expectations from congress during the last year of his administration.
After August 1987, the “lion” had been finally tamed: he submitted a surprisingly low number of bills (9) and congress approved 5 of those (55%).

The theory of anticipated reactions suggests that successful presidents would be more likely to exercise *conditional leadership* when adjusting their expectations of success vis-à-vis the legislature (Shugart and Carey 1992; Cox and McCubbins 1993). But in a context of multiparty fragmented politics like Ecuador, presidents would have a more difficult time correctly predicting the preferences of the median legislator, perhaps due to high information uncertainty (Amorim-Neto 1998: 149). Presidents had little time available to learn to make correct predictions about the expected support in the legislature. If this learning did take place however, it could not be carried on to the next administration because of constitutional limitations for presidential reelection (and legislators too, until 1994).

5. **Conclusions**

This chapter refines the common portrait of policy-making in Ecuador, usually characterized by presidents who, lacking a solid party contingent, bombard Congress with urgency decrees when pushing for economic reforms (Conaghan 1995; Burbano de Lara and Rowland 1998; Sánchez-Parga 1998). First, the data show that between 1979 and 2003, presidents used decree powers in only 35% of the cases (97 decrees), although they were successful in 75% of the cases they used them. Reinforcing decree authority with (partial) veto power was a good strategy after 1998; before then, presidents’ sole

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108 The number of bills submitted by the president every year were also coded, as a way to determine the impact of using a more moderate or a more aggressive bill-submitting strategy. However, this variable had no significant impact on the likelihood of executive success.
ability to use total vetoes put them in an unfavorable situation to bargain reforms with the legislature (a take it or leave it kind of bargaining). With all other variables held constant, decree authority was an important tool to get legislation approved, but it was not a sufficient condition for legislative success. The use of veto power was also a significant tool for success, even when decree authority was not used. In addition to using constitutional powers, Ecuadorian presidents could not avoid building legislative coalitions and making ideological concessions to secure the passage of economic bills. Closing ideological differences and building multipartisan coalitions significantly improved the president's probability of approving legislation.

One of the most interesting findings is that the size of the government coalition mattered more than the size of the president's party for passing economic reforms through Congress. This finding, consistent with new evidence reported for other presidential regimes, underlines the fact that solely counting the number of parties be misleading for predicting coalition formation and executive success. There is also evidence to confirm that party defections may play an instrumental role in forming government coalitions.

The ideological polarization of congressional blocs also proved to have a significant impact on the approval of economic reforms. Presidents were more likely to get reforms passed when they narrowed the ideological gap between them and the mean

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109 Ecuadorian legislators (from governing and opposition parties) commented during personal interviews that it would have been foolish for presidents to expect the formation of automatic majorities in congress to approve their legislative initiatives. Furthermore, they resented that some presidents did not previously discuss and amend proposed bills with their own party, before sending the bill to Congress. Interviews. Paco Moncayo (party leader of Izquierda Democrática), Quito, 6 July 1999. Nina Pacari (leader of the Pachakutik party), Quito, 14 July 1999. Ramiro Rivera (leader of the governing Christian Democratic party), Quito, 12 July 1999.

110 Furthermore, in a context of minority governments such as the case at hand, the size of the president's party has a negative impact on the likelihood of approval (Cheibub and Limongi 2002).
legislator, possibly by making significant policy concessions. An unanticipated result of using the Mean Left Right Polarization index was that leftist parties, not right ones, were more likely to vote for economic reforms. In fact, the share of seats of the rightist Social Christian Party (PSC) was negatively correlated with executive success. This puzzling result casts some doubts over the validity of using an aggregate measure of "economic reforms" as a dependent variable as opposed to disaggregating the contents of each reform. Another alternative explanation should explore the meaning and policy goals pursued by rightist parties in Latin America. The next chapter explores the presidents' dilemma and tradeoffs of assembling coalitions with parties or individual party switchers.
CHAPTER 4
PARTY BROKERS AND VOTING UNITY IN THE ECUADORIAN CONGRESS

This chapter uses roll call data to make the first empirical analysis of party unity and coalition membership in the Ecuadorian Congress. The previous chapter showed that even imperial presidents who ruled by decree enhanced their success rates when unilateral powers were sustained with legislative coalitions. Contrary to what is commonly assumed by the specialized literature, these larger pro-government coalitions were more likely to be formed the smaller the president's party was in congress. The research question here is whether presidents were able to solve collective action dilemmas and assemble favorable majorities by relying on conditional party leadership and using party leaders as bargaining brokers (Cox and McCubbins 1993; Figueiredo and Limongi 2000) or whether they assembled piecemeal agreements by dealing with myriad rent-seeking legislators (Mainwaring 1999; Ames 2001). This chapter addresses two research questions: What explains party unity scores? How do presidents affect party unity (or how do party unity scores affect the likelihood of voting with the president)?

The model tests patterns of party unity by focusing on the nested relationship between three ideal key players: a) A president (P), who is a de facto coalition formateur with agenda setting powers, b) A party leader (L), who is assumed to be the median voter
or the commander of the legislative majority, and c) An individual legislator (V) whose vote, under certain circumstances, may become pivotal to make or break a legislative majority. If the conditional leadership argument is sustained, we should expect that L negotiates a proposal with P that all her followers V are willing to support. Under a vote-buying scenario, L has no leverage to enforce agreements and V's cut individual deals with P based on their potential pivotal status.

This chapter claims that even in fragmented Ecuador, presidents would prefer to bargain policy proposals with ideologically close party leaders to help reduce transaction costs. Roll call analysis reveals that Ecuadorian political parties had high voting unity scores. This surprising finding is not consistent with existing institutional accounts for party unity, that usually focus on the party leader's power over candidate selection, nomination and allocation procedures (Morgenstern 1996; Mainwaring and Shugart 1997), or their effective power to appoint legislative committees as rewards for enforcing voting unity among the rank and file (Santos 1999). Given the changing institutional structure of the Ecuadorian system, leaders did not or could not have direct access to these enforcing mechanisms: when leaders had control over candidate nominations in a closed list PR system legislators could not seek reelection (between 1979 and 1996), and when reelection was allowed again, the electoral system was also changed to allow an open list preferential voting system (between 1998 and 2002). Challenging existing predictions for high party disunity in Ecuador (Conaghan 1995), this chapter brings back the notion of conditional leadership to explain the case of Ecuador. Party leaders are modeled as political brokers who may offer to whip up the necessary votes to pass the president's agenda in exchange for policy concessions, key cabinet positions, pork and
patronage for the rank and file. The flow of presidential rewards in turn expands and reinforces the informal authority that party leaders had over the rank and file. In general, and consistent with the comparative literature, party unity scores in Ecuador tend to vary with the party's ideological position, with highest unity scores found on left parties and lowest on centrist, personalist and populist parties.

High unity scores played a significant role in the party's likelihood of voting with the president. The model finds that parties who had a previous record of discipline in any given year, had a greater likelihood to vote the president's proposals, and parties who voted with the government in turn, showed higher unity scores than those in the opposition. Consistent with other works, the likelihood of voting with the government decreased with the proximity of new elections. However, the likelihood of government cooperation remained unaffected by the ideological position of political parties or decreasing presidential job approval ratings.

The chapter framework suggests that the presidential strategy of pure vote buying -purchasing individual legislators with selective material rewards- was not a widespread practice as commonly believed, but rather, a marginal decision to provide insurance against uncertain voting majorities. When presidents opted to break opposition parties and bypass party leaders to attract a few defectors, these rebel legislators were usually individuals with short legislative careers, elected in smaller -usually poorer- districts, and with a previous record of party switching.

Chapter 4 proceeds as follows. The first part provides a brief review of the relevant literature on party unity and government voting, with a specific application to the Ecuadorian case. The second part elaborates a delegation (principal-agent) argument to
explain the puzzle of legislative unity. The third part empirically tests the proposed model by looking at two different tiers: determinants of party unity, and unity patterns when voting with the president. The fourth part analyzes the relationship between party brokers and unity scores, and the fifth part concludes.

1. Agents of Unity: Voting Patterns and Government Support

In a parliamentary setting, disciplined party behavior is crucial to ensure the legislative success of the governing coalition, thus contributing to its long-term survival. This chapter starts from the premise that under separation of powers, government success and party unity - the legislators' tendency to vote together on the same issue - are two separate phenomena. Party unity may have ambiguous effects on the president's ability to pass legislation through congress depending on the nature of the government coalition and the strength of the opposition. A solid (unitary) party or coalition may be an invaluable asset to push the president's agenda through congress, but it may also become a working nightmare if the president does not enjoy majority status and opposition parties firmly vote against its policy agenda. In this sense, a loosely unified legislative partner can become an unreliable coalition partner if the president's majority depends on it, but it can also become an asset if party members abandon the opposition to help the president break a legislative gridlock. The following pages present a separate analysis of the theoretical conditions and the empirical implications of party unity and government support.

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111 As it is explained later, party unity is a generic label used to describe patterns of disciplined voting as well as party cohesion.
1.1 Party Unity in Comparative Perspective

Why do legislators vote together on the same issue? Is it because they share common personal preferences around ideology and beliefs (cohesion), or is it because there is a delegative authority or party leader who enforce unitary voting (discipline) in exchange of individual or collective incentives? For the purpose of exploring both alternatives, voting unity refers to the tendency of legislators to vote together on a given issue, regardless of whether they resulted from imposed discipline or natural cohesion. Advocates of non-partisan approaches claim that legislators are independent “single-minded seekers of reelection” whose congressional behavior is strongly shaped by their willingness to please the needs and demands of their constituents (Mayhew 1974: 4). For them, legislatures are like "town hall meetings" where no specific assumptions are made about the roles of political parties, leaders or committees shaping voting patterns (Krehbiel 1998: 25; Cox and McCubbins 2004). According to Mayhew, legislators accomplished their goals by keeping a vibrant electoral connection with their constituents, while leaving it to other legislative agents to take care of "institutional maintenance" procedures in Congress: agenda control, establishing internal rules, etc (1974: 149). Consistent with a non-partisan approach, some claim that legislators can be best portrayed as rent seeking individuals whose voting behavior is not determined by party loyalty or electoral motivations but by the availability of obtaining pork and patronage for their districts (Ames 1987; 2001).

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112 An even more independent view is presented by Krehbiel (1998) for whom legislators are rational maximizers of their own utility functions (preferences). Thus, for each relevant issue, legislators could be located along one policy dimension according to their individual preferences (say, from the most liberal to the most conservative legislator) and their tendency to vote together (cohesion) would be given by the spatial proximity of other legislators' utility functions (Krehbiel 1998). Besides convictions or self-interest, this idiosyncratic pattern of voting could also be explained by the presence of regional or ethnic affinities.
Scholars have argued that open list type proportional representation systems may also privilege a closer "electoral connection" between the legislator and its constituency (Cain et al. 1987; Carey and Shugart 1995). Under closed-list proportional representation systems however, reelection oriented legislators have to first gain the party's nomination from the leader and then compete for the votes (Mainwaring 1999). Inasmuch as party leaders control the electoral fates of the rank and file, they emerge as relevant agents of party unity (Mainwaring and Shugart 1997b; Morgenstern and Nacif 2002). Thus, leaders would have greater ability to enforce unitary voting if: a) they control candidate selection, b) they control the order in which candidates are placed in a (closed) party list, and c) electoral rules require the pooling of votes amongst party candidates to distribute congressional seats (Mainwaring and Shugart 1997: 421; Morgenstern 1996). Once again, the "electoral strength" of party leaders is based on the premise that legislators are primary reelection seekers. When legislators are unwilling or unable (by constitutional restrictions) to seek reelection, advocates of a "progressive ambition" approach have claimed claim that party leaders could contribute to advancing their members' political careers and ambitions beyond the legislative arena (Carey 1996; Samuels 2002).

From the perspective of legislative organization, Cox and McCubbins (1993) contend that party leaders are able to structure rules and legislative procedures to provide incentives for unified voting. Acting under the premise that individual legislative action would not suffice to deliver effective policies to the electorate -but in fact risk electoral punishments for negative performance- party leaders are crucial to lower transaction costs and create consensus around policy proposals in order to attract favorable electoral tides in the future. In this perspective, a party organization is a label that contains useful
information for the voters: what is the party platform about, what ideology does it represent, how their beliefs translate into policies. In this sense, parties are no more than an "informational shortcut", a "brand name" that conveys policy preferences and policy choices to the electorate (Kiewiet and McCubbins 1991). Leaders reward disciplined voting by contributing to the advancement of their members' policymaking, vote seeking, or office seeking objectives (Kiewiet and McCubbins 1991; Cox and McCubbins 1993; Aldrich 1995). Building on different theoretical traditions, both approaches to party unity are grounded on the same premise: legislators are ultimately concerned with some kind of “electoral efficiency” goal, whether it produces an individual (non-partisan) or collective (partisan) benefits. A more recent approach to party unity is less concerned with the "unit of analysis" but the roles played by different legislative groups or agents such as factions, parties or coalitions (Morgenstern 2004). These are defined in a hierarchical relationship with a principal (the voters) and are inherently defined by their ability to take concerted or coherent action (2004: 4). For Morgenstern, legislative agents can also use electoral incentives or legislative rules to advance or hinder their members' policy making, electoral and other goals. The next section illustrates how these explanations of voting unity can also shape the executive's strategies for assembling congressional support.

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113 Working from the perspective of party organization, Panebianco differentiates parties' collective incentives to voting together (by appealing to notions of identity, solidarity, and ideology) from a set of selective incentives to do so (Panebianco 1988). This distinction will become more relevant as the party leadership argument is further developed.

114 Morgenstern focuses on two relevant dimensions of legislative dynamics: first, the identifiability as a necessary condition for accountability (the who dunnit question), and the flexibility or the agents' willingness to work with another. Patterns of voting unity are associated with the first (2004: 19).
1.2 Government Support in Comparative Perspective

The defining features of partisan and non-partisan approaches to party unity also help explain different strategies available to presidents when assembling legislative support. For defenders of non-partisan approaches, individual legislators can be depicted along a spatial single policy dimension that ranges from the most conservative to the most liberal. Thus, the president's ability to assemble a legislative majority -they claim- would depend on correctly anticipating the ideal policy (ideological) preferences of the median legislator and accommodating his own to the most preferred policy (Krehbiel 1998). In a context where legislators are assumed to privilege rents over policies and party labels are poorly relevant, party leadership "rarely matter very much in determining (disciplined) cooperation or defection" (Mainwaring 1999: 141). Thus, when it came to voting with the president, cooperation was secured through individual vote buying mechanisms (Ames 1987), but often times leaders were unable to persuade deputies to support presidential proposals, even after lavish pork-barrel spending (Ames 2001: 188).

Party oriented approaches bring back the role of party leaders to help presidents make a single wholesale purchase, instead of making individual retail purchases. In this light, party leaders are not only as agents of unity but also legislative brokers - intermediaries in charge of making collective bargains with the president who is the de facto coalition formateur (Amorim Neto and Santos 2001). Scholars claim that isolated acts of independent voting do not affect policy outcomes; whatever their short-term beliefs, individual legislators are better off endorsing party leaders who would in turn extract political concessions from the president (Carey 2002, Cox and McCubbins 1993, Figueiredo and Limongi 2000). While scholars concur on the importance of delegation,
they disagree on the goals that help advance individuals' personal ambitions. Some of them stress on ideological or policy concessions (Figueiredo and Limongi 2000), political office (Carey 2002; Samuels 2002), enhanced agenda control (Tsebelis and Alemán 2003) or committee allocations (Santos 1999), or pork and patronage for their own benefit (Mainwaring 1999).

1.3 Party Unity and Government Support in Ecuador: Retail or Wholesale?

Ecuador is an especially problematic and understudied case when it comes to explaining patterns of party unity and government support. Lacking empirical studies of roll call voting, scholars relied on institutional—mostly electoral—features to implicitly adopt a non-partisan approach in explaining low levels of party unity, high defection rates and widespread vote buying in exchange of government support (Conaghan 1995; Burbano de Lara and Rowland 1998; Sánchez-Parga 1998). This section challenges the conventional premises found in the literature to suggest that party leaders are effective agents of party unity and government support in Ecuador.

a) Party Leaders as Agents of Unity

Party leaders in Ecuador are believed to have weak or no influence on the political careers of the rank and file. Despite the fact that party leaders controlled candidate nominations, vote pooling and the placement order in closed list proportional representation races, Morgenstern is surprised to find that "voters apparently placed little weight on the party label, legislators could dissent on votes, repel leaders' demands and even switch parties without jeopardizing their electoral prospects" (2002: 422). One

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115 Some critics have recently puzzled over the question of why political parties remain central agents of representation in the Ecuadorian democracy, despite widespread public discredit and the recent adoption of open list personalized voting (Freidenberg and Alcántara 2001; Pachano and Pizzarro 2002).
explanation is that legislators were banned from seeking immediate legislative reelection between 1979-1996, thus leaders had no leverage to influence their legislators' electoral prospects during this time. When legislative reelection was allowed again since 1996, the electoral system also changed to feature an open-list-type of formula to elect legislative representatives, thus taking power away from party leaders to make electoral nominations. In this sense, Ecuador offers students of legislative politics a "natural experiment" to test the combined impact of electoral variables on party discipline: strong party influence-but no reelection before 1996, and reelection with weak party influence afterwards. While these electoral (contradictory) features predict weak party leadership, electoral competition explains only half of the party leadership strength.

Inside the legislative arena - a topic much ignored by students of Ecuadorian politics-, party leaders can wield significant powers over the rank and file from their control of internal legislative procedures, such as agenda setting powers, committee allocation, staff and other resources available to party leaders, especially the president of congress.

A second brand of the weakness of party leaders argument is based on the premise that legislators were not interested or not able to seek legislative reelection. Beyond the congressional arena however, legislators may be interested in advancing their

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116 Only after 2000, party leaders regained control of candidate nomination with a constitutional provision to allow for "vote pooling" in the distribution of seats, which combined with legislative reelection should provide leaders with more resources to enforce party discipline, but this question is beyond the current research project.

117 Some of these included discretionary powers to appoint once a year the members for the five main legislative committees that formed the Plenario de las Comisiones Legislativas, the main deliberative body in congress. They also played a crucial role for the appointment of electoral, judicial and constitutional authorities, representatives to state run companies, and international organizations. Leaders also enjoyed agenda setting power, to block or promote policy proposals dear to party members on the voting floor or the relevant committees.

118 Empirical studies confirm that only 1 in 10 legislators were reelected to congress until 1996 and the reelection rate rose to 30% after that (Mejia-Acosta 2003).
progressive ambitions, by pursuing a political career in local or city governments or even government bureaucracies (Lujambio 1995; Carey 1996; Samuels 2003). In this sense, party leaders may reclaim some leverage to reward party discipline by helping the rank and file advance their progressive ambitions. Party leaders can for example, play a leading role in candidate selection, ordering and allocation in sub national elections for city and provincial governments, as well as contribute to their placement in national, sub national government agencies and diplomatic posts. As shown by legislative elites surveys, other valid goals such as making public policies, bringing resources for their provinces, rent-seeking objectives should not be a priori discarded from the basket of valid legislative goals.

b) Party Leaders as Brokers of Government Support

It is commonly argued that presidents -in the absence of party leaders- gathered legislative support through widespread vote buying. This practice is defined as the distribution of selective incentives (material rewards, particularistic concessions, pork, patronage) to individual legislators in exchange for supporting his legislative agenda or hindering the opposition's. After all, in a presidential system like Ecuador party leaders could not compete with the agenda setting, the political and the material resources of the president. Yet, vote-buying explanations for extracting legislative support present two contradictions.

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119 Presidents could freely appoint cabinet and sub cabinet ministers, provincial governorships, sub national, and diplomatic positions, but he co-participated with Congress in the appointment of Supreme Court Members (until 1994), Constitutional Tribunal, Electoral Tribunal, Authorities of Control, (Burbano and Rowland 1998, Mills 1984: 41). Additionally, presidents had access to a wide range of particularistic payments and extra budget spending for pork barreling, transfers to localities, and significant discretionary spending powers. Only in 1994, a popular referendum took discretionary spending powers away from the president, but other means were devised to distribute political influence (Araujo 1998).
First, vote buying yields uncertain outcomes. In theory, if every legislator is his own agent, they have the potential of becoming "pivotal" for the success of a minimum winning coalition, meaning that they "can blackmail the leadership with the threat to single handedly change the expected result" (Londregan 2002). Party leaders in this sense, can significantly contribute to expanding the president's possibilities of legislative success since they know the rules of the legislative game. In other words, party leaders control legislative committees, important agenda setting powers and internal legislative rules that can help approval of the president's agenda on a given vote or prevent larger congressional defeats.\footnote{Another way to effectively offset the threat of pivotal players is to assemble larger-than-necessary majorities or "supermajorities" so that no legislator can consider him/herself crucial for breaking a majority (Groseclose and Snyder 1996). The rationality for buying supermajorities is that the increased cost of having to bring more members into the coalition can be more than offset by a reduction in the bargaining power of individual coalition members (Londregan 2002: 359).}

Secondly, vote buying is expensive. While presidents do enjoy the monopoly of material and political resources, their value may erode over time (as in the case of cabinet positions) and they would not suffice to keep up with the changing-and unknown-demands of each legislative coalition every time a new vote takes place.\footnote{The values of political office erode over time, as no politician would want to be visibly identified with collaborating with the government, especially as new elections come closer (Coppedge 1994; Magar 2001).} Unlike presidents, party leaders have more direct and updated information about the preferences, goals and ambitions of their rank and file, as well as other parties', which can be instrumental to bargaining collective packages of benefits over time in exchange of sustained legislative support. Simply said, party leaders can facilitate the bargaining process by allowing presidents to deal with "the circus' owner, not with the clowns", as it is commonly captured by the local slang.
Table 4-1 summarizes the existing partisan and non-partisan approaches to party unity and incorporates the revisions to the literature or what is here called a conditional agent approach. Like Morgenstern, this approach also takes into account the fact that parties or sub party units (factions, proto parties) can become valid agents on the legislative floor (2004). But this framework offers a more comprehensive view of the bargaining process in which party leaders play a crucial role as legislative brokers.

**TABLE 4-1**

**APPROACHES TO VOTING UNITY AND GOVERNMENT SUPPORT**

<table>
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<tr>
<th>Approach</th>
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<th>Party Unity</th>
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<td>Pork and patronage</td>
<td>Highest bidder</td>
<td>Ames 1987, 2001</td>
</tr>
<tr>
<td>Electoral Competition</td>
<td>Party Leaders</td>
<td>Reelection</td>
<td>Candidate nomination, selection and allocation</td>
<td>Policy concessions, pork, patronage</td>
<td>Mainwaring and Shugart 1997, Morgenstern 1996</td>
</tr>
<tr>
<td>Progressive Ambition</td>
<td>Party Leaders</td>
<td>Political careers</td>
<td>Beyond the legislative arena</td>
<td>Office, pork, patronage</td>
<td>Carey 2002, Samuels 2002</td>
</tr>
<tr>
<td>Conditional Government</td>
<td>Party Leaders</td>
<td>Reelection and policy</td>
<td>Conditional leadership</td>
<td>Policy concessions</td>
<td>Cox and McCubbins 1993</td>
</tr>
<tr>
<td>Conditional Agent</td>
<td>Leaders as Brokers</td>
<td>Multiple</td>
<td>Collective benefits</td>
<td>Policy, office, pork and patronage</td>
<td>This volume</td>
</tr>
</tbody>
</table>

The legislative success of these political brokers consists in satisfying two closely dependent conditions: to be a reliable and continuous source of legislative support for the president, and to bargain and provide their followers with the necessary incentives to vote together in the policymaking process. In this sense, legislative bargaining can be modeled as a two-stage game: first, a cooperation game takes place between the president and the broker, and a second -simultaneous- game occurs between the leader and group
members. The next section develops a delegation model to formally explore the conditions for party discipline and government support.

2. **A Delegation Model of Party Unity and Policy Change**

Recall the three ideal decision makers in a legislature: a president -and his legislative party- (P), the leader of the largest congressional party (L), and a pivotal player (V) who is a member of L but has the potential for reversing a possible outcome. As explained in Chapter 2, the explanation of possible outcomes depends on the weights of each player (relative size, discipline), their utility functions and the initial position of the status quo (SQ).

2.1 **Players' Preferences and Utility Functions**

For simplicity, let it be assumed that a president proposes a significant policy change away from the SQ. It is further assumed that the president wants to pass legislation at his ideal point and at the lowest possible transaction cost. The leader of the largest congressional party (L), is mostly interested with maintaining and expanding his sphere of political control vis-à-vis the rank and file, by extracting larger concessions from the government.\(^2\) For a party leader, building a reputation for bringing solid discipline is crucial to increase the president's attention in the next round of bargaining. If the leader does not enter the governing coalition, due to ideological reasons or simply because his promised support was outbid by another party, the leader would still prefer to

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\(^2\) The assumption would still hold true even if the president is the leader of the largest party in congress since -in the absence of presidential reelection-, the government party also needs to receive incentives for cooperation.
command unified voting in the opposition. If the party leader is unable to maintain
unified control of the party, he would still prefer to gain access to perks and payments
from the government (while "releasing" a few undisciplined votes), than not being part of
the coalition and not being able to enforce a solid opposition vote. Finally, from the
perspective of the individual -and potential- pivotal player (V), she faces the double
dilemma of obeying her party leader and/or voting with the president. Her choice
would be guided by the outcome that maximizes her own selfish interest (Mayhew 1974).
In theory, this "maverick" legislator is more likely to extract larger and more selective
concessions from the president (thus skipping the authority of her party leader) if she is
perceived to be in a pivotal position. If she is not the "chosen one" to make or break a
coalition, she would maximize her goals by staying loyal to the party and obtaining a
share of the cooperation payments or maintaining a collective opposition, rather than
going it alone and opposing both the president and the party. A proposed ranking of
player’s preferences (president, party leaders and legislators) and proposed distribution of
payoffs is summarized in Table 4-2.

\footnote{V’s potential for becoming a pivotal player, and single handedly reversing the outcome of a vote,
depends on the size of the voting threshold and the narrowness of the vote (Pérez Liñán 2003).}
### TABLE 4-2

**A COOPERATION GAME FOR POLICY CHANGE**

<table>
<thead>
<tr>
<th>Party leader's decision</th>
<th>President's proposal</th>
<th>Legislator's decision</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cooperate</td>
<td>Cooperate</td>
</tr>
<tr>
<td></td>
<td></td>
<td>I. Partisan Coalition (6, 4)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>II. (Tolerated) dissent (2, 0)</td>
</tr>
<tr>
<td></td>
<td>Defect</td>
<td>III. Vote buying (0, 6)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>IV. Partisan Opposition (4, 2)</td>
</tr>
</tbody>
</table>

L's ideal preferences: I > IV > II > III  
V's ideal preferences: III > I > IV > II  
P's ideal preferences: I > II > III > IV

Given a proposed policy change by player P, party leaders can choose to support or oppose it and party members can also choose to support or challenge the leadership’s decision (and consequently opposing or supporting the president). Four hypothetical scenarios (I thru IV) become available. If both agents choose to cooperate with the president (and with one another), we observe a partisan coalition (scenario I); but if both abandon the president, there is no partisan cooperation (scenario IV). These outcomes take place under absolute party discipline, that is, leaders can effectively whip all party members to enforce the party line. But if legislators challenge the leadership, two possible outcomes become available: the leader promises to support the president but individual legislators vote against it (scenario II), or the leader who refuses to cooperate with the president cannot prevent the betrayal of some individuals (scenario III). An alternative scenario (or a case of "tolerated dissent") may occur when the party leader

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124 In this scenario, the party leader is unable to punish dissidents by expelling them from the party since a smaller party contingent would be their own loss.
knows there are enough votes to pass legislation and voluntarily "releases" some legislators by allowing them to stage publicity stunts opposing the party decision (Carey 2002). The southwest box is a case of outright “vote buying” if the executive simply negotiates support directly from the legislators bypassing the line imposed by the party leadership.

2.2 Sequence of the Game

Table 4-2 illustrates a cooperation game between presidents, party leaders and individual legislators in which there are visible gains from the trade. Player P makes a policy proposal to congress and the leader of the largest party L has to decide whether to cooperate or not with the proposed policy option. L makes her decision based on the ideological distances between her own (and party) ideal preferences and P's. If P's proposal lies outside the range of her acceptable options, she would decline to cooperate unless there are side payments (office, pork, patronage, other concessions) offered by P. From the perspective of the self-interested "maverick" legislator V, her decision is to comply with the party's leadership or not. For the reasons previously discussed, she will remain loyal to the party unless her own ideal preferences are closer to P's than to L's, or her policy preferences are far from P's but she is overcompensated with side payments to abandon L and vote closer to P. Finding the equilibrium outcome for this cooperation dilemma requires solving the game by backwards induction, by first considering the ideal preferences and motivations of V, and calculating how L and P adjust their game.

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125 A more complete version of the bargaining game should take into account the non-cooperative game that takes place among different parties that compete for presidential favors. That interaction can be properly modeled as a zero-sum game in which the gains of one party are the losses of another.
strategies accordingly (Morrow 1994). From this premise, it can be argued that ceteris paribus V's dominant strategy is to directly offer support to P's proposal (in exchange for particularistic payments) rather than missing out a bargain. L's best response is to capitalize on V's willingness to collaborate by offering cooperation at wholesale. This theoretical exercise strengthens the argument that other things being equal, presidents would prefer to propose and maintain deals with party brokers (outcome I), even if they do not always deliver full legislative support (outcome II), rather than engaging in individual negotiations with pivotal players that can be expensive and uncertain. For P, vote buying appears as a sub optimal outcome (III), and legislative gridlock or policy stability (no agreement) is the least preferred solution (IV).

The next section tests the theoretical premises advanced so far. It is expected that presidents would prefer to reduce transaction costs by cutting deals with party leaders, who would in turn broker deals with the rank and file. Presidents would prefer to make policy concessions before offering other political or material rewards. Breaking party ranks through individual vote buying of party dissidents and party switchers should occur at the margins of negotiations. Thus, vote buying should be targeted to the most politically vulnerable legislators to maximize the certainty of the outcomes. The president's bargaining leverage should erode with the proximity of new elections, as party leaders run out of rewards to enforce discipline.

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126 In principle, preference aggregation from different players often leads to the formation of cyclical majorities that can lead to ambiguous predictions of voting effects (Tsebelis 2002). Agenda setters (in this case P and L) play a crucial role to structure the ordering of choices available to other players (V) in order to produce specific outcomes (Shepsle and Weingast 1984).
3. Testing Party Unity Patterns in Ecuador

Much skepticism remains in the discipline regarding the value of using roll call data to accurately reflect the political bargaining process before a vote is taken, or because they already have selection bias, by ignoring all the votes that were not brought to the voting floor. Nevertheless, roll calls are useful instruments to discriminate "the ins from the outs" on a final legislative outcome and contrast general party behavior patterns across issues and time. This chapter builds on a dataset made of 51 roll calls gathered from the Diarios de Debates of the National Congress of Ecuador between 1980 and 2001. It contains three types of votes that reveal information about the economic reform process. Type-I votes are roll calls on executive-led reforms in key reform areas such as privatization, market liberalization, fiscal reforms, labor regulations and social security. Type-II votes include congressional impeachments of economic cabinet members, including Finance and Energy Ministers, as well as the congressional votes to impeach Vice President Dahik (1995) and to dismiss President Abdalá Bucaram (1997), both of which were indirect expressions of anti-reform movements. Type-III votes look at congressional designations of economic and control authorities including General

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127 For recent discussions on the meaning and usefulness of using roll calls as a measure of party unity, see Ames 2001, Krehbiel 1998, Morgenstern 2004.

128 Because roll call data has never been systematically coded in Ecuador, these votes were coded directly from the Diarios de Debates at the Congressional Archives. Over 250 potential relevant votes were identified, and searched for the minutes of the days in which the final vote (in second debate) was taken. We then coded the votes for each legislator, including information (not used in the models) on whether an alternate legislator cast the vote, and whether it was cast on the first or second call.

129 The roll call dataset contains 5 type-I votes, 11 type-II and 33 type-III votes.

130 Vice President Dahik was acquitted of corruption charges by Congress, but the impeachment procedure was the result of a broken alliance with the rightist PSC party and former alliance partner in the approval of modernization laws. Bucaram was dismissed on the grounds of mental insanity, but his critics were truly concerned with increasing government corruption and its inability to produce credible economic reforms.
Comptroller, Attorney General, Banking Superintendent, Communications Superintendent, and Central Bank Board Members.

In the case of ordinary laws (type-I votes), levels of support are simply reflected by individual or partisan votes in favor of the president's proposal (AYE). Article 74 of the Internal Code of Legislative Procedures (RIFLE), which implements the rules of the organic law, establishes that all ordinary laws must be approved with a simple majority of all voting members (aye + nay + blank votes). Nonvoting can be modeled as a strategic form of collective action when individuals want to support or oppose a specific vote without casting an effective endorsement one way or the other. While this strategy is fully explored in the framework of informal institutions (Chapter 6), its logic is to avoid making a public statement of preferences, and silently endorse a preference or "vote without voting" (Ames 2002, Carey 2002). The impact of nonvoting (abstentions and absences) is considered as the same category when the voting rule requires a fixed threshold to approve an initiative. For example, in the case of a veto override, congress can override a previous amendment made by the executive with a two thirds majority of all members (82 of 123 members). Any vote shorter than those required to meet the majority threshold (such as abstentions or absences) has effective implications for the vote count since it can single handedly reverse the expected outcome. In the case of impeachment votes, the Organic Law of the Legislative Branch (LOFL) requires a qualified majority to dismiss the president or the vice president (Art. # 103), and an

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131 As it will be fully explained in chapter 6, President Noboa cancelled a congressional veto override and pushed ahead his fiscal reform proposal, by "purchasing" enough absent and abstention votes to break the opposition's required 2/3 majority.
absolute majority to dismiss cabinet members (Art. # 95). Support for the president is coded when legislators opposed impeachment procedures. In the case of congressional appointments, Article #82 of the Constitution requires a qualified majority to elect the General Comptroller and an absolute majority to elect everybody else. Support for the president is coded when legislators elected the president's most preferred candidate or "candidato oficial".

To measure patterns of party unity, the model uses the conventional Rice Index of party discipline (Anderson et al. 1966) which is simply the difference (absolute value) between the number of party members of party \(i\) who voted for the initiative \(j\) (AYE) and those who voted against (NAY) divided by the total number of votes. The resulting index ranges from 0 (indicating a perfect split vote) to 1 (unanimity). All models feature four additional modifications to the sample. The first one is to exclude from the analysis all parties with two or fewer members since it is difficult to make significant interpretations of voting trends when there are so few permutations possible (Carey 2002: 4). The second step is to correct for upward bias. Desposato (2003) argues that there is an underlying connection between party size and discipline, that is legislators tend to vote together in small parties, thus causing Rice indexes to be artificially inflated (thus the bias). The correction to this problem is to use random sampling to make the larger

\[^{132}\] The Bucaram dismissal was decided with an absolute, not qualified majority, since the legislative opposition decided to carry out the vote as a legislative resolution (to dismiss him on the grounds of mental incapacity), not through a formal impeachment procedure for which the opposition leaders needed a qualified majority they could not obtain.

\[^{133}\] There was a brief reform approved in 1997 to extend the absolute majority requirement to designate the Attorney General, and the Banking, Communications and Telecommunications Superintendents. But the 1998 Constitutional Assembly (Art. 130) reestablished the existing thresholds.

\[^{134}\] Bias is a problem when there are multiple small parties with low cohesion and/or party size varies a lot especially with a key variable. The problem is that the probability of observing party unity is higher when the party size is smaller.
parties small, and take the means of the random samples as the new corrected cohesion scores. All the unity scores used in this analysis are corrected for upward bias. The third step is to choose an arbitrary threshold to discard those votes in which voting consensus prevailed, since it may inflate the measurement of party unity. Instead, the votes in which at least 25% of members in a party opposed the winning side are considered, reducing the data universe to 38 votes (Mainwaring and Pérez Liñán 1997). Finally, dummy variables are added to control for each vote type, assuming that the bargaining of voting for economic laws, impeaching a cabinet member, or designating economic and control authorities respond to different rationales.

3.1 Explaining Party Unity Scores

This section offers empirical evidence to test whether non-partisan approaches are well-suited to explain legislative dynamics in Ecuador. The roll call data shows a different picture. In the absence of legal restrictions or punishments for dissent, Ecuadorian legislators seem to have high incentives to vote within party boundaries, with higher unity scores among more ideological parties (especially on the left) and lower scores, as expected, among median parties: centrist, personalist and populist organizations. Legislators from the center right face significant lower opportunity costs for defection since their ideological distances may be closer to the president's ideal policy points than those from leftist legislators. While the comparative literature confirm the presence of high unity scores at the extremes (Mainwaring and Pérez-Liñán 1997), the

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135 The statistical procedure calculates the mean of 10,000 resampling corrections for small party inflation. What it basically does is to artificially inflate all the rice scores to put them in the same metric and extract the corrected means (Desposato 2003). I thank Scott Desposato for devising and running the SAS code and patiently answering my questions.
elevated unity scores in Ecuador come as an unexpected and remarkable finding that is fully developed in the following pages. The main predictor of party unity is the party's ideological tendency and the voting issue at stake. Figure 4-1 compares unity scores on executive-led initiatives of economic reform (type-I votes) with congressional impeachments of economic cabinet ministers (type-II votes).\(^{136}\)

![Figure 4-1 Average Party Unity by Party Ideology in Ecuador (1980-2000)](image)

In general, two factors may explain why there is more variation in party unity scores in economic votes than when impeachment votes are considered. First, because there are fixed voting thresholds required for the impeachment of cabinet ministers and

\(^{136}\) Missing from the chart are the votes for designating authorities of economic control (type-III votes). These feature exceptionally high voting unity, usually because these nominations took place at the beginning of the presidential mandate. These votes also received widespread media coverage, which could constrain the opportunities for vote buying and undisciplined voting.
other executive officials, compared to the relative voting thresholds required for the approval of economic votes. The presence of a lower majority threshold allows more opportunities to craft legislative majorities with different political partners, including the strategic "release" of inconsequential or marginal votes that are not required for completing a majority. In the case of a fixed majority threshold, every vote including absences and abstentions count to approve legislation or to reach a legislative decision.\footnote{Abstention votes are crucial for producing legislative outcomes since they may lower the effective number of voters, thus lowering the necessary threshold to pass a resolution, but they may also lowers the threshold needed to block it.}

A second factor at work may relate to the legislative visibility and the expected political gains of closing ranks behind a party organization when it comes to supporting or opposing the impeachment of a direct government collaborator such as cabinet ministers. Parties are sorted along a five point ideological scale derived from Coppedge's survey classification of Latin American parties (Coppedge 1998). Table 4-3 confirms that parties at the extremes of the ideological spectrum have higher unity scores than moderate parties or centrist catch-all parties. These findings are generally consistent with previous assessments of party discipline in Brazil (Amorim-Neto and Santos 2001, Figueiredo and Limongi 2000, Mainwaring and Pérez-Liñán 1997). In Ecuador, more homogenous or well-defined constituents can explain higher unity scores. The narrow and well-defined constituency of the Popular Democratic Movement (MPD), which is made of some labor unions, teachers, truck and bus drivers, helps explain high voting unity in this small party of the left (0.94).
## TABLE 4-3

PARTY UNITY SCORES BY IDEOLOGY AND VOTE TYPE IN ECUADOR

(1980-2000)

<table>
<thead>
<tr>
<th>Party</th>
<th>Years</th>
<th>Economic Votes</th>
<th>Cabinet Impeachments</th>
<th>Official Designations</th>
<th>Weighted* Unity Score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Left Parties</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MPD</td>
<td>1984-1995</td>
<td>1.0000</td>
<td>0.9556</td>
<td>1.0000</td>
<td>0.9875</td>
</tr>
<tr>
<td>PSE</td>
<td>1987-1990</td>
<td>1.0000</td>
<td>0.8000</td>
<td>1.0000</td>
<td>0.9436</td>
</tr>
<tr>
<td>PCK</td>
<td>1996-2000</td>
<td>0.6667</td>
<td>0.7500</td>
<td>1.0000</td>
<td>0.9038</td>
</tr>
<tr>
<td><strong>Left of Center</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.9061</td>
</tr>
<tr>
<td>ID</td>
<td>1980-2000</td>
<td>0.9129</td>
<td>0.7926</td>
<td>0.9603</td>
<td>0.9094</td>
</tr>
<tr>
<td>DP</td>
<td>1980-1993</td>
<td>1.0000</td>
<td>0.8512</td>
<td>0.9238</td>
<td>0.9028</td>
</tr>
<tr>
<td><strong>Center/Populist</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.8908</td>
</tr>
<tr>
<td>PRE</td>
<td>1984-2000</td>
<td>0.7955</td>
<td>0.8363</td>
<td>0.9893</td>
<td>0.9312</td>
</tr>
<tr>
<td>CFP</td>
<td>1980-1990</td>
<td>1.0000</td>
<td>0.6368</td>
<td>0.9265</td>
<td>0.8505</td>
</tr>
<tr>
<td><strong>Right of Center</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.8500</td>
</tr>
<tr>
<td>DP</td>
<td>1994-2000</td>
<td>0.6542</td>
<td>0.6937</td>
<td>1.0000</td>
<td>0.7987</td>
</tr>
<tr>
<td>FRA</td>
<td>1984-2000</td>
<td>0.5000</td>
<td>0.7867</td>
<td>1.0000</td>
<td>0.9014</td>
</tr>
<tr>
<td><strong>Right Parties</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.9437</td>
</tr>
<tr>
<td>PCE</td>
<td>1980-1998</td>
<td>1.0000</td>
<td>0.8413</td>
<td>0.9031</td>
<td>0.8931</td>
</tr>
<tr>
<td>PLRE</td>
<td>1980-1990</td>
<td>1.0000</td>
<td>1.0000</td>
<td>0.9333</td>
<td>0.9573</td>
</tr>
<tr>
<td>PUR</td>
<td>1992-1993</td>
<td>1.0000</td>
<td>1.0000</td>
<td>0.9444</td>
<td>0.9614</td>
</tr>
<tr>
<td>PSC</td>
<td>1984-2000</td>
<td>1.0000</td>
<td>0.8691</td>
<td>1.0000</td>
<td>0.9631</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>1980-2000</td>
<td><strong>0.8641</strong></td>
<td><strong>0.8107</strong></td>
<td><strong>0.9621</strong></td>
<td><strong>0.9119</strong></td>
</tr>
</tbody>
</table>

* Weighted by sample size.

Parties: Popular Democratic Movement (MPD), Socialist Party (PSE), Pachakutik (PCK), Democratic Left (ID), Christian Democrats (DP), Roldosist Party (PRE), Popular Front (CFP), Radical Alfarista Front (FRA), Conservatives (PCE), Liberals (PLRE), Republican Unity (PUR), and Social Christian Party (PSC).

A similar explanation applies to the indigenous movement Pachakutik (PCK) where, according to their legislative leader Nina Pacari, voting unity is derived from a direct mandate received from their bases of support; although there were no formal mechanisms to punish cases of party indiscipline, often indigenous comunidades would...
make symbolic and real demands of accountability from their representatives.\textsuperscript{138} At the other end of the spectrum, party unity in the rightist Social Christian Party (PSC) (0.96) is largely explained by two factors. First, the socio-economic homogeneity of its party ranks (upper middle class) and the predominant leadership style of León Febres Cordero, former president of Ecuador (1984-1988) and the party's patriarch. In a 1996 interview reported by Freidenberg and Alcántara (2001), 20 out of 21 PSC party members interviewed concurred that Febres Cordero is "a key person for making decisions and commanding the party". This sign of leadership is more relevant because at the time Febres Cordero was the mayor of Guayaquil and did not hold any (formal) positions in the national leadership (2001: 70). Parties to the left-of-center like Democratic Left (ID), and the Christian Democrats before 1993 (DP) show lower unity scores (0.90), but still higher than the average party unity scores of catch all parties. In 1999, ID leader Paco Moncayo explained his party's tendency for unified voting to the fact that members shared a similar socioeconomic background and the party leadership actively promoted internal debates and generated consensus before agreements reached the voting floor.\textsuperscript{139}

Located in the center of the ideological spectrum, the Popular Front (CFP) and the Roldosist Party (PRE) showed a lower average unity score that the rest of parties (0.89). Deriving their electoral strength from the same electoral base of support, the two Coast-based catch-all parties (PRE and CFP) have combined some strong local leadership with the image of a charismatic leader: Asaad Bucaram in the 1970's and early 1980's for CFP

\textsuperscript{138} Interview. Nina Pacari Vega Conejo, National Legislator from Pachakutik, July 1999, Quito. The symbolic punishment for deviant behavior from the indigenous movement was the "ortigamiento" (public bashing with a type of poison ivy on the legislator's naked torso) to those who voted against the mandate of the comunidades.

\textsuperscript{139} Interview. Paco Moncayo. National Legislator from ID, July 1999, Quito.
followers, and the cult of Abdalá Bucaram in the 1990's in PRE (Freidenberg 2003).

With the demise of their caudillos (the sudden death of Asaad in 1981 and the exile of Abdalá in 1997), the observed party's unity scores are likely to weaken in the future. The least disciplined parties in Ecuador are located to the right of center of the ideological spectrum: the Radical Alfariista Front (FRA) and the Christian Democrats after 1993 (DP). It is plausible that one of the causes for DP's falling unity scores after 1993 (from 0.90 to 0.79 afterwards) was a failed strategy of ideological relocation. During the 1993 party convention, DP leader and former president Osvaldo Hurtado pushed the party towards adopting a clearer market oriented approach, more akin to an agenda of liberal economic reforms of the time. This sudden ideological shift represented a significant departure from the more state-based DP to which local and national leaders had originally affiliated (Mejía-Acosta 2002a: 160). The “DP-stroika” was preceded and accompanied by serious leadership conflicts with Hurtado over the 1992 presidential election that resulted in the disaffiliation of prominent party leaders and a greater sense of disconnection with their voters (Conaghan 1995). Even though DP regained momentum with the election of president Mahuad in 1998, two factions left the party soon after his fall in January 2000: the Hurtado-led “CORDES” group and the business-oriented Coastal “MIN”.

The 1996 Mateos and Alcántara survey of the Ecuadorian Congress confirms that deputies have different perceptions of party unity depending on their ideological affiliation (Mateos and Alcántara 1998). While deputies from the right and center are more tolerant towards party indiscipline, those on the left expressed strong feelings in

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140 Both sectors turned into political movements competing in the 2002 elections (PS and UNO respectively) but neither of them, nor the original DP was able to gain more than a few seats in congress.
favor of sanctioning and even expelling those who vote against party decisions (Mateos and Alcántara 1998: 89). These attitudes are also consistent with responses to "how important" they think is to obtain resources for their communities: 100% of deputies from center parties, 96% from the right and 57% from the left (1998: 89-90). In principle, legislators' strong "electoral connection" should oppose the logic of party unity unless party leaders are effectively contributing to advance their member's local demands by way of selective compensations. This question is further developed in the next section.

Finally, a regression analysis of the determinants of party discipline in Ecuador (not reported here) yielded disappointing results. Even though there is a significantly negative correlation between the size of the parties and levels of party unity (-0.22), there is no significant impact of the former on the latter. As mentioned earlier, correcting for upward bias artificially inflates the rice scores of larger parties, thus washing away the relationship between size and discipline (Desposato 2003). In this sample, neither the natural or corrected unity scores yielded significant results. Nor there is significant evidence that the electoral calendar had a negative impact on legislative unity. These variables become relevant for explaining the level but not the direction of party support, especially when it comes to endorsing or opposing the president's agenda for economic reforms. The next section addresses these issues.

### 3.2 Explaining Party Voting with the President

This section tests whether presidents privileged bargaining with parties -and relying on party leaders as brokers-, or whether they engaged in widespread vote buying of legislators. The empirical evidence presented tends to support the first strategy. This
section makes some inferences to test whether party brokers became a reliable and continuous source of legislative support for the president, and whether they provided followers with the necessary incentives to vote together in the policymaking process. Linear regression analysis is used to explain the share of party members who favored the president's proposal on any given vote [AYE\_PREZ]. The unit of analysis is each party per vote taken, for a total of 240 cases.\textsuperscript{141} According to the proposed framework, if there is effective party brokerage in favor of the president, the leader would whip/persuade a larger share of party members to vote for the president's proposal (high voting unity). Conversely, lower shares of intra party support -thus larger shares of opposition votes- would mean that presidents failed to gather votes from those parties. Table 4-4 shows the regression results.

\textbf{a) Searching for Reliable Legislative Partners}

The data responds in ambiguous ways to the claim that presidents would prefer to bargain with larger, more disciplined partners in order to lower transaction costs. The first premise about the size of the coalition partner is not confirmed nor fully rejected by the existing evidence. Models A and B show there is a negative, though not significant impact of the relative size of a party [RPSIZE] on the dependent variable.

\textsuperscript{141} An alternative approach is to model the party's decision to support the president as a dichotomous variable, that is, whether the majority of members voted with the president or not, but this approach oversimplifies the nuances of party voting. Another model tried was using a non-linear definition of the dependent variable to keep the predicted values within the interval [0, 1] and giving an S-shape to the relationship between X and Y. Unfortunately, STATA drops all cases for values Y=1 and Y=0, leaving me with only 52 cases to work with. This approach was avoided because with so few cases, or a modified version of the logarithm to keep 1 and 0 cases intact, would not entirely fix the bias but would alter the meaning of my dependent variable. I thank Mitch Sanders for help and advice in this issue.
TABLE 4-4

EXPLAINING PARTY VOTING WITH THE PRESIDENT IN ECUADOR

(1980-2000)

<table>
<thead>
<tr>
<th>Dependent Variable:</th>
<th>Model A</th>
<th>Model B</th>
<th>Model C</th>
<th>Model D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of party members voting with the President</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>0.6769***</td>
<td>0.9582***</td>
<td>0.8182***</td>
<td>0.6427</td>
</tr>
<tr>
<td></td>
<td>(0.1700)</td>
<td>(0.0653)</td>
<td>(0.0802)</td>
<td>(0.1648)</td>
</tr>
<tr>
<td>Relative Party Size</td>
<td>-0.1333</td>
<td>0.1021</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.1681)</td>
<td>(0.2198)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Party Unity</td>
<td>0.3724**</td>
<td></td>
<td>0.3506**</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.1679)</td>
<td></td>
<td>(0.1656)</td>
<td></td>
</tr>
<tr>
<td>&quot;Independent&quot; Parties</td>
<td>0.2282*</td>
<td>0.2521***</td>
<td>0.2438***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0488)</td>
<td>(0.0550)</td>
<td>(0.0516)</td>
<td></td>
</tr>
<tr>
<td>Distance Party-President</td>
<td>-0.0018**</td>
<td>-0.0028**</td>
<td>-0.0020*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0010)</td>
<td>(0.0014)</td>
<td>(0.0010)</td>
<td></td>
</tr>
<tr>
<td>Ideology</td>
<td></td>
<td></td>
<td>0.0222</td>
<td></td>
</tr>
<tr>
<td>(1-left, 5=right)</td>
<td></td>
<td></td>
<td>(0.0173)</td>
<td></td>
</tr>
<tr>
<td>Electoral Year</td>
<td>0.0491</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0529)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elapsed Legislative Term</td>
<td></td>
<td>-0.3117***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.0968)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>First (honeymoon) Year</td>
<td></td>
<td></td>
<td>0.0583</td>
<td>0.0415</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.0457)</td>
<td>(0.0475)</td>
</tr>
<tr>
<td>Job Approval Rates (President)</td>
<td></td>
<td>-0.0014</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.0018)</td>
<td></td>
</tr>
<tr>
<td>Economic Laws</td>
<td>-0.2640***</td>
<td>-0.3300***</td>
<td>-0.2885***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0929)</td>
<td>(0.0859)</td>
<td>(0.0888)</td>
<td></td>
</tr>
<tr>
<td>Impeachments</td>
<td>-0.4152***</td>
<td>-0.4339***</td>
<td>-0.3929***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.0625)</td>
<td>(0.0552)</td>
<td>(0.0612)</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>240</td>
<td>240</td>
<td>240</td>
<td>240</td>
</tr>
<tr>
<td>R-Squared</td>
<td>0.3597</td>
<td>0.0909</td>
<td>0.3756</td>
<td>0.3905</td>
</tr>
</tbody>
</table>
This could be due simply to the fact that larger parties could be present in both the government and the opposition majorities in the Ecuadorian Congress. For example, the leftist ID and the rightist PSC, have traditionally gained the largest shares of seats but rarely shared the same voting coalitions due to significant regional, ideological and leadership differences. The second premise advances the argument that presidents also care about reliable partners. This interaction is not free from being interpreted as a tautology: Were presidents more likely to build coalitions around disciplined parties? or Did parties show high unity scores because they received political and material benefits from the presidency? To partially address this endogeneity, the model uses the average (corrected) unity scores for each party to capture previous party unity scores in that year [AVG\_CRICE]. The evidence from models A and D supports the argument that parties with a previous history of high party unity produced higher shares of pro-government voting.

b) **Bargaining "on its Own Merits"**

Conventional spatial theories predict that coalition formateurs -presidents in this case- are likely to select coalition partners who are closest to their policy preferences in a unidimensional ideological spectrum (Downs 1957; Enelow and Hinich 1984; Krehbiel

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142 It could also be argued that the wide variation in the size of Ecuadorian parties (from 1 to 35 members) can seriously bias the validity of these measurements. However, all the results reported in this section, with the exception of the ideological distance between the president and the party [DIST\_PP], remained significant and with the expected sign when observations were weighed by the size of the parties. The estimators are not reported here.

143 A more accurate approach to producing independent measurement of party discipline would be to use the lagged yearly average discipline score for each party and assume that presidents pick their disciplined partners based on their partners' previous year's legislative performance. However, this possibility was ruled out since there are no sequential scores for each and all legislative years.

144 A more accurate test of reliability would be to verify Coppedge's claim that a larger, more disciplined government majority would have a positive impact on presidential success in Congress (2001). Using an interaction term [STRENGTH] that combines the size and the discipline of government parties, this variable would be useful to assess the duration or erosion of the government coalitions over time.
The previous section illustrated how unity scores varied with the ideological tendency of parties. Not surprisingly, the [IDEOLOGY] variable -based on Coppedge's five-point scale- does not find any significant impact of the ideological position of a party per se on the share of party votes supporting the president on a given proposal (see Model C). However, models A, B and D report that a smaller average distance between the party's ideal-mean left-right- position and the president's preferred position had a positive and significant effect on party voting [DIST_PP]. The finding that presidents would choose ideologically close partners and pass legislation "by its own merits" challenges conventional assumptions that Ecuadorian parties are non-ideological and opens the possibility that presidents may have bargained policy concessions with opposition parties as valid means to secure legislative support. Furthermore, this variable is also consistent with previous studies of fiscal performance in Latin America (Amorim Neto and Santos 2001; Mejía-Acosta and Coppedge 2001).

c) Vote Buying and "the Man With a Suitcase"

It was previously argued that vote buying should be a marginal occurrence because it raised transaction costs in exchange for very uncertain outcomes. Existing theories elaborate on the conditions that empower pivotal players to make or break a partisan majority, to argue that their appearance depended on the size of the voting threshold and their ideological distance from the presidents' most preferred policies.

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145 The mean left-right position is defined as "the dispersion of the vote away from the relative center of the party system", depending on Coppedge's classification of party ideologies and the relative size of the party (Coppedge 1998: 556). To calculate each party's MLRP score all other parties are left out. Finally, the president's ideological position is assumed to be that of his party. For a more detailed classification of cases and exceptions, see (Mejia and Coppedge 2001).

146 This measure roughly assumes that all party members share the self-reported party ideology. The next section uses a score of each legislator's ideological placement in order to test whether the individual decision to vote with the president is influenced by the ideological positions.
(Krehbiel 1998; Cameron 2000; Londregan 2002). This section crafts a simple approach to look at the cluster of "independent legislators" who defected their parties to see whether they voted with the president. Models C and D report that these independent clusters [\textsc{part}_\textsc{ind}] have a positive and significant impact for explaining government support. An example of an "independent party" was the Roldosista Group, composed of 17 legislators that defected from the CFP leader Asaad Buaram in 1980 because he adopted an anti-government collaboration stance against president Roldós. GR deputies maintained close relationships with the government and even supported Roldos' successor, president Hurtado. In a similar way, a group of legislators defected from the government's Democracia Popular party in August 2000, after the fall of the president Mahuad. The newly formed MIN quickly became a dynamic legislative partner who consistently voted with Mahuad's successor president Gustavo Noboa. A full account of the payments received by "independent" groups or individuals is offered in chapter 6. While these payments were not reported in any official way, suffice here to say that some of these rewards came in the form of government transfers to provinces or usage of the executive's discretionary spending. Moreover, the folk wisdom usually reported stories of "a man with a suitcase" (el hombre del maletín) who walked down the hallways of congress offering to purchase the votes of these legislative mavericks. But beyond the currency of the trade, the next chapter explores how these party defectors formed new clusters or proto-parties, and delegated bargaining power to appointed leaders who in turn offered wholesale support in exchange of collective bargains.
d) The Electoral Calendar and "Ghost Coalitions"

Were legislators more likely to vote with the president during his honeymoon period -right after elections take place-, but less likely to do so as new elections approached? Model findings show that the evolution of the mandate is inversely associated to party unity scores ($r = -0.31 ***$) and positively associated with the ideological distance between the party and the president's ideological position ($r = 0.16 **$). Model D reports that the number of elapsed months since the beginning of the legislative term [LEGIS_LAPSE] has a negative and significant impact over the percentage of government voting in parties, corroborating the notion that the more time goes by, the harder is for the president to gather legislative support in congress.\textsuperscript{147} This finding is consistent with a large body of literature on Latin American legislatures that predict the adverse effects of the electoral calendar (Altman 2000, Amorim-Neto 2001). Descriptive statistics confirm the notion that more pro government voting among parties is associated with the first or honeymoon year [ELECTION], rather than during the last year of the mandate [LAME_YEAR] when the president is in a weak -lame duck- position before new elections (Coppedge 1994). However in the expected direction, these results are not statistically significant in the models.

If the elapsed time in office decreased the share of party voting, it is expected that decreasing job approval rates [POLL_ECUA] -which are known to be highly correlated with the evolution of mandate- would have the same diminishing effect on the dependent variable, as parties and legislators wanted to avoid being associated with an unpopular president. Yet, it is somewhat surprising to find that this is not the case. The evaluations

\textsuperscript{147} When the type of vote taken is controlled for, the significance of LEGIS_LAPSE drops out, perhaps because the specific characteristic of each vote type eclipse the impact of the electoral calendar.
of political reputation did not have any significant impact on the degree of government voting inside parties. This finding however is consistent with one of the key premises of this study: the fact that presidents and parties were able to conceal legislative -ghost-alliances from the public scrutiny by systematically denying cooperation with the government, while maintaining an active trade of votes and concessions. As it is demonstrated in chapter 6, ghost coalitions were instrumental to providing legislators with incentives for government cooperation while avoiding the electoral liability of crafting public alliances with a lame duck president.

e) Economic Laws, Impeachments and Congressional Appointments

There are significant variations between the types of votes evaluated by different party discipline models. As mentioned earlier, dummy variables capture the impact of three sets of issues: economic reforms [VTYPE1], economic cabinet and executive impeachments [VTYPE2], and congressional appointments of control authorities [CONSTANT]. The impact of both Type I and Type II dummy variables on pro-government voting was significant and negative, suggesting that the voting logic behind each vote type has an important effect on the final outcome.


The empirical analysis of roll call voting in this chapter supports the premise that party leaders played a crucial role cementing unified voting and brokering deals with the president. Party leaders were agents of legislative unity. Even though they did not have

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148 It is relevant to highlight that type II and type III votes required an absolute or a qualified majority depending on the case described at the beginning of the chapter. All type I votes had a flexible threshold, with the exception of 1 vote that required a qualified majority for approval.
direct control over legislators’ chances of reelection (for the reasons explained at the
beginning of this chapter), they were still important agents to advance their legislators’ 
progressive ambitions (Carey 2002, Samuels 2002: 315-6). According to this model of
party behavior, individual members can gain access to a wide choice of benefits inside 
and outside of the congressional arena by maintaining close ties to the party leadership.
They also had control over agenda setting mechanisms in the legislature, such as
committee allocation, voting procedures, quorum requirements and so on, which gave 
them higher bargaining leverage. Individual legislators had incentives to obey party 
leaders as long as they helped them attain broader goals like policy concessions, political 
office or rent seeking (Fenno 1973; Strom 1990; Altman 2000). Party membership then,
was "instrumental" to advancing legislators' ideological, institutional and distributive concerns (Desposato 2003).

From the president's perspective, party leaders had privileged information over
the specific goals and objectives, the needs and demands of the rank and file. To the extent they could effectively represent their fellows multiple ambitions, they could become effective coalition partners for the government. Their failure to deliver reliable congressional support could mean that presidents shopped for support with a different party. And without payoffs, leaders lacked the necessary resources to nourish the demands of party members.

What were the coalition payoffs? In a context were legislators developed strong

ties to local and provincial demands, leaders were bound to demand "mixed coalition packages" that ranged from policy concessions, cabinet or sub cabinet positions, some pork and patronage and particularistic favors, to please the different demands of the rank
and file. A recent example illustrates this concept. According to congressman Ernesto Valle (PRE), Jacobo Bucaram Pulley (son of former president Abdalá) arrived in the congress to secure an agreement to support a government-led initiative. In exchange, the PRE would obtain Embassies in Russia and Panama, the Urban Development Ministry, fiscal transferences for (PRE-Governed districts) Esmeraldas, Los Rios and Machala, as well as the reorganization of Electoral Tribunals and the Constitutional Tribunal. Other examples include MPD leaders asking for salary increases for the education workers, teachers, or truckers; DP leaders demanding specific government subsidies to boost the shrimp or banana exporting sectors -closely tied to their own interests-, or PSC leaders pushing for more lenient banking regulations to favor the interests of bank owners who financed their campaigns. Two additional key areas of potential bargaining between the president and the party leaders, was the political conformation and control of the Judicial system and the structure of courts, and the administration of Customs and importing regulations. A well-documented example was the transfer of Customs Administration Authority to CFP militant and leader Gary Esparza in 1982, as a “god will gesture” of President Hurtado to obtain the congressional support of the largest legislative bloc, the CFP (Mills 1984). Inside the legislative arena, the loyalty of individual members could be rewarded (before 1997) by gaining access to legislative rewards such as privileged committee membership positions, larger staff and resources and other perks usually distributed through party leaders. Outside the legislative arena, party leaders could


150 Before 1997, enjoying committee membership meant becoming part of the Plenario de las Comisiones Legislativas, a sub legislative body that met outside the general sessions of congress to make crucial decisions on internal and other legislative affairs. After the Constitutional Reform of 1998, all members of congress were required to be part of a legislative committee, but the best committee assignments were still given to the most senior legislators.
help them negotiate business concessions and licenses, patronage and public office for their families, and most importantly, promise them a solid base of electoral and monetary support for their next political campaign.

Given large gains from the trade, why would individual legislators choose to defy leadership and go alone on a vote? According to this voting model, there were two possible scenarios: one in which legislators oppose their leadership and the president, and one in which they oppose the leadership to vote with the president. The first case may be explained as simple position taking, in which a legislator voices his/her opinion against everybody else’s knowing that it is safe to advertise a position to his/her audience without fear of being punished by his party leader for it. A good example was former DP-Guayas legislator Leopoldo "Polo" Baquerizo (1998-2002), a popular Guayaquil variety show host, who campaign for heavily subsidizing the cost of utilities for retired people even though his bill was immediately ignored -and trashed- by the more technocratic wing of his own party. In the second case, there is an implicit calculation that the selling of a vote would yield an expected benefit greater than the internal cost of dissent. This profile seems to best fit maverick legislators or local caudillos who own or have access to local media, business or sporting clubs, and they have developed their own clientelistic networks in the province. Given their local strength, they can afford to become their own brokers since no political party would invest the time and resources to challenge their predominance and set up an alternative base of political support. Thus, a party leader is better off tolerating a semi-autonomous political franchise in a province, than challenging and expelling those undisciplined legislators in congress. Local caudillos in turn, had more leverage to take their business—and base of support—to a party that offered a better
deal or sell their vote to a president that met their price. A case in point is that of Jorge Montero, a three-time CFP legislator from the Loja province, and owner of several local business including a radio station, has developed a political career in Congress - despite being the "only" CFP legislator - by offering temporary support to multiple pro-government coalitions during the 1998-2002 period.

5. Conclusions

The chapter uses roll call analysis to make a first empirical assessment of party unity patterns in Ecuador. Even after eliminating non-controversial votes and controlling for measurement bias, the chapter finds surprisingly high voting unity among Ecuador's "unruly" parties. It also shows that party unity changes along the ideological spectrum, with more disciplined parties located at the left and right of the ideological spectrum, and less disciplined parties clustering around the median legislator.

The chapter findings join existing literature that highlights the formal and informal roles played by party leaders (Carey 2002; Figueiredo and Limongi 2000) and presidents (Amorim Neto and Santos 2001) in producing high party discipline even in a fragmented legislatures. Party leaders are modeled as political brokers who whip up the necessary votes to pass the president's agenda in exchange for policy concessions, key cabinet positions, pork and patronage for the rank and file. The flow of presidential rewards in turn expands and reinforces the informal authority that party leaders have over the rank and file. High unity scores played a significant role in the party's likelihood of voting with the president. The model finds that parties who had a previous record of discipline in any given year, had a greater likelihood to vote the president's proposals,
and parties who voted with the government in turn, showed higher unity scores than those in the opposition. Consistent with other works, the likelihood of voting with the government decreased with the proximity of new elections. However, the likelihood of government cooperation remained unaffected by the ideological position of political parties or decreasing presidential job approval ratings.

The chapter findings suggest that the presidential strategy of individual vote buying - purchasing individual legislators with selective material rewards - was not a widespread practice as commonly believed, but rather, a marginal decision to provide insurance against uncertain voting majorities. When presidents opted to break opposition parties and bypass party leaders to attract a few defectors, these rebel legislators were usually individuals with short legislative careers, elected in smaller - usually poorer - districts, and with a previous record of party switching.

The next chapter takes a further step into the question of who these pivotal players are, where do they come from, what do they demand, and most importantly, when do they decide to temporarily break party unity or permanently defect their parties.
CHAPTER 5
VOTING AT THE MARGINS: PIVOTAL PLAYERS AND COALITION MAKING

"El camello vanidoso/ quiere esta vez legislar
y ofrece a sus cofrades/ buena tajada sacar”
José Agustín Guerrero (c. 1850)

Party switching and party realignment alters the structure of the party system as a whole (Mainwaring 1999:146), disrupts the links between voter’s policy preferences and their representative’s actions, and brings uncertainty to the composition and durability of congressional majorities (Linz and Valenzuela 1994; Jones 1995; Mainwaring and Shugart 1997a; Amorim-Neto 1998b). This chapter explores the legislator’s "voice, exit or loyalty" dilemma when deciding to make legislative agreements acting as “free legislative agents” or within existing party structures.

As explored in the previous chapter, it is usually assumed for the case of Ecuador that party indiscipline should be high because party leaders do not have electoral or legislative leverage to induce unitary voting. Similarly, the practice of party switching in Ecuador, also known as “camisetazos” or change of shirts, is perceived to be a
widespread pattern that reflects the opportunistic nature of legislators who are willing to defy weak party leadership and sell their loyalty to the highest bidder—usually the president—in exchange for some pork or patronage.\textsuperscript{151} President Durán Ballén (1992-1996) for instance, was able to push an impressive agenda of economic reforms through a "divide and conquer" strategy.\textsuperscript{152} He was forced to cut deals with opposition parties since the president's party had less than 10\% of the legislative seats (and 4\% after the midterm election). By the end of his mandate, 1 out of every 4 legislators defected their parties and remained “independent” (Mejía-Acosta 1999a).\textsuperscript{153}

This chapter claims that in Ecuador, as in other developed and new democracies, party dissidence and party defections were motivated by unique incentives to develop political careers outside the established parties and these practices were tolerated by the absence of legal barriers or sanctions to prevent this kind of behavior. Despite these favorable conditions however, this chapter confirms the dissertations' theoretical expectations that deviations from party membership were the exception rather than the rule. The previous chapter illustrated high levels of party unity across several years. In the case of party switching, massive party departures tended to occur when the president had the weakest legislative support: Osvaldo Hurtado in 1982, Durán-Ballén in 1992-1994, and Gustavo Noboa in 2000. But taken together, party switches amount to a total of 218 defections in 2002 cases, roughly a yearly average of 10\% of Ecuadorian legislators between 1979 and 2002. This rate is significantly smaller than another

\textsuperscript{151} For practicality purposes, the term defection refers to both cases where the legislator switches to a different party or it decides to remain independent of party affiliation.

\textsuperscript{152} These included the approval of a Modernization Law, and significant banking and financial reforms.

\textsuperscript{153} Accusations of vote buying triggered a large political corruption scandal that ended with the impeachment and later resignation of the Vice President Alberto Dahik.
“inchoate” democracy such as Brazil where an average of 25% of members of congress switched out of their parties in any given year (Mainwaring 1999). Why were switching rates lower than the conventional wisdom would lead us to believe? What incentives had the other 90% of legislators to remain loyal to their party organizations? When defecting, did legislators effectively switch to join parties in the government coalition or did they leave the government to join the opposition?

While there is no available data on the precise amount of benefits received by these pivotal players, the first part of the chapter provides some anecdotal evidence to illustrate the kinds of payoffs received by party dissidents. Additionally, the chapter develops an institutional profile of those legislators who were most vulnerable to abandon their parties. Consistent with model expectations outlined in Chapter 2, the institutional profile of party dissidents matches that of party switchers. In both cases, party leaders were unwilling or unable to punish defections, and voters did not resent the change. Conforming with theoretical expectations, these pivotal players were likely to have a strong connection to local clienteles (most switchers come from small provinces), and they were likely to avoid high relocation costs in the ideological spectrum (thus, deputies coming from center parties had more flexibility to make alliances to the right or left). Finally, party switchers were more likely to “free” themselves of party affiliation at the beginning or at the end of the legislative period, but usually on electoral years.

The next section explores the individual motivations, the potential payoffs and the costs involved with abandoning the party leader. The second section explores the institutional profile of party dissidents. The next two parts propose a measure of party
switches and tests the model. The fifth part outlines the differences and similarities and concludes.

1. Exit, Voice and Loyalty: the Pivotal Player's Dilemma

Party switching is defined as the legislator’s decision to abandon the party label under which he/she was elected, in order to join another party or to remain independent of political affiliation. As illustrated in chapter 3, this definitive breach of party loyalty must be distinguished from party indiscipline, which occurs when legislators simply voice their disagreements by voting against the established party line (Krehbiel 1998; Ames 2001; Morgenstern 2004). The individual decision to stay or leave the party can be illustrated by Albert Hirschman’s classic Exit, Voice and Loyalty (1970). Initially proposed to analyze consumer response to quality deterioration in a product, Hirschman explains that dissatisfied consumers will choose to switch (EXIT) to another product when they have exhausted the opportunities to raise (VOICE) their complaints to the producer (Hirschman 1970). The empirical implication is that an effective combination of voice and exit can be useful to heighten product quality and improve the organization (Kato 1998: 858). While this chapter cannot test whether party switchers and dissidents had a positive effect on the quality of the organization, it underscores the reasons why these agents chose to leave or simply dissent the party.

In the legislative arena, the value of party unity hinges on the implicit notion that party members share common political goals and objectives which in turn, are reflected by the party’s policy platforms (Downs 1957; Aldrich 1995). In this sense, political

\[154\] For an excellent extrapolation of the EVL framework to explain individual behavior in political organizations in Japan see the work of Kato (1998).
organizations were instrumental to solving their member's collective action dilemmas and maximize their electoral, office or policy ambitions (Strom 1990; Cox and McCubbins 1993). Conflict appeared when party members voice different ideas about their own notion of the public good and the party’s idea of collective good (Kato 1998: 859).

Chapter 4 explored the instruments and motivations available to party leaders to enforce disciplined voting. This chapter is mostly concerned with the legislator's opportunity cost of permanently defecting from a party organization. The decision of breaking party loyalty is a rational cost-benefit decision by which legislators “compare the deterioration, disutility, discomfort and shame of remaining a member to the prospective damage which would be inflicted on (them) as prospective nonmember(s) (...) by the additional deterioration that would occur if (they) were to get out” (Hirschman 1970, cited on Kato 1998: 858). Party defections occur when the expected political benefit from becoming a free agent exceeds the perceived (electoral or legislative) cost of breaking way from their organization (Kato 1998; Mainwaring 1999). The next section explores in more detail the benefits and the costs to party switching.

1.1 Individual Motivations to Defect: the Goals of Pivotal Players

The first conceptual problem to the question of party defections is to define which goals legislators are trying to maximize. Chapter 2 discussed the four goals that ambitious legislators are seeking to obtain in one way or another: votes, office and policy and rents (Fenno 1973; Strom 1990; Altman 2000; Desposato 2002). Party desertion is perceived to be an instrument to advancing these goals when the leadership or the organization constrain or does not suffice the legislator's utility function.
If legislators can solve their ideological or material interests by opting out of their parties, why don’t we observe higher rates of switching in most democracies? Conversely, why don’t we observe higher disunity rates? The answer partly depends on who are they accountable to, and how does the erosion of political reputation affect their future ambitions. According to Mayhew reelection should be considered the *proximate* goal of every legislative agent: if you do not get reelected, you cannot seek office or policy (1974). In turn, pursuing good policies and taking care of the voters are necessary instruments to securing access to political power (Mayhew 1974: 16). In this logic, a legislator would be more likely to defect from a party that hinders the development of his/her political career, by enacting policies that go against the interests of their constituents, or by directly challenging their own political advancement. Beyond the U.S. arena, electoral motivations to defect are believed to be shaped by different electoral systems, with closed list proportional systems strengthening the importance of party membership and open list/personalized systems awarding votes to individual candidates regardless of their party label (Carey and Shugart 1995). However, Mainwaring is skeptical that Mayhew’s electoral connection could explain individual decisions to change parties in third wave democracies (1999). Making his case for open list PR Brazil, he argues that “party switching by individuals and mergers and schisms (…) are rarely responses to below” (Mainwaring 1999: 56). While cultivating a personal vote is useful for securing candidacy *and* winning the election in the US context, these are two different goals in Brazil. Legislators considering switching parties need to consider both the preferences of the electorate *as well as* the potential influence of party elites in securing their candidacy (Mainwaring 1999: 244-5).\(^{155}\) Mainwaring’s argument does not

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\(^{155}\) The open list proportional rule in Brazil provides contradictory incentives for legislators to switch.
prevent the possibility that "pressures from below" may very well shape the individual's decision to defect, when he concludes: "enough politicians seek reelection to regard it as a powerful motivation in politics” (1999: 246).\textsuperscript{156}

As demonstrated in chapter 3, Ecuador is an ideal case to test the electoral motivations to party dissent and switching under changing electoral environments. Throughout much of the current democratic period (1979-1996), party leaders had the monopoly to candidate nomination due to the existence of a closed-list proportional representation rule. Yet, at the same time, the constitution did not allow for immediate reelection for the president, legislators, city mayors and other local public officials (Mejía-Acosta 2003). The combination of these features would prevent a party-centered explanation for party switching, since party elites could not play a predominant role in the decision to defect (or join a new party).\textsuperscript{157} Only a year after the immediate and indefinite reelection became an option for Ecuadorian legislators, a new electoral system was adopted in 1996 to select legislators through an open list system (Pachano 1998). These reforms called for a voter-oriented explanation to switching, since legislators had more incentives to develop a personal vote with little or no connection to their party

\begin{flushright}
\textsuperscript{156}\textsuperscript{157} On the one hand, votes are cast for individual candidates but these are pooled and seats get distributed according to the party label, so party leaders do play an important role in the ranking of the candidate on the party “list”. On the other hand, the candidato nato rule guarantees incumbent legislators to run for office again regardless of the party label, thus providing legislators with incentives for defection (Ames 1995 and 2001, Desposato 2002, Mainwaring 1999: 141, Samuels 2004).

\textsuperscript{156} Brazilian legislators sought and obtained legislative reelection at higher rates than other Latin American democracies.

\textsuperscript{157} Conaghan (1995) provides a substantive description of this scenario, in which most party defections during this period are explained by direct –personal- conflicts between party leaders and its members.
\end{flushright}
leadership. The evidence suggests that the percentage of party switchers declined from 11.75% before 1998 to 8.95% afterwards.

What happens to the electoral motivations to defect, when legislators are not allowed to immediately seek legislative reelection? What alternative goals are available for ambitious politicians, and what is the purpose of switching parties? If we accept the more general premise that party switchers want to “advance a political career”, legislators may seek to advance their ambitions outside the legislative arena. One option is to pursue a political career at the local or state –provincial- level as in the case of Mexico (Lujambio 1995). The other is to pursue a position in the government bureaucracy, as in the case of Costa Rica. In the presence of midterm elections, outgoing deputies in the first half would have an incentive to cooperate with the government to obtain executive appointments for the following two years or with the incoming president (Carey 1996).

In addition to the electoral motivations, there can also be ideological motivations to defect parties (Ames 2002; Desposato 2002). According to Downs (1957), political parties provide voters with information shortcuts to the set of policies they are likely to defend and fight for in the congressional arena. Legislators join parties for ideological reasons if the party helps them advance their own beliefs and the interests of their constituents (Aldrich 1995, Cox and McCubbins 1993). Conversely, a legislator may have incentives to leave the party organization if his or her policy preferences

---

158 The existing closed list PR system was abolished to loosen the grip of party leaders on candidate nominations, or partidocracia. Instead, a “free-list” system was adopted so each voter had the freedom to choose from any candidate within the party list and among lists, regardless of party nominations (Ames 1995a; Farrell 1997). With the restoration of a direct link between voters and candidates, the path was set for the proliferation of personalistic politics in an already personalized political system.

159 This decline however must be carefully interpreted because as it will be later shown, there were other institutional reforms that might explain a change in patterns of party loyalty.

160 Downs further assumes that the ideological spectrum is unidimensional and that parties are unitary agents that seek to maximize voters by placing themselves at the center of the spectrum.
consistently deviate from the party’s policy choices. Is it meaningful to explore the role of party ideology in the context of weakly institutionalized (inchoate) party systems? Evidence from Brazil suggests that party switching in some cases may be more related to policy differences and ideological issues than to the distribution of individual benefits (Mainwaring and Pérez-Liñán 1997: 470; Mainwaring 1999: 144-5).

Equally important to electoral and ideological motivations to defect, is the autonomy that allows deputies to leave their parties (Ames 2002). If legislators’ political future largely depends on party leaders, they have strong incentives to cultivate good ties with the leadership and remain loyal to the party. As illustrated in chapter 3, party loyalty may also be rewarded in “legislative currency” by granting legislators privileged committee assignments and access to positions of political visibility or reputation; but if the leadership decides to block a legislators’ upward mobility, he or she may have an incentive to defect the party and switch to another organization where he or she can maintain the current legislative position or obtain a better one (Ames 2001, Mainwaring 1999).

Finally, party membership can be instrumental to gaining access to other forms of patronage, or distribution of material benefits for the legislator and its constituents (Cox and McCubbins 1993; Figueiredo and Limongi 1995a), especially if the party is aligned with the executive branch and has some control over government resources (Amorim-Neto and Santos 2001; Desposato 2002). From this perspective, party defections can be explained as strategic moves to maximize access to (government) resources, thus providing incentives to switching away from opposition parties and towards parties in the government coalition.
1.2 Party Dissent, Switching and Transaction Costs

Thus far, the incentives for party defection have focused on the political goals that legislators seek to maximize: policy, votes, office or rent. But as Desposato correctly claims, switching is not an affordable option for all legislators when the switching involves high transaction costs imposed by institutional rules or the voters (2002: 10). In other words, the legislator’s decision to defect becomes easier “given the absence of legal sanctions and (or) the electorate’s toleration of politicians who change affiliations” (Mainwaring 1999: 146). The extreme institutional sanction for a party defection would be the loss of the legislative seat, under the premise that the electoral mandate belongs to parties not individuals. Another indirect form of sanction is the formal banning of “independent” parties or individuals to compete for public office.\footnote{161} From the electoral perspective, party switching can be a costly strategy in a context where voters are strongly committed to the policy agenda enacted by parties. These “programmatic” voters will punish an individual’s party defection with a loss of credibility and eroding political reputation in the next campaign.

2. Explaining Individual Voting with the President

This section elaborates on the individual motivations to challenge party discipline and vote with the president. The analysis also illustrates the interaction between party-specific attributes and individual-specific characteristics in the decision to support the president. For the purpose of analytical clarity, the empirical analysis is based on a

\footnote{161} As it will be later explored, high institutional barriers to defection in Ecuador were weakly or selectively enforced, thus allowing directly or indirectly party switching practices.
controversial and well-documented vote on fiscal reform (May 2001), a key component of the economic dollarisation plan that took place during the administration of Gustavo Noboa. Consistent with model expectations, breaking party discipline and assembling coalitions with pivotal legislators was made easier when presidents previously lowered the legal majority thresholds. In this case, the president's decision to purchase individual votes was to sustain a presidential veto in congress. Consistent with model expectations as well, dissident votes from party lines were disguised as absences and abstentions to meet the required threshold, and the president repeatedly denied such accusations, praising instead the “patriotic efforts” of those legislators who voted their own conscience for the good of the country.  

In the context of passing the necessary reforms to secure the dollarisation scheme approved in 2000, and in order to meet with the International Monetary Fund's conditionalities for a new loan, president Noboa proposed to increase government revenues with a hike in the Value Added Tax, from the existing 12% to 15%. Despite several attempts by the President and the Ministry of Finance to persuade party leaders of approving an attractive fiscal package in the early months of 2001, the economic emergency bill was strongly opposed by the congressional blocs. As predicted, Congress denied the president’s reform package on March 29th, and Noboa threatened to use a partial veto to insist on economic reforms. Thanks to the 1998 Constitutional reform (Art. 154), the president could use a partial veto and "resubmit an alternative text" to Congress, which could be overridden only with a qualified majority (82 of 123

163 Parties in Congress had presented alternative plans to the president in order to avoid rising taxes to cover for the 2001 fiscal deficit. The ID and DP proposed to increased revenues by reforming the Customs Administration, while the PSC and PRE opposed this idea and proposed to use oil revenues instead.
legislators). If the majority were not met, the bill would automatically become law.\(^{164}\)

The president's strategy was also designed to buy more time to negotiate new possible deals with the parties.\(^{165}\) With the exception of the independent party MIN, legislative leaders from different parties raised their public criticism against the proposed reforms, to the point that the leaders of the rightist PSC had their members sign a notarized agreement that no person would vote for the president's tax increase. The outcome of the vote depended on whether the legislative majority could guarantee 82 or more votes to override the presidential veto, or whether the president could break the qualified majority.

For the purposes of vote counting, all votes \textit{against} the veto override were coded as pro-president votes. Abstentions and absent votes were also counted as a vote for the president since failure to support the override meant implicit support for the president if the majority failed to meet the required supermajority threshold. In the end, the veto override was blocked with the "support" of 11 favorable votes, 12 abstentions and 22 absences from different parties, and a revised bill setting the VAT at 14\% became law.\(^{166}\)

Within a few weeks of the incident, a newspaper reported on the types of rewards given to those pivotal legislators: fast track financial aid for their districts, patronage and key diplomatic posts for their relatives, and arguably, some even received cash advances of several thousand dollars.\(^{167}\) Outraged party leaders promised to apply an internal rule,

\footnotesize
\(^{164}\) Chapter 3 offers a complete explanation of the partial veto and its implications for the legislative process.

\(^{165}\) During an interview, the President's Chief of Staff admitted with frustration that all strategies used to negotiate the fiscal package -with the exception of vote buying- were tried and failed. Marcelo Santos, Personal Interview, Quito April 2001.

\(^{166}\) Some of these legislators claimed that they "were not aware the vote was being taken", "were stuck in traffic", "had to attend a family emergency ", or more simply "could not decide in the vote and preferred to abstain".

the "Ethics Code" to expel those legislators from their parties, but only 1 out of more than 20 accused legislators was effectively thrown out of his party for undisciplined action.\footnote{Diario El Comercio, Quito, May 4-20, 2001.} Why were defectors not effectively punished? Why were party leaders unwilling or unable to punish defections? These questions are explored in the next section as the analysis explains the legislator’s opportunity costs when deciding to cooperate with the executive in Ecuador. The problem is modeled with a logit regression that measures the likelihood of a legislator voting with the president's (1 = for, 0 = against). Table 5-1 illustrates the regression results.

2.1 **Party Dissidents and the Electoral Connection**

Why would Ecuadorian legislators have any incentive to develop an electoral connection if, for the most part, they could not seek congressional reelection? Given the institutional limitations and opportunities outlined above (no legislative reelection, alternative political careers), the magnitude or size of the district/province of origin is taken as a proxy to explain the individual’s likelihood of government cooperation. The assumption is that legislators coming from smaller districts would have a more direct and visible connection with his/her voters or groups of interest, whereas legislators coming from larger districts have a more diluted and distant relationship with their potential voters.
TABLE 5-1
LOGISTIC REGRESSION CALCULATING THE INDIVIDUAL PROBABILITY
OF VOTING FOR FISCAL REFORM.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Model A</th>
<th>Model B</th>
<th>Model C</th>
<th>Model D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-7.8233 (6.1257)</td>
<td>2.0166** (0.9850)</td>
<td>-7.0380 (6.2164)</td>
<td>0.9915 (1.1122)</td>
</tr>
<tr>
<td>Relative Party Size</td>
<td>5.6213 (4.6521)</td>
<td>5.1749 (4.6501)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yearly Avg Party Unity</td>
<td>-3.9258*** (1.2556)</td>
<td>-4.1144*** (1.1882)</td>
<td>-4.0900*** (1.2744)</td>
<td>-2.5316** (1.2685)</td>
</tr>
<tr>
<td>&quot;Independent&quot; Parties</td>
<td></td>
<td>(0.8669) (0.7897)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Previous Party Switches</td>
<td>1.1612*** (0.4009)</td>
<td>1.2436*** (0.4261)</td>
<td>0.9294** (0.3769)</td>
<td>1.0537*** (0.3731)</td>
</tr>
<tr>
<td>Number of Reelections</td>
<td>-0.5125* (0.2762)</td>
<td>-0.5078* (0.2820)</td>
<td>-0.5128** (0.2843)</td>
<td></td>
</tr>
<tr>
<td>Ideology</td>
<td>1.0075 (0.7739)</td>
<td>0.2177 (0.2637)</td>
<td>0.9773 (0.7929)</td>
<td></td>
</tr>
<tr>
<td>(1 = left, 5 = right)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distance Party-President</td>
<td>0.1301 (0.0808)</td>
<td>0.1182 (0.0815)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Center Parties</td>
<td></td>
<td></td>
<td>1.2993 (0.7946)</td>
<td></td>
</tr>
<tr>
<td>Right Parties</td>
<td></td>
<td></td>
<td>0.5528 (0.7215)</td>
<td></td>
</tr>
<tr>
<td>District Magnitude</td>
<td>-0.0711* (0.0384)</td>
<td>-0.0824** (0.0375)</td>
<td>-0.0842** (0.0376)</td>
<td>-0.0814** (0.0370)</td>
</tr>
<tr>
<td>Success correctly predicted</td>
<td>54.63% 43.21%</td>
<td>42.90% 40.43%</td>
<td>90.76% 92.00%</td>
<td>94.81% 92.22%</td>
</tr>
<tr>
<td>Failure correctly predicted</td>
<td>81.09% 78.94%</td>
<td>80.92% 78.36%</td>
<td>123</td>
<td>123</td>
</tr>
<tr>
<td>Overall Prediction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Xi² / Pseudo R²</td>
<td>37.61/0.2632 33.49/.02344</td>
<td>33.61/0.2352 34.1/0.2386</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Significance levels:  * = 0.1, ** = 0.05, *** = 0.01
Regression models A thru D (in Table 5-1) confirm a negative and significant relationship between the size of the district and the likelihood of voting with the president: the smaller the province, the more likely the legislator is to vote with the president. The underlying logic is that legislators coming from smaller districts are more vulnerable and accountable to the pressures of their home constituencies, and vice versa, legislators coming from larger provinces depend on the workings of the party structure to advance their own political careers and/or attend their constituencies through the party machinery. Figure 5-1 illustrates this notion that legislators coming from districts where four or less legislators were elected (nearly 40% of congress) had a 40% (mean) probability of voting with the president. At the other end, roughly only one out of four legislators who came from the three largest electoral districts (Pichincha with M=14, Guayas with M=18, or from the nationwide district of M=20), was likely to vote with the president. Nearly 42% of legislators came from such districts, thus illustrating the fact that regional conflict in Ecuador reflects the differences between small and large districts, and not necessarily between Coastal and Andean districts as it has been commonly believed.

Figure 5-1 also illustrates that the impact of the electoral district eclipses the impact of party size on the likelihood of voting with the president; that is, larger parties are more likely to vote with the president than smaller parties, but this difference is not significant. It becomes clear that legislators representing small and visible audiences are more likely to put their votes for sale in exchange of particularistic payments or favors.

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169 It is important to keep in mind that regression estimators are weighted by the size of the district magnitude [DMAGN] in order to improve the goodness of fit. As a result, the prediction line for the impact of district magnitude on the probability of voting is straightened out.
for their region and obtain political advancement. Legislators who were elected under a closed list PR system in a larger province would be less visible to their voters and they would have a harder time claiming favors or resources for their constituents..

Figure 5-1  Probability of Voting with the President by District Magnitude and Party Size. Fiscal Reform (May 2001)

It is plausible to presume that an optimal strategy for political survival in a larger territory disputed by several parties would be to remain loyal to the party label and contribute to the overall party’s electoral efficiency in the hopes of obtaining collective rewards. In the case of the vote of Fiscal Reform, press investigations reported several connections and prizes awarded to defectors, including diplomatic posts and fast-track
The most evident case of pork trading was that of DP legislator Reynaldo Yanchapaxi (Cotopaxi) who, only a few days after the vote, publicly thanked the government for starting to build the road in his native province when other governments failed to deliver. In any case, it became evident that this dramatic malapportionment effect in Ecuador produced adverse implications for creating different types of representation links between voters and legislators, which in turn translated into the policymaking process (Snyder and Samuels 2001).

2.2 Party Dissidents and Political Careers

Evidence supports the claim that the success of vote buying as a presidential strategy hinges on the short-term (legislative) horizons of these politicians. First, the relationship between party loyalty and party discipline is tested by looking at the number of times a legislator has switched away from their original party in the past and current voting. Models B, C and D on Table 5-1 show that previous party switching had a positive and significant impact on the probability of fiscal reform approval: the more times a legislator switched parties on the past, the more vulnerable is to breaking party ranks once again.

As a second measure of political careerism is the number of terms that a legislator has served in congress at the time of the vote \( \text{RELEX\_NUM} \), taken as a proxy for “seniority” within party ranks. There is an ongoing debate regarding the expected impact

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170 Following the comparative literature, the model speculates that legislators requested at least two types of payments: 1) Pork for their provinces, and 2) patronage, to distribute clout and power at the local level (Amorim-Neto and Santos 2001). Chapter 4 argues that the use of discretionary spending on the part of the president (\textit{gastos reservados}) was banned after the Dahik scandal in 1994, leaving the president with fewer bargaining chips to offer to potential collaborators.

of this variable on party unity: Do legislators who have returned several times to
Congress gain more seniority within party ranks and therefore have more autonomy to
vote their own conscience? Or do recurrent legislators’ increased leadership roles within
their party positions make them less likely to defect the official party line? Between
1979 and 1996 the Ecuadorian Congress was largely composed of amateur and
inexperienced legislators who could not pursue political careers due to a constitutional
ban on immediate reelection (Mejía-Acosta 2003). During this period, nearly 9 out of 10
legislators went to congress for just one period. After a constitutional reform reinstating
consecutive reelection in 1995, reelection rates roughly doubled, from 13% to 27% of the
total number of members of congress. In 1998, at least 40% of legislators had some
previous legislative experience (Mejía-Acosta 2003). Models A, B and D show that
legislators who came back to congress for the third or fourth time were less likely to
break party ranks than those who were elected for the first time. The latter group had a
higher probability of voting with the president. Figure 5-2 illustrates the effect of
legislative careers on the likelihood of voting with the president.
As it is later argued, this evidence is consistent with the argument that legislators’ who had interested in furthering their progressive ambitions “alternative arenas” to Congress such as provincial, city or bureaucratic positions in were less likely to challenge the leadership in the short run (Pachano 1991; Amorim-Neto and Santos 2001; Samuels 2003).

2.3 Party Dissidents and Political Ideology

The models confirm the notion that ideological differences are not relevant when presidents engage in vote buying (Mainwaring 1999). According to a spatial model of legislative bargaining, presidents would be expected to seek support of those legislators who lie closer to their own ideological position (Enelow and Hinich 1984; Krehbiel 1998). However, neither Coppedge’s five-point measure of party ideology (1998) nor the ideological distance separating the legislator and the president's ideal position points
(Amorim-Neto 1998) reached significant levels to explain likelihood of voting. This finding corroborates theoretical predictions in an interesting way. The previous chapter illustrated how ideological differences played a relevant role in explaining parties' willingness to vote with the president, but ideological criteria washes out when support was gathered through vote buying mechanisms. This finding corroborates the premise advanced in Chapter 2, that vote buying responds to a non-ideological, and more cost-efficient logic for advancing legislators' immediate ambitions.

2.4 Party Dissidents and Government Majorities

It is often argued that the lack of party discipline has been one of the sources of presidential weakness in congress (Conaghan 1995; Burbano de Lara and Rowland 1998; Sánchez-Parga 1998). Yet loose party discipline can become an asset when, as illustrated by this case of fiscal reform, what the president needed is precisely to break party ranks in the opposition. Chapter 2 suggested that presidents who were considering the possibility of buying votes were likely to court the most “vulnerable” legislators with weak attachments to party labels and/or strong electoral connections. All things being equal, their price of cooperation is likely to be lower than legislators with higher stakes within their political organizations. This notion is tested by looking at whether presidents were more likely to seek coalition partners in those parties with a history of poor discipline, measured by the average unity score taken in the year in which the current

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172 A more accurate measure of a legislator's ideological position would be to use a survey of ideological self-placement extracted from Alcantara's survey of Legislative Elites in Latin America, but such information was not available at the writing of this chapter.

173 Other relevant factors, like the presence of regional voting were tested in this model but there were no significant results to report. An important variable worth testing in the future is social inequality. Are legislators coming from poorer provinces (low education, infant mortality rates, etc) more likely to trade votes for favors and vote with the president?
vote took place [AVGRICE]. Models A thru D on Table 5-1 report a negative and significant impact of a party's discipline scores on the likelihood that a party member (from that party) will vote with the president. Consistent with models for party discipline reported above, Figure 5-3 shows that party size has a positive impact on party unity scores (larger parties are more disciplined) but this is not statistically significant.

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Figure 5-3 Probability of Voting with the President By Party Size and Party Unity. Fiscal Reform (May 2001)

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174 Ideally, a better way to test this proposition would be by using a lagged variable of party discipline, but the dataset does not contain votes taken in the previous legislative year (1999-2000).
The next section discusses the institutional determinants of party switches. The summary of both analyses, their similarities and differences are included in the conclusions of this chapter.

3. Crafting a Measure of Camisetazos

3.1 Modelling Defections

The dependent variable is operationalized as the number of times Ecuadorian deputies abandoned their parties between 1979 and 2002. The units of analysis are broken down into legislator-years (one case = one legislator in one legislative year), for a total of 2002 cases, that is an average of 87 legislators in each congressional session during more than 23 years of legislative activity since the return to democracy.

Measuring the rate of individual party changes on a year-to-year basis is a significant advantage over existing studies for two reasons. The current literature has developed aggregated indices of “parliamentary change”, taking into account the total number of deputies that each party gained or lost from one period to the next (Nicolau 1996). This method is not sensitive to the fact that party switching rates may cancel each other out if the number of outgoing legislators in a party equals the number of incoming deputies (Mainwaring 1999: 142-3). Another problem with aggregate measures is that legislators can switch parties more than once during a legislative period (i.e. s/he first becomes independent and then affiliates to another party) or they can return to congress under a different party label in the next election. The current yearly measure successfully captures these contingencies. Figure 5-4 illustrates the incidence of party switching. As the chart shows, party defections are closely connected to the electoral calendar, with a
systematic tendency to switch during the first year in office, independently of the size of congress. Throughout this period, the unicameral congress varied in size from 69 legislators in 1979 to 123 in the 1998-2002 period.

![Figure 5-4 Frequency Distribution of Party Switching Rates. National Ecuadorian Congress (1979-2002)](image)

Modelling party switching in Ecuador poses a few methodological problems. First, there is a skewed distribution of defections compared to non-defections in a 10 to 1 ratio (a total number of 218 defections in 2002 cases). This biased distribution severely affects the model predictions of a logistic regression, to the point that all non-switches are perfectly predicted but nearly no effective switches. Poor logit predictions also prevented the use of a Heckman selection model, which would measure switches as a two stage binary process that explains the political determinants behind the legislator’s decision to defect parties (or not) and secondly, which of these factors explain the direction of the
switch (switching away from or towards the government coalition) (Brinks and Coppedge 2001). Thirdly, party switches were coded on a yearly basis without a finer measure of the exact point in time in which the switching occurred. This problem prevented the use of Event History Analysis (EHA), in order to measure the effect of time-varying exploratory variables on the likelihood of occurrence of an event—a party defection in this case—(Allison 1984; Vermunt 1997). A more substantive reason for not using EHA (which requires coding the elapsed time between one switch and another), is that the purpose of the analysis is to determine why a legislator decides to switch, not so much the question of when the switching takes place (the rate at which party switching is likely to occur) (Vermunt 1997: 85).

An OLS regression is used to explain the total (cumulative) number of party switches occurred in the Ecuadorian Congress between 1979 and 2002. Following the logic of duration models, this model specification allows me to build in the individual record of party defections into the explanation of subsequent defections. Tabulating the cumulative distribution of party switches looks like this: 1455 cases who had no switches, 381 who had switched once in the past, 132 who switched twice, 32 three times and 2 who switched 4 times. This coding scheme would necessarily generate some non-random distribution of errors, but report robust standard errors are reported in all models as a way to partially address the heteroskedasticity problem. The independent variables include the impact of the legislator’s district size, the size of his/her party, his/her

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175 Desposato uses a conditional logit model (exploring individual’s behavior given a number of purchase or consumption choices), which remains to be tested for explaining party switching in Ecuador (Desposato 2002: 24, (McFadden 1974)).

176 The cumulative switching history looks like this: if a legislator switched once in year t and switches again in year t+3, a 1 is coded in t, t+1, and t+2, and code 2 in t+3.
political career ambitions, his/her ideological affiliation, the timing of the electoral
calendar and other legal constraints. All these variables are properly anchored in the
corresponding literature on legislative institutions.

3.2 Model Predictions and Analysis

An individual’s decision to defect from his or her party takes place when the
expected benefit from switching (electoral, political, ideological or distributional),
exceeds the legal and informal barriers for defection (Mainwaring 1999: 146). To test the
electoral motivations to defect, first the size of the electoral districts from which
legislators come is considered. Legislators are expected to be more likely to respond to
their constituents if the electoral demands are clustered in a well-defined territory.
Deputies from smaller districts are more vulnerable to defect their parties if the switch is
likely to further their own political ambitions at the local level (Ames 2002: 195).
Deputies from larger districts have dispersed electoral loyalties thus fewer electoral
motivations to defect.\footnote{177} There should be a negative relationship between the district
magnitude and the cumulative number of party defections.\footnote{178}

A second test of the electoral connection hypothesis looks at the occurrence of
party switching events given the presence of elections. Considering the level of support
for the executive, it has been argued that legislators in presidential systems have little
incentives to cooperate with the executive before election time (Coppedge 1994; Altman
2000). Thus, more switching should occur towards the government at the beginning of

\footnote{177} Until 2002 there were 23 electoral districts in Ecuador, with a varying size between 1 and 20
\footnote{178} The analysis also tested a dummy to control for the difference between diputados nacionales
(elected proportionally by a single national district) and diputados provinciales (elected proportionally
according to the size of the province). Both measures of territory yield comparable and significant results
but for its accuracy and simplicity only district magnitude is reported.
the term, but as new elections approach and legislators want to avoid visible cooperation with incumbent presidents, legislators would be more likely to defect pro government parties.\textsuperscript{179} Three different variables are used to control for the impact of the first year in office, the last or electoral year and a continuous measure of the elapsed legislative term.

To evaluate whether party defections were motivated by office seeking ambitions, two different indicators are considered: the number of legislative reelections and the individual’s committee membership in congress. If party defections are means to advance political careers, there should be a positive relationship between the number of reelections and the number of party switches.\textsuperscript{180} This hypothesis is tested under two different institutional arrangements: with consecutive reelection (after 1996) and without consecutive reelection (before 1994). Incentives to switch parties should increase when there is more job uncertainty than when legislators were able to develop a more conventional legislative career based on consecutive reeelections (Mejia-Acosta 2003).\textsuperscript{181}

As a second measure of office seeking, legislators are expected to be less inclined to defect parties if they are already hold legislative committee appointments. According to party-oriented explanations of party behavior, party leaders could reward loyal members with committee assignments (Mayhew 1974; Cox and McCubbins 1993). The Ecuadorian Congress lacks a merit-based system to appoint committee members on the

\footnotesize{\textsuperscript{179} An alternative interpretation independent of government voting would suggest that if a legislator has secured a solid base of electoral support, regardless of party affiliation, he or she is more likely to defect with the proximity of elections. On the contrary, if a legislator’s success depends on party affiliation, he or she is more likely to defect early on in the term in order to build a reputation of loyalty within the new party.}

\footnotesize{\textsuperscript{180} Arguably, the inverse argument could also be made: legislators can afford to switch parties because they have a solid base of support given by the number of reeelections they have accumulated in the past.}

\footnotesize{\textsuperscript{181} Before 1994, only 13.82\% of all congresspeople served another term in office given that a constitutional rule had banned immediate legislative reelection. To count non-consecutive reeelections, these are simply counted as the instances in which legislators were elected to congress again, that is, after sitting out al least for one term.}
basis of seniority, making legislative appointments less dependent on the number of years spent in congress but on the will of the party elite and the approval of the president of congress. For this purpose, a binary variable is coded to measure individual membership to one of the five Permanent Legislative Commissions that handle the most relevant bills in Ecuador.\textsuperscript{182} Another proxy for office seeking incentives is the number of years a legislator has spent in congress.\textsuperscript{183}

To test whether party defections respond to ideological motivations, the model uses a variable based on Coppedge’s classification of Ecuadorian political parties used in previous chapters (1997).\textsuperscript{184} Legislators coming from more ideological (left-wing or right-wing) parties should have fewer incentives to switching than those coming from centrist or “catch-all” centrist parties with vague or undefined ideologies. The regression includes a dummy for Left parties to verify whether members of leftist parties are less inclined to defection than legislators from other ideological positions.

Given data constraints already explored in chapter 4, it is not possible to prove the nature material incentives to party defection. Instead, the model looks at the size of the political party as a proxy to evaluate the distributive capacity of the political organization: the larger the party, the greater bargaining capacity it has to extract

\textsuperscript{182} Before the 1998 Constitutional Reforms, the bulk of the legislative work was organized around the Congressional Plenary made of five Permanent Legislative Committees: Civil and Penal Issues, Labor and Social Issues, Fiscal, Banking and Budget Issues, Economic, Agriculture, Industry and Commerce Issues, and House Committee (Comité de Mesa). After 1998, all congress members were required to belong to a legislative committee, but the top five remained the most relevant congressional committees, so the coding is not affected by the reform.

\textsuperscript{183} Not surprisingly, the number of years a legislator spends in congress is highly correlated with the number of reelections ($r = 0.658$).

\textsuperscript{184} To measure the absolute ideological distance from the center, the model adapts Coppedge’s classification according to a five point ideological scale: Left parties (FADI, MPD, PCK, PLN, PSE), Center Left (DP before 1994, ID, PD), Center and Populist parties (APRE, CFP, FNV, LP, MIN, MPS, PCD, PNR, PRE, ROL), Center right (CID, DP after 1994, FRA), and Right parties (PCE, PLRE, PSC, PUR). Then, all center parties are coded 1, 2 for center left and center right parties, and 3 for extreme center and left parties.
significant concessions from the government. Deputies coming from larger parties should be less likely to seek political benefits outside their organization and therefore, less likely to defect parties. The model also includes the percentage of seats held by the legislator’s party and the share of seats held by the president’s party.

Different government administrations are controlled for, in order to capture president-specific strategies to break parties and sponsor defections. Another dummy controls for the years in which a legislative Code of Ethics was passed as a legal restriction to punish party defections. Table 5-2 reports the OLS regression coefficients explaining the number of party switching events.

4. Analysis of Party Switching

4.1 Party Switching and the Electoral Connection

The first set of variables suggests that there is some electoral connection shaping the individual legislator's decision to switch. As expected, the impact of district magnitude on party switching is negative and largely significant in all reported models: legislators coming from small districts with well-defined constituencies are significantly more inclined to switching parties than those who came from larger provinces. This

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185 Recent studies on Brazilian legislative behavior show the opposite. In the period between 1991 and 1995, deputies coming from large parties tend to be more disciplined (Mainwaring and Pérez Liñán 1997; Amorim-Neto 1998b).

186 Not reported in the model, a series of variables for economic performance (GDP growth, fiscal balance, as well as yearly and presidential administration dummies were tested, but none were found significant.

187 In late 1998, the congressional majority approved a Code of Ethics in an attempt of erasing all signs of corruption from Congress. According to this law, individual party defections and party indiscipline can be punished under the request of a party leader, and a simple majority in Congress can take away the seat of the legislator. Interview with Ramiro Rivera, Leader of the governing Popular Democracy party. Quito, July 22, 1999.
trend is reinforced by the fact that the Ecuadorian legislature has one of the world's worst regional disparity in political representation with a strong bias to over represent smaller districts (Snyder and Samuels 2001).
TABLE 5-2
LINEAR REGRESSION FOR EXPLAINING THE NUMBER OF PARTY SWITCHES (1979-2002)

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Model A</th>
<th>Model B</th>
<th>Model C</th>
<th>Model D</th>
<th>Model E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.4259***</td>
<td>0.3337***</td>
<td>0.3485***</td>
<td>0.7753***</td>
<td>0.5737***</td>
</tr>
<tr>
<td>(0.0518)</td>
<td>(0.0542)</td>
<td>(0.0461)</td>
<td>(0.0585)</td>
<td>(0.0516)</td>
<td></td>
</tr>
<tr>
<td>President's Party Size</td>
<td>-0.2777*</td>
<td>-0.0290</td>
<td>-0.4580***</td>
<td>-0.6246***</td>
<td>-0.5718***</td>
</tr>
<tr>
<td>(0.1124)</td>
<td>(0.1167)</td>
<td>(0.1138)</td>
<td>(0.1152)</td>
<td>(0.1175)</td>
<td></td>
</tr>
<tr>
<td>Relative Party Size</td>
<td>-0.1468***</td>
<td>-0.1577***</td>
<td>-0.1565***</td>
<td>-0.1565***</td>
<td>-0.1565***</td>
</tr>
<tr>
<td>(0.0156)</td>
<td>(0.0157)</td>
<td>(0.0169)</td>
<td>(0.0169)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ideology</td>
<td>0.1714***</td>
<td>0.1834***</td>
<td>0.1777***</td>
<td>0.3998***</td>
<td>0.3977***</td>
</tr>
<tr>
<td>(0.0078)</td>
<td>(0.0086)</td>
<td>(0.0078)</td>
<td>(0.0253)</td>
<td>(0.0250)</td>
<td></td>
</tr>
<tr>
<td>Left Parties</td>
<td>-0.1655***</td>
<td>-0.2160***</td>
<td>-0.2160***</td>
<td>-0.2160***</td>
<td>-0.2160***</td>
</tr>
<tr>
<td>(0.0283)</td>
<td>(0.0231)</td>
<td>(0.0231)</td>
<td>(0.0254)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Committee Membership</td>
<td>-0.0093</td>
<td>0.0150</td>
<td>0.0027</td>
<td>0.0010</td>
<td>0.0010</td>
</tr>
<tr>
<td>(0.0248)</td>
<td>(0.0252)</td>
<td>(0.0258)</td>
<td>(0.0258)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Years in Congress</td>
<td>0.1714***</td>
<td>0.1834***</td>
<td>0.1777***</td>
<td>0.3998***</td>
<td>0.3977***</td>
</tr>
<tr>
<td>(0.0078)</td>
<td>(0.0086)</td>
<td>(0.0078)</td>
<td>(0.0253)</td>
<td>(0.0250)</td>
<td></td>
</tr>
<tr>
<td>Number of Reelections</td>
<td>-0.0235***</td>
<td>-0.0184***</td>
<td>-0.0258***</td>
<td>-0.0205***</td>
<td>-0.0228***</td>
</tr>
<tr>
<td>(0.0027)</td>
<td>(0.0028)</td>
<td>(0.0026)</td>
<td>(0.0030)</td>
<td>(0.0030)</td>
<td></td>
</tr>
<tr>
<td>District Magnitude</td>
<td>-0.1624**</td>
<td>-0.1624**</td>
<td>-0.0880</td>
<td>-0.0880</td>
<td></td>
</tr>
<tr>
<td>(1981-1984)</td>
<td>(0.0422)</td>
<td>(0.0446)</td>
<td>(0.0502)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1988-1992)</td>
<td>(0.0483)</td>
<td>(0.0505)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borja Administration</td>
<td>0.0044</td>
<td>0.0494</td>
<td>0.0027</td>
<td>0.0010</td>
<td>0.0010</td>
</tr>
<tr>
<td>(1990-1992)</td>
<td>(0.0494)</td>
<td>(0.0502)</td>
<td>(0.0502)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1996-1997)</td>
<td>(0.0757)</td>
<td>(0.0789)</td>
<td>(0.0731)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Durán Ballén Administration</td>
<td>0.044</td>
<td>0.0494</td>
<td>0.0027</td>
<td>0.0010</td>
<td>0.0010</td>
</tr>
<tr>
<td>(1992-1996)</td>
<td>(0.0494)</td>
<td>(0.0502)</td>
<td>(0.0502)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bucaram Administration</td>
<td>-0.1624**</td>
<td>-0.1624**</td>
<td>-0.0880</td>
<td>-0.0880</td>
<td></td>
</tr>
<tr>
<td>(1990-1992)</td>
<td>(0.0494)</td>
<td>(0.0502)</td>
<td>(0.0502)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1996-1997)</td>
<td>(0.0757)</td>
<td>(0.0789)</td>
<td>(0.0731)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alarcón Administration</td>
<td>0.0044</td>
<td>0.0494</td>
<td>0.0027</td>
<td>0.0010</td>
<td>0.0010</td>
</tr>
<tr>
<td>(1990-1992)</td>
<td>(0.0494)</td>
<td>(0.0502)</td>
<td>(0.0502)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1996-1997)</td>
<td>(0.0757)</td>
<td>(0.0789)</td>
<td>(0.0731)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mahuad Administration</td>
<td>-0.1052*</td>
<td>-0.1624**</td>
<td>-0.0880</td>
<td>-0.0880</td>
<td></td>
</tr>
<tr>
<td>(1990-1992)</td>
<td>(0.0523)</td>
<td>(0.0532)</td>
<td>(0.0532)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noboa Administration</td>
<td>0.1012*</td>
<td>0.1012*</td>
<td>0.0754</td>
<td>0.0754</td>
<td>0.0754</td>
</tr>
<tr>
<td>(2000-2002)</td>
<td>(0.0519)</td>
<td>(0.0533)</td>
<td>(0.0533)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hurtado Administration</td>
<td>0.3271***</td>
<td>0.3271***</td>
<td>0.3271***</td>
<td>0.3271***</td>
<td></td>
</tr>
<tr>
<td>(1981-1984)</td>
<td>(0.0638)</td>
<td>(0.0664)</td>
<td>(0.0664)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Febres Cordero Administration</td>
<td>-0.1624**</td>
<td>-0.1624**</td>
<td>-0.0880</td>
<td>-0.0880</td>
<td></td>
</tr>
<tr>
<td>(1984-1988)</td>
<td>(0.0422)</td>
<td>(0.0446)</td>
<td>(0.0446)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1990-1992)</td>
<td>(0.0494)</td>
<td>(0.0502)</td>
<td>(0.0502)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1996-1997)</td>
<td>(0.0757)</td>
<td>(0.0789)</td>
<td>(0.0789)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R-Squared</td>
<td>0.3486</td>
<td>0.3570</td>
<td>0.3431</td>
<td>0.2965</td>
<td>0.2833</td>
</tr>
</tbody>
</table>
Snyder and Samuels correctly argue that some problems deriving from severe malapportionment are: the cementing of "strange bedfellow" coalitions in congress (i.e. across regional differences), the estrangement of executive legislative relations (a national elected president bargaining with a locally oriented legislature), and the construction of "peripheral populist" groups who can hold the policy making process hostage to their interests. The reported evidence is also consistent with party switching patterns in Brazil, where the number of defections significantly decreases as legislators come from larger districts, perhaps because the probability of credit-claiming reduces as the number of “vote-receiving deputies” increase (Ames 2002: 149). The empirical evidence of this provincial connection between legislators and voters qualifies existing assumptions about the supposedly chronic electoral disconnection in Ecuador (Conaghan 1995; Burbano de Lara and Rowland 1998).

Although not reported in these models, these observations hold true when the distinction between National and Provincial deputies is made. With stable four-year tenure and access to several party privileges, it is not hard to understand why would a National Deputy would be more interested in developing a political career with the party and avoid risky acts of disloyalty. Provincial Deputies in turn, were more willing to abandon their parties if switching contributed to advancing their political careers at the local level or serving their particular interests. In a 1996 survey of the Ecuadorian

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188 These findings hold when the legislator’s ability to seek immediate reelection is controlled for. Despite the constitutional ban, legislators bear in mind the interests of well-defined constituents.
congress done by Mateos and Alcántara, the vast majority of legislators were in complete agreement with the importance of bringing resources to their regions (1998: 90).\(^ {189}\)

Do legislators make strategic defections according to the timing of the electoral calendar? Regression coefficients suggest that fewer switchers do occur with the gradual approaching of new elections (Model C), with more defections occurring during the first year in office (Model B), and fewer defections in the last –electoral- year (Model A). All coefficients have the expected sign and are statistically significant. Once again, the evidence is consistent with the case of Brazil, where Ames suggests that deputies switch parties early in the legislative term as they are enticed by payoffs and selective benefits offered by the president in exchange of cooperation (Ames 2001. See also Desposato 2002 and Mainwaring and Pérez-Liñán 1997).

4.2 Party Switching and Political Careers

The number of times a legislator has been elected to congress is a significant proxy to evaluate the legislator’s ability to develop a political career.\(^ {190}\) The model findings confirm that a greater number of reelections have a positive and significant effect on the number of party defections, as illustrated by models D and E on table 5-2. The relationship between party switching and reelection can be best interpreted as a two way street. First, legislators who were elected to congress several times, enjoyed more autonomy to defy the party leadership and switch to a party that would further their political careers. Secondly, party switching could be instrumental to advancing

\(^{189}\)The breakup of responses by ideology was also consistent with model predictions, with a greater tendency for localism in centrist parties (100% of positive responses from PRE legislators), and decreasing to the right (96% of the rightist PSC and 80% of the moderate DP), and left (57% from PCK).

\(^{190}\)The methodological caveats and counting rules to compare non-consecutive reelections to congress before 1996 with immediate reelections after 1996 were outlined in the previous section
legislator’s political careers if they need to detach themselves from a weak government coalition or associate with a promising party before the next election. This is the case of Guillermo Hidalgo Bifarini, representative from the northeastern province of Napo (and later a representative from the split territory of Orellana) who came back three times to congress, each time with a different political party.\textsuperscript{191} Data from Brazil shows that deputies are less likely to switch parties if they are not seeking reelection, but 21.8\% of deputies did switch parties after they obtained reelection (Ames 2002).

A second indicator of political ambition, the legislator’s affiliation to a legislative committee was not a significant factor to predict party switching as illustrated by models B through E. As discussed earlier however, models A through C do find a positive and significant impact of the number of years a legislator spends in congress on the occurrence of party switching.\textsuperscript{192}

In a context where immediate legislative election was constitutionally banned for most of the period of study, it makes little sense to measure individual incentives to build a political career by looking only inside the congressional arena. The comparative literature suggests that legislators can develop a sense of progressive ambition by which legislators continue to pursue political office outside the legislative arena (Carey 1996; Samuels 2003). In the two other countries that banned immediate reelection, Mexico and Costa Rica, legislators sought to develop political careers in the local government or

\textsuperscript{191} Hidalgo was elected under PLN in 1994 but became independent, under DP in 1996 and under FRA in 1998.

\textsuperscript{192} Furthermore, an interaction term to test the “seniority” factor, that is the number of years spent in congress multiplied by committee affiliation (not reported in the models), was not significant to predict party switching either.
within the government bureaucracy (Taylor 1992; Lujambio 1995; Carey 1996; Dworak 2003). 193

Given the lack of reliable data on political careers in Ecuador, the model makes some inferences and suggests some hypotheses to explain where legislators go when they are unwilling or unable to return to congress for another period. From a comparative perspective, evidence confirms that legislators where presidents had the support of a congressonal majority (such as Mexico before 1997, or Costa Rica), had more career opportunities than legislators in fragmented legislatures. 194 Students of Brazil suggest that legislators developed short-term careers in congress, but they were likely to run for local office or seek bureaucratic appointments when their legislative period ended (Ames 2002, Samuels 2003). In the short run, their incentives were shaped by committee positions, pork for their districts or other kinds of personal benefits. As Ames simply put it: “party switching maximized the short-term gain of a legislative seat” (2002: 72). In Ecuador, Simón Pachano reports a survey in which nearly 75% of legislators elected between 1979 and 1988 have held some political office including cabinet ministers, provincial governors, legislators, provincial councils and/or members of the Electoral and Constitutional Tribunals (1990: 130) and at least 70% have held some directory position in their own political parties. Furthermore, the survey shows that at least 50% of legislators pursued some political office after leaving congress (Pachano 1991: 174). Although the data does not cover the entire period of our study, it suggests that even

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193 In both cases, institutional constraints have not prevented deputies from advancing their political careers. In Costa Rica the political ambition was rewarded with distribution of key government jobs (Carey 1996) or by running for local government in Mexico (Lujambio 1995).

194 Matt Shugart is blunter about the career choices of Ecuadorian legislators. Without a majority party and without the possibility of reelection –he speculate- legislators “sold” themselves to the highest bidder (whoever could offer them some post-congress job). Personal Conversation, May 2002.
Ecuadorian legislators did have strong incentives to maintain loyal ties to their parties and avoid outright defections.\textsuperscript{195}

4.3 Party Switching and Political Ideology

Contrary to most conventional accounts, political ideology is a significant factor of party switching in the fragmented Ecuadorian congress. The political ideology is operationalized as the (absolute) ideological dispersion along a left-right continuum, ranging from lowest values for Center-Populist parties, to highest values for extreme parties.\textsuperscript{196} Models A, B and D in Table 5-2 illustrate that the relationship between ideological dispersion and party switching is negative and statistically significant: legislators from centrist and populist parties switch parties more often than politicians coming from left or right parties.\textsuperscript{197} Furthermore, Models C and E control for the presence of legislators coming from Left parties and find a negative and significant impact of the Left on the number of party switches. Survey data reported by Mateos and Alcántara for the Ecuadorian case corroborate this finding (1998: 89-90). When legislators were asked if a political party had the right to expel a legislator who voted against party decisions, there were more legislators from the left in complete agreement with this statement (100\% from Pachakutik) than legislators from the right (71\% from PSC) or the center (62\% from PRE). A similar decline in support was found to the

\textsuperscript{195} The decision to abandon the national legislature to pursue local office should be encouraged by a greater disbursement of central revenues to local governments, as it happens in Brazil. Nevertheless, the recent strengthening of municipalities in Ecuador is likely to reinforce legislator’s incentives to pursue an “inverse” path in their political careers: from the national to the local sphere (Pachano 1990: 147).

\textsuperscript{196} Recall that centrist parties are coded 1, center left or right parties are coded 2, and extreme right or left parties are coded 3.

\textsuperscript{197} The probability (logit) distribution of legislator's party switching for the 1979-1996 period finds that politicians from center and populist catch-all parties are more likely to switch parties (50.5\%) than legislators coming from right-wing (31.3\%) or left-wing (19.0\%) party affiliations (Mejia Acosta 1999).
question of whether legislators should loose their mandate if they switch parties after the
election (86% from PCK, 79% from PSC, and 77% from PRE). Consistent with the
findings of loose discipline reported in chapter 4, respondents from the moderate rightist
party DP show higher levels of tolerance to party defections: 50% agree with the need for expelling undisciplined voters and 70% agree with the need to recall the mandate of party
switchers (Mateos and Alcántara 1998).

Theoretically, the findings are also consistent with the downsian dynamic of spatial competition: legislators in centrist, catch-all parties can accommodate to a changing environment by migrating left or right of their party, whereas legislators coming from more orthodox parties face higher relocation costs when undertaking the decision to switch. The political relevance of the ideological divide is also consistent with the evidence presented by Mainwaring and Pérez-Liñán’s for the fragmented Brazilian congress where policy differences were an important factor for party switching (1997: 470). The authors claim that, even in a weakly institutionalized democracy such as Brazil, legislator’s ideological orientations could sometimes matter more than gaining individual benefits (Mainwaring and Pérez-Liñán 1997: 470). Furthermore, Desposato has found in Brazil that legislators coming from districts with higher education rates switch parties with less frequency and develop voting patterns along more ideological lines (2003: 35).

Survey data collected for Ecuador in 1996 shows that constituency pressures are mediated by ideological affiliation when explaining the legislators' decision to switch parties. When asked how important is for legislators to obtain resources for their regions, a full 100% of legislators coming from center parties responded "very important",\n
197
whereas 96% responded the same if they came from the right, and only 57% of legislators coming from left parties (Mateos and Alcántara 1998: 89-90).

4.4 Party Switching and Government Majorities

The empirical evidence corroborates existing model predictions that presidents, especially those with small legislative contingents, were more inclined to encourage individual party defections from the opposition in order to compensate for their weak partisan powers. Figure 5-5 shows that only 21% of the party switchers between 1979 and 2002 defected from the government party. The historic records show that the largest "defection from the government party" took place in 1980 when half of the CFP legislative contingent split as a result of a serious conflict between the party leader and the president.\footnote{The CFP exodus was triggered by the conflict between party leader Asaad Bucaram and the President Jaime Roldos. Defecting deputies moved to other parties or formed political movements that were later transformed into parties (such as the Roldosist Party (PRE) and People, Change and Democracy (PCD)).} The second case of a government party split happened several months after the fall of president Mahuad in January 2000.\footnote{The second case occurred in August of 2000 when two factions (MIN and MPS) abandoned the government party DP and decided to cooperate independently with the succeeding president Gustavo Noboa.} It is feasible to infer that the remaining 79% of legislators defected from potentially opposition parties. Acting as free (independent) agents, they were probably in a better position to negotiate individual bargains directly with the president, expecting to receive a larger payoff than what their original party label had to offer.
<table>
<thead>
<tr>
<th></th>
<th>Away</th>
<th>Towards</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Switches</td>
<td>1784</td>
<td></td>
<td>1784</td>
</tr>
<tr>
<td></td>
<td>(100%)</td>
<td></td>
<td>(100%)</td>
</tr>
<tr>
<td>Party Switches</td>
<td>46</td>
<td>172</td>
<td>218</td>
</tr>
<tr>
<td></td>
<td>(21.1%)</td>
<td>(78.9%)</td>
<td>(100%)</td>
</tr>
<tr>
<td>Total</td>
<td>1830</td>
<td>172</td>
<td>2002</td>
</tr>
<tr>
<td></td>
<td>(91.41%)</td>
<td>(8.59%)</td>
<td>(100%)</td>
</tr>
</tbody>
</table>

Pearson $\chi^2 = 1539.855^{***}$

**Figure 5-5 Frequency and Direction of Party Defections with Respect to the Government Party**

When testing for the size of the president's party, model A in Table 5-2 corroborates that there is an inverse and significant relationship between the president's contingent and party switching. This relationship indicates that more party defections take place when the presidential contingent is smaller. Even when the size of the defector's party is controlled for, there is a negative and significant impact on the incidence of party defections. Potentially, members of larger parties enjoy the benefits of greater access to political resources, perks and patronage from their party leaders in exchange for their loyalty, as explored in chapter 3. Conversely, deputies from smaller parties were constrained by scarce or non-existent resources (most likely because of their marginal status in the government coalition). In this context, such legislators would be better off selling their individual support to a government-sponsored coalition in

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200 The notion of party size ("large" or "small") has a relative meaning in the fragmented Ecuadorian party system, since no party has gained more than 50% of legislative seats in more than 70 years (See Deheza 1997).
exchange for personal political favors or material benefits for their districts, rather than sticking with an inconsequential party organization.  

4.5 Barriers to Switching: the Ethics of Independence

Institutional constraints to prevent party switching were either too low or weakly enforced in Ecuador during the period of study. While there were no formal punishments to legislative party defections until 1998, a Law of Political Parties banned the electoral participation of "independent" candidates, those who were not affiliated to any party label. Nevertheless, many times party conflicts produced the rupture of legislative blocs into several "independent" factions or individuals. The Electoral Tribunal, legally in charge of licensing parties, quickly allowed for party fragmentation when it granted full legal status to those individuals or factions that resulted from party schisms (Conaghan 1995: 449).

The notion of an independent legislator was usually associated with that of a free agent, willing and able to take direct payments and benefits from the president in exchange for much needed legislative votes. Speaking on his role as an independent legislator, Nelson León (ID Cañar) explained in 1993 that independent deputies were

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201 In a logit analysis of party switching (1979-1996), a deputy from a large party (46.4% of chamber seats) had less than a 0.1% possibility of switching, whereas a deputy coming from the smallest possible party (a party of two or 2.6% of seats) has a 19% probability of defection. For the average size of the party (16.2% of the seats), there is a 5% chance that the deputy will switch.

202 Before the 1984 general elections, the Tribunal Supremo Electoral granted full party status to two splinter groups from the governing CFP party: People, Change and Democracy (Pueblo, Cambio y Democracia–PCD) and the Roldosista party (Partido Roldosista Ecuatoriano–PRE). Other relevant examples were the recognition of the DP bloc in 1983 and the PUR in 1992.
instrumental for the approval of certain legislative initiatives: “It is the only way in which Provincial Deputies can obtain key public works for our districts”.

Not surprisingly, the idea of granting legal status to independent legislators was sponsored by two presidents who had problems breaking opposition majorities in congress. President Febres Cordero's initiative (1984-1986) was proposed in the midst of a recalcitrant opposition but it was rejected by plebiscite in 1986. Several years later, President Duran Ballén (1992-1996) succeeded in granting legal status to independent candidates through a plebiscite approved in 1994. Only between 1996 and 1998 were legislators able to live this "state of nature" since a 1998 congressional reform imposed a Code of Ethics in an effort to purge legislative corruption. Under the premise that it would be easier to reach political agreements with party leaders rather than negotiating bills with each legislator and willing to secure a legislative plurality of 32% of seats in congress, the leaders of the governing party pushed for this Code that would severely punish party defections. According to this law, party defectors could lose their seats if found guilty of Code violation by a simple majority of congressional votes.

A dummy variable controlling for the presence of an Ethics Code after 1998 (Model B on Table 5-2) shows a negative and significant impact on the number of party defections compared to other periods when no formal punishments were in place. The rule effectively worked to deter party defections, but in practice has never been applied to any particular case, since party leaders formed ad hoc coalitions to shield their new allies

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203 Consistent with the predictions of the model, Legislator Leon came from the small province of Cañar (M=2) and a small party (ID=10.8%). “Crece grupo de Desafiliados”, El Comercio, Quito, August 13, 1993.

204 Interview with Ramiro Rivera, Leader of the governing Popular Democracy party. Quito, July 22, 1999.
from being expelled with the Ethics Code. The following chapter explores this mechanism of "impunity by consent" as one of the informal mechanisms used by presidents and legislators to craft coalitions for economic reform.

5. Conclusions

The most significant contribution of this chapter is perhaps to challenge the commonly accepted view that party indiscipline and party switching are common features of the Ecuadorian coalition making process. Contrary to what the literature speculates, and lending empirical support to model predictions, party defections and dissidence is a marginal occurrence, and responding to a very specific pattern. In the case of party dissidence, presidents encouraged vote buying in the context of using other constitutional strategies such as the use of veto powers. In the case of party switching, presidents encouraged defections strategically on election years as a way for legislators to maximize their short-term gains of being a maverick. Table 5-3 summarizes the findings of this chapter.

One strong characteristic of pivotal players is their strong electoral connection. Legislators, most likely local caudillos who built a local clientele in their provinces were most likely to challenge the party leadership and even defect the party and run by themselves or under the umbrella of another party. Those who had the electoral autonomy to defect, made a political career by making ad hoc deals with different political parties and administrations.

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205 In 2000, a group of some 20 party splitters from the governing Democracia Popular party and other parties successfully bypassed the application of the Ethics Code (that would have revoked their mandates) and formed a new movement of independent politicians MIN.
TABLE 5-3

INSTITUTIONAL PROFILES OF PIVOTAL PLAYERS IN ECUADOR

<table>
<thead>
<tr>
<th></th>
<th>Party Dissidents</th>
<th>Party Switchers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electoral connection</td>
<td>Strong. The smaller the size of the district the more likely to vote against the</td>
<td>Strong. The smaller the size of the district the more likely is to switch parties.</td>
</tr>
<tr>
<td></td>
<td>party (and with the president). Pork oriented</td>
<td>Pork oriented.</td>
</tr>
<tr>
<td>Political Careers</td>
<td>Short. More likely to vote with the president if: a) had fewer reelections, or b)</td>
<td>Opportunistic. Party switching is positively associated with the number of reele</td>
</tr>
<tr>
<td></td>
<td>had a previous history of party switching</td>
<td>ctions. Party switching used as a step to develop progressive ambitions?</td>
</tr>
<tr>
<td>Political Ideology</td>
<td>None. Party ideology per se, or ideological distance between his party and the</td>
<td>Median oriented. Legislators more likely to switch if they were on (in that order)</td>
</tr>
<tr>
<td></td>
<td>presidents were not significant to explain dissidence.</td>
<td>Center, Right and Left parties.</td>
</tr>
<tr>
<td>Government Cooperation</td>
<td>Pork oriented. The smaller the party of affiliation, the more likely to vote with</td>
<td>Government oriented. Only 21% switched away from the government party.</td>
</tr>
<tr>
<td></td>
<td>the president</td>
<td></td>
</tr>
</tbody>
</table>

One important determinant of party unity was the regional factor, not conceived as the traditional Sierra vs. Coast divide as most of the literature suggests for Ecuador, but whether legislators came from smaller or larger districts. The strong impact of local and provincial interests on legislative behavior is not to be underestimated when explaining the approval of economic reforms. Legislators from smaller districts and centrist parties were also more likely to successfully challenge party unity based on their potential to become pivotal players of any minimum winning coalition. This effect was reinforced by the severe malapportionment affecting the electoral system. In this sense, Ecuador shares a common problem with the Brazilian Congress where legislators broker deals between their province and their governors' needs, and the demands and resources
available to presidents. The overrepresentation of smaller provinces in the national legislature made the president's agenda a hostage of local interests. This explains the strength of these marginal agents.

Maverick legislators had short or opportunistic political careers, suggesting that mavericks did pay a political cost for indiscipline, unless they had enough electoral resources to launch careers on their own. Following the predictions of spatial theory, legislators from the populist center encountered smaller reallocation costs for switching - to the right or left of the spectrum - than those who found themselves at the extremes of the ideological continuum, but in the case of party dissidents, ideology did not matter since they were more interested in the short term gain of the trade. Switchers and dissidents came from small parties, suggesting that they preferred to bargain with the president if the party leader had limited or no access to government resources and therefore have fewer powers to reward (or punish) their members' (lack of) unity.

While the government practice of buying individual votes from the opposition reached its maximum effectiveness to secure the passing of important economic reforms during the Durán Ballén administration (1992-1996), this was also a time for significant reforms to curb the presidential discretionary powers. In June 1995, a major scandal involving corruption charges against Vice President Dahik for purchasing votes from the opposition, led to two significant outcomes. The congressional impeachment and later resignation of Vice President Dahik, and the approval of constitutional reforms that eliminated the use of discretionary funds available to the Executive as well as eliminated the legislators' capacity to legally obtain resources for their provinces. The extent to which the remedy was more pervasive than the illness is discussed in the next chapter, as
it shows that presidents and legislators crafted alternative ways to enable the making of legislative coalitions for reform, specially for passing modernization laws during the Durán Ballén Administration, and Dollarisation reform discussed and approved during the Mahuad and Noboa Administrations.
CHAPTER 6

GHOST COALITIONS IN THE MAKING OF ECONOMIC REFORMS

Everyone, except the bumblebee itself, knows that a bumblebee can't fly. Its body is too big for such small wings and it is not particularly streamlined like the wasp.\textsuperscript{206} Likewise, the Ecuadorian legislature appears ill fitted for the formation of "programmatic" agreements between politicians. For one thing, the combination of high party fragmentation (Conaghan 1995), with legislators facing -for the most part of this study- elections every two years with constitutional restrictions on reelection (Mejía-Acosta 2003) does not offer many institutional incentives to engage in inter-temporal agreements. Besides institutional constraints, politicians who were identified voting with the government (\textit{gobiernistas}) were confronted with negative coverage in the media and low public opinion ratings, since such practices were usually associated with illegal acts of corruption. If one asks any politician in Congress about the nature and contents of any particular legislative alliance, the first response is very likely a straight denial of

cooperation, or in the best of cases, they would speak of a "coincidence of interests". This reticence to admit legislative cooperation is further illustrated by former president Jamil Mahuad who remarked: "the worst insult you can tell an Ecuadorian politician is to be a gobiernista." This accusation was particularly serious if legislators were found voting for unpopular economic reforms.

Yet the empirical analysis presented in previous chapters, showed some counterintuitive findings regarding the formation of coalitions in Ecuador:

- Presidents passed economic reforms without exclusively relying on their executive decree authority, and regardless of the size of their legislative parties (Chapter 3).
- Legislative parties showed unity scores above 85% with even higher rates observed among right and left-most parties (even after controlling for non-controversial votes), suggesting that political parties played important roles in approving economic reforms (Chapter 4).
- Party defections or "camisetazos" were surprisingly fewer than commonly thought (an average of 10% of party switchers every year) suggesting the importance of party loyalty even in a fragmented environment (Chapter 5).

If we accept the argument that more often than not coalitions for reform were crafted around political parties, the next relevant questions are: What was the nature of the payoffs made available by presidents to secure the support of legislative coalitions? And, How were these agreements monitored or enforced?

Most students have depicted coalition formation in Ecuador as a deviation from the implicit ideal type of public and programmatic alliances. Following O'Donnell

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207 Like Eskimos naming water, Ecuadorian media and congresspeople have several denominations for legislative alliances depending on the scope, depth and length of the agreements. Roughly speaking, these are (from most formal to least): coalition, alliance, pact, majority, agreement, or "coincidence" of goals. In practice however, there are no clear differences between the legal or illegal nature in each of these agreement types. José Sánchez-Parga, Personal communication.

208 Personal Interview, Cambridge MA, July 2002.
(1996), this chapter engages instead in the analysis of the actual rules of the games that are being followed, their players, the costs and how they interact with existing formal rules (Brinks 2003; Helmke and Levistky 2003). In a contentious political environment, presidents could encourage legislative cooperation by raising the payoffs for cooperation and/or by reducing for their allies the costs of being associated with an unpopular government. The chapter uses the framework of informal institutions to analyze the workings of ghost coalitions, a well-known practice in Ecuadorian politics through which presidents offered clandestine policy concessions, patronage and pork to potential partners in exchange for lending legislative support to his economic agenda. Ghost alliances created windows of cooperation while protecting their partners' reputation against the charge of "supporting a neo-liberal adjustment" (Acosta 1994). Alliances were monitored and enforced through frequent reshuffling of cabinet positions and local government appointments or temporarily freezing government transfers to allies and their districts. Legislators in turn, used "wing flapping" strategies -such as threatening to impeach cabinet ministers to secure government payoffs while maintaining a public image of "political chastity". Given the inexistence of budgetary allocation records or government transfers for provinces in Ecuador, this chapter proposes a matrix of mutual sanctions and rewards for legislative cooperation based on extensive field interviews with dozens of party leaders and former government officials (including three presidents), congressional hearings, media archives and public opinion ratings. The chapter suggests that observed levels of political conflict and instability (i.e. multiple threats of cabinet

209 In considering payoffs, this chapter focuses on constitutionally endowed presidential prerogatives to appoint national and local government officials, appoint diplomatic missions, concede policy concessions or distribute resources such as public contracts, TV and radio concessions and licensing, selective provision of public services and investments. At this point, no claims to the legal or illegal use of such prerogatives by the president or the coalition members are made.
impeachment or frequent renewal of ministers and provincial authorities) are common ways to police legislative agreements mechanisms to ventilate and adjust shifting congressional alliances. At the end, some empirical implications for the comparative study of coalition making in "less institutionalized" democracies are proposed.

1. Crafting Coalitions for Reform: Informal Institutions

Students of Latin American politics and beyond are well aware of the fact that politicians relied on clientelism and patronage networks to cement political support between voters and their candidates, and/or within the political elite, especially in polities governed by weak political institutions. Patronage can be thought of as the discretionary use or distribution of state resources to cement the loyalties of political allies (Mainwaring 1999: 176). Clientelism is understood as a personal, asymmetric and informal relationship between two players, in which a patron controls access to benefits and resources that the weaker partner desires (Mainwaring 1999). Two defining factors of these exchanges are voluntarism and reciprocity. Voluntarism refers to the possibility that one of the players -the client- may opt out of the relationship and find a more suitable patron, though this cooperation may be "structurally induced" by the asymmetric nature of powers. Reciprocity explains that political players expect a mutual benefit from the exchange, thus the relationship ceases to exist when the expected benefits do not materialize (Menéndez-Carrió 1986: 94). Obtaining state resources for a specific region or the making of power sharing agreements between elites are often

210 Clientelistic relations include intra elite exchanges such as that between a president and a legislator, allowing for patterns of domination through a threat of coercion (1999: 178).

211 The "structural coercion" of clientelism prevents players from challenging the system that promotes the incentives for clientelistic exchanges (Thypin 1982; Menéndez-Carrió 1986).
legitimate practices not proscribed by the constitution and not necessarily linked to corruption. Clientelistic exchanges created huge temptations for corruption as they took place in poorly institutionalized poliarchies with eroding legal authority and no-vertical and horizontal- links of accountability (O'Donnell 1996).  

212 Scholars often refer to the inefficiencies produced by cementing legislative alliances with clientelistic practices, claiming that they produced opportunistic and expensive instances of cooperation over finite issues (Haggard and Kaufman 1995; Mainwaring 1999; Ames 2001).  

213 Students of Ecuadorian politics have echoed similar concerns about the pervasive effects of using patronage and clientele networks in the making of political agreements (Burbano de Lara and Rowland 1998; Sánchez-Parga 1998).  

A growing number of scholars are becoming sensitive to the fact that there may be a parallel set of "informally institutionalized" rules that better explains what really happens beyond the workings of formal democratic institutions (Brinks 2003, Helmke and Levistky 2003, O'Donnell 1996: 9). In other words, a fundamental advantage of offering an explanation based on the informal institutions framework is to better understand the differences between the pays réel and a pays légal (O'Donnell 1996).  

Planting the seeds for theorizing in this direction, Knight argues that informal institutions emerge as responses to conflicts due to asymmetric distribution of resources in society (1992: 123). In trying to surmount distributional challenges to collective action, actors

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212 This crucial distinction becomes necessary to differentiate clientelistic (and patronage) practices from weak institutions or illegal practices (Helmke and Levistky 2003). It could be hypothesized however, that more discretionary and often times concealed nature of agreements gives rise to corrupt and illegal practices.

213 For an interesting exception to this trend, Calvo and Gibson claim that clientelistic practices were efficiently used to produce cheap legislative coalitions for economic reform in Argentina (Gibson and Calvo 2000).

214 A good example is Bustamante's characterization of Ecuadorian political culture -including clientelism- as a deviation from "modern" or "rational" political institutions (Bustamante 2003: 348-9).
"adopt" "socially shared rules, usually unwritten, that are created, communicated, and enforced outside of officially sanctioned channels" (Helmke and Levitsky 2003). An immediate implication is that informal institutions may better explain institutional change, not in terms of deviating attributes or deviant behaviors from an ideal goal (teleological explanations), but in terms of the factual rules of the political game (Brinks 2003, O'Donnell 1996). Players share expectations about the behavior prescribed by the informal rule and devise mechanisms to enforce compliance (Brinks 2003, Helmke and Levitsky 2003). In their relationship to existing formal institutions, informal institutions can be classified according to their effectiveness for producing expected outcomes, and the extent to which the actor's goals are compatible with existing formal institutions (Helmke and Levitsky 2003, Lauth 2000: 25). The need for considering the study of informal institutions is based on the premise that they can have a significant impact to alter "formal institutional outcomes" (Lauth 2000; Helmke and Levitsky 2003). In other words, the combination of formal institutions with informal ones should explain a different outcome than would be expected if formal institutions operated alone (Helmke and Levitsky 2003: 5). In the legislative arena for instance, informal institutions can be especially useful to understand coalition dynamics.

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215 Helmke and Levitsky also emphasize that informal institutions are not simply regular patterns of recurrent behavior, but such regularity must follow a widely known and accepted guideline and violations of that rule must generate some type of sanction (2003: 8).

216 Brinks further develops this notion by stressing that "a rule must have, therefore, both normativity (Hart’s “internal component”) and facticity (Ellickson’s requirement that either its existence or its violation produce some behavioral consequences)” (2003: 9). Another relevant clarification is that informal rules do not prescribe illegal behavior. For instance, much of the existing literature has emphasized the presidential use of constitutional prerogatives such as veto or decree powers to bypass the legislative opposition (Mainwaring and Shugart 1997a; Carey and Shugart 1998). The abuse of presidential decree power however, cannot be considered an informal institution but rather, a non-legal extension of formal rules (Helmke and Levitsky 2003: 8).

217 Lauth argues that informal institutions can adopt complementary, substitutive or conflictive nature vis-à-vis formal rules. Helmke and Levitsky add a fourth type: accommodating institutions (2003).
where actors needed to surmount formal institutional constraints for collective action. A good example of informal rules that complement and accommodate the workings of existing formal rules is offered by Siavelis when he explains that Chilean elites created informal power-sharing mechanisms to curb presidential power and "enhance coalitional trust and provide insurance policies against potential exclusion" (Siavelis 2002b).

2. The Emergence of Ghost Coalitions in Ecuador

The thrust of this argument is that in Ecuador, political actors use informal institutions to overcome the coalition making constraints imposed by a multiparty presidential democracy. More specifically, the use of vote-buying mechanisms such as patronage distribution and clientele networks help political actors approve substantive economic reforms in a context where fragmented legislative support and widespread popular discontent with economic adjustment would have predicted legislative deadlock. Figure 6-1 illustrates how informal institutions help explain this apparent gap between the predictions for reform and the observed empirical outcomes, given existing institutional constraints. Unlike institutional scholars who treat these as inefficient or at best marginal practices, this chapter argues that the strategic use of informal mechanisms helped raise collaboration payoffs or lower coalition making costs by crafting clandestine or ghost coalitions with parties.

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218 Confronted with a rigid post-military institutional framework, Siavelis argues that political elites had to compensate for the lack of formal incentives to partisan cooperation in Chile (2002b).
Stalemate (Prediction)

- Structural adjustment needed
- Fragmented political institutions
- Adverse public opinion to reform

Informal institutions
Muddling through (Observed)

Figure 6-1 Informal Institutions as Deviations from Existing Model Predictions

Clandestine -or ghost- alliances enabled short-term commitments between presidents and legislators while preserving a reputation of "political chastity" (Mills 1984).219 Ghost alliances were more than just "a behavioral regularity" (Helmke and Levitsky 2003): they provided unwritten rules to reward government cooperation and provided mechanisms to sanction deviations from the rule (Brinks 2003).220 Ghost coalitions have been taking place since 1979. This is all the more remarkable when one takes into account that during this period, there have been 10 different presidents who have interacted with more than 500 legislators between 1979 and 2002. In other words, ghost coalitions are not sporadic or isolated events but rather, a standard practice of the Ecuadorian political elite.221

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219 Students of presidential and parliamentary systems both recognize the detrimental effects of "going public" for the formation of legislative coalitions and the subsequent toll on political accountability (Strom 1990; Carey 2002).

220 Given that the Political Constitution does not prescribe rules for the formation of government coalitions, there are no official punishments for breaking an alliance either. Compliance with the rules was enforced through mutual monitoring, outside officially sanctioned channels (Knight 1992).

221 They were not illegal either, since there were no formal provisions to prevent such practices. It may be argued that distributing public graft gave way to corrupt practices. However, the practice of patronage distribution and developing clientele networks was facilitated by the wide constitutional prerogatives legally granted to the president.
The following pages show how "clandestine" agreements came into place, what the nature (contents) of such alliances was, who their potential beneficiaries were, and how they were sanctioned.

2.1 From Boom to Bust: the Need for Structural Reforms

Like many other Latin American countries, Ecuador confronted the challenges of initiating and carrying out more than two decades of economic adjustment policies and structural reforms in order to move away from a state-led import-substitution industrialization model and promote a reduced-government, open-market economic model (Nelson 1989; Williamson 1990; Haggard and Kaufman 1995). As illustrated in the introductory chapter, Ecuadorian governments confronted a series of "exogenous shocks" that imposed severe constraints on the economic front. First, there was the need imposed by International Financial Institutions (IFIs) to adopt a regime of tight fiscal adjustment aimed at servicing heavy foreign debt commitments contracted by the military during the previous oil-rich decade so the country could be eligible for fresh credits (Grindle and Thoumi 1993; Hey and Klak 1999). Secondly, Ecuador's economic fate during the nineties was largely shaped by “Washington consensus” type of policies which prescribed the adoption of financial and trade liberalization, fiscal discipline, reduction of the public sector (including privatizations), and flexible labor reforms (Hey and Klaks 1999: 2, Williamson 1990: 402). Finally, other shocks such as fluctuations in international oil prices, armed conflicts and natural disasters (such as earthquakes and El Niño-related droughts and floods) cut expected revenues or raised government expenditures, thus breeding instability in the country's weak fiscal balances (Araujo 1998).
2.2 Imperial or Impotent Presidents?

The architects of the new democracy wanted to endow presidents with enough legitimate powers to govern above a divisive political environment that had justified the rise of the military in previous decades (Hurtado 1990). In doing so, the 1979 Political Constitution concentrated strong legislative powers such as decree and veto powers in the hands of the president (Mainwaring and Shugart 1997a; Morgenstern and Nacif 2002), thus creating few political incentives for political cooperation and power sharing ((Conaghan 1995; Burbano de Lara and Rowland 1998; Sánchez-Parga 1998). The Constitution also granted presidents wide prerogatives to control political appointments, and up to 1996 they could make appointments of Supreme Court judges jointly with Congress. Finally, Presidents (and some cabinet ministers like Finance) were endowed with off-line budget items, transfers to localities, and up to 1995 discretionary spending accounts (Araujo 1998) Political Constitution, Title VII. In the aftermath of large corruption scandals during the Durán-Ballén and Bucaram administrations, constitutional reforms have curtailed presidents' ability to manage discretionary funds (1995), allowing the autonomous conformation of the Judicial Branch (1998), and "encouraging" the

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222 Presidents have exclusive authority to initiate the budgetary process and other economic related legislation, to contract and acquire foreign debt, and to concede the required licenses and contracts for the administration of the public sector (PC, art. 171). They also had some judicial prerogatives to pardon and reduce sentences and pass controversial legislation by plebiscite.

223 These included the privilege to appoint -and remove- without congressional intervention, (approx. 17) cabinet ministers, (25% of all) representatives of diplomatic missions, (22) provincial governors and other (400) sub-cabinet and sub national authorities (PC, Art. 171).
formation of legislative majorities by punishing party defections. The last section discusses the implications of these reforms for the workings of informal institutions.

2.3 Presidential Popularity, Public Opinion and the Media

"Cameras make ghosts out of people..." 
Bob Dylan

Implementing economic reforms in new democracies was additionally challenged by public discontent, as citizens' hopes and expectations for democratic prosperity were frozen and newly elected politicians tried in vain to persuade them of the need for tougher economic adjustments (Stokes 2001; Weyland 2002). Politicians and their parties were accused of betraying their electoral mandates when they imposed harsh economic policies on the people. Public anger grew exponentially when the martyrs of the economic adjustment were involved in large corruption scandals (Pérez-Liñán 2000). Ecuador was no exception. Figure 6-2 shows that Ecuadorian presidents lost on average 40 percentage points at the end of the first year of their mandates (Araujo 1998), dipping to net unfavorable ratings before reaching 6 months in office (roughly 180 days). Unless they benefited from some popularity-boosting exogenous shock (such as the war against Peru during Durán Ballén's third year in office) they remained trapped in a permanent unpopular status until the end of their terms.

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224 Enacting "governability" as a guiding principle, the Assembly adopted a new electoral system that favored majoritarian (as opposed to proportional) representation, extended the mandate of legislators, provided rules for granting congressional leadership to the largest parties and encouraged the approval of a Code of Ethics that allowed the expulsion of party-switching legislators.

225 The data reported is net public approval rates (all favorable - unfavorable) for the president. Support for Congressional performance (not reported here) consistently remains in the negative numbers as well.
Poor economic performance and the approach of new elections hindered the government's ability to maintain existing coalition partners or recruiting new ones. Politicians adopted anti-government rhetoric to avoid the costs of being associated with the government and/or disqualify the actions of government coalition parties. This anti-

gobiernista attitude of the political class was more likely to expand with decreasing government job approval rates to the point that government collaboration acquired a heavy -often pejorative- connotation. Sixth-time Congressman Wilfrido Lucero (ID)

\[ R^2 = 0.2984 \]

Source: Informe Confidencial, Quito.

**Figure 6-2 Presidential Net Job Approval Ratings. Quito and Guayaquil. (July 1988 - March 2001)**
explained that when his party attempted to negotiate a tax reform with the president in 1999, "we were disqualified, accused of being gobiernistas, by other parties and our own. This is a political prejudice (complejo politico), some kind of bad word in the political arena when it comes to negotiating with the executive". The anti-gobiernista discourse was enshrined in the political culture by the colorful tones of the political slang. A classic example occurred when President of Congress Asaad Bucaram (1979-1981) accused President Roldós of distributing "la troncha" (government payoffs) to disqualify his attempts to cement coalitions with opposition parties. Finally, the media also played a crucial role in raising coalition-making costs by demonizing government collaboration, partly because they failed to make a clear distinction between the legal and illegal nature of such exchanges. When legislators were asked whether they thought the media had any role in facilitating or obstructing coalition formation attempts, all of them confirmed the notion that the press had a significant role for demonizing government agreements and focusing on scandals rather than positive actions of congress.

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227 Personal Interview, Quito, July 19th, 1999.

228 Some interesting examples are: Camisetazo: shameless change of political party with rent-seeking purposes; Colaboracionismo: Accusation made to parties that accept government appointments without belonging to the president's party; Liborios: subservient legislators with the government; Teta: compensations received for government collaboration; and Chuchumecos: last minute government allies (Baus Herrera 1994: 229-31).

229 The source of Bucaram's frustration however, was the fact that he could not conceive that President Roldós (his son-in-law) could seek support for reforms outside the influence of Bucaram's CFP party (Mills 1984).

230 Personal interviews, Quito, July 1999.
3. Explaining Informal Institutions: Who Makes them and How do they Work?

When it comes to coalition formation, any newly inaugurated president in Ecuador soon comes to realize vote buying is "the name of the game in town".\textsuperscript{231} This was especially true when presidents lacked a strong partisan contingent to push the government agenda through congress, and rewarding electoral allies is often not enough to form a legislative majority.\textsuperscript{232} Presidents seeking support from the opposition would prefer to reduce transaction costs by negotiating with major party leaders but this does not prevent them from assembling piecemeal support from small parties and independent legislators (Morgenstern and Nacif 2002; Saiegh 2003).\textsuperscript{233} Chapter 2 asserted that legislators form government coalitions when their expected benefits exceed the costs of being associated with the president. In turn, presidents play a mixed strategy game to enable coalitions along two dimensions: a) By changing their \textit{nature} and increasing the payoffs for cooperation to political partners, or b) By changing their \textit{structure} and reducing their partners' political costs of being "gobiernistas".

Along the dimension of payoffs, presidents confronted with the decision of purchasing votes at "retail" prices or "buying wholesale", often prefer the latter, thus

\textsuperscript{231} DP legislator Alexandra Vela. Personal interview, Quito July 2001. Vote buying is defined as presidents giving payments to parties and individuals in exchange for legislative support.

\textsuperscript{232} Parliamentary institutions in turn, encourage higher fairness of agreements by matching the share of rewards for a political partner with its corresponding share in the government coalition (Altman 2000). Current President Gutiérrez (2002-2006) is a case in point: while he allocated most of the government positions between his own Sociedad Patriótica (SP) party and the indigenous Pachakutik party, their joint congressional contingent roughly reached 30% of seats.

\textsuperscript{233} An interview with former president of Ecuador Jamil Mahuad confirms that, despite conflicting advice and ambiguous public support on the issue, he preferred to negotiate with the Social Christian Party and its controversial leaders León Febres Cordero and Jaime Nebot, because they had a large, ideologically proximate party whose strong leadership ensured him continued political support on the voting floor.
making "package deals" with party leaders.\textsuperscript{234} Party leaders play a crucial role as coalition brokers: their success depends both on their ability to commit and deliver secure legislative support to the president, and on their capacity to obtain patronage and resources for their legislators' districts and/or the legislators themselves (Carey 2002; Samuels 2002).\textsuperscript{235} For political parties however, there is one additional problem. Making "wholesale" agreements with the government impose greater liabilities, such as taking responsibility for policy decisions and becoming visible targets for other opposition parties who might profit from their policy failures in the next election. Furthermore, the costs of cooperation increase with the erosion of presidential job approval rates and with the proximity of new elections, thus making party discipline difficult to enforce (Mainwaring 1999; Morgenstern 2004). How did presidents and party leaders promote coalitional trust despite structural impediments? How did they monitor compliance and sanctioned defections? Consider the following coalition making rule:

\begin{quote}
[\textit{Ghost coalitions}]: Presidents are expected to make concealed offers to potential allies in when seeking congressional support.
\end{quote}

The "secretive" nature of the agreements is a key premise for coalition success: cooperation is ensured as long as partners systematically deny any form of cooperation. Oftentimes the media reports on these encounters, but government officials and party

\textsuperscript{234} Chapter 4 discusses in detail the tradeoffs of making coalitions with parties and/or individuals. 

\textsuperscript{235} A recent example illustrates the double role of a party leader: PRE Congressman described Jacobo Bucaram Pulley as a personal delegate of (PRE leader) Abdalá Bucaram. His presence seeks to enforce the party's commitment to voting on a controversial pro-government resolution. In exchange, the PRE would obtain Embassies in Panama and Russia, the Urban Development Ministry, government transfers to Esmeraldas and Los Rios (PRE) Governments, the city of Machala, as well as a reorganization of electoral tribunals, and a seat in the Constitutional Tribunal. "El PRE y el Gobierno efectivan su acuerdo" \textit{Diario HOY}, Quito. January 20th., 2004.
leaders deny the existence of such pacts, claiming in the best of cases, that there is a "coincidence of interests" for the good of the country. During the Hurtado administration (1981-1983), Mills reports that Gary Esparza, the elected president of Congress in 1983, consistently denied he was the candidate of the official alliance (1984: 71). When reporters asked about his collaboration on key government proposals for the past three years, Esparza replied that "His only interest was the preservation of democracy and not any government cooperation". Disclosing political agreements often led to public confrontations, scandals, and the demise of such alliances. When parties failed to deliver the promised support, presidents threatened to reverse policy concessions, delay loan or contracts approvals, or simply dismiss (sack) their partisan appointees from their government jobs. If on the other, the president failed to deliver an agreement, a disgruntled party could threaten to mobilize social support against a set of reforms, launch impeachment procedures against a cabinet minister, initiate judicial procedures against key government officials, or reverse legislative reforms.

3.1 The Benefits of Legislative Cooperation

Much of the Ecuadorian presidents' "considerable capacity to introduce policy changes" (Grindle and Thoumi 1993) is explained by their wide array of constitutionally

236 Although several government alliances were being formed in previous years with "different degrees of formality", no party including the Christian Democrats (DP), the Democrats (PD) or the former Roldosistas (MIN) dared call this relationship a "pact" much less a government pact" (1984: 71). Another concealed strategy to "support without supporting" was applied by the leftist Izquierda Democrática Party (ID) who enabled the election of Esparza by voting for a dummy third candidate. ("La convergencia al revés". Vistazo, August 26, 1983).

237 Diario el Comercio, August 10th, 1983, cited in Mills 1984: 72. Several interviewed legislators who requested anonymity, revealed that Gary Esparza gained control over Customs Administrations, which was the price Hurtado agreed to pay to get some legislative cooperation.

238 The Dahik scandal that announced the termination of the PSC pact with the government to pass modernization laws during the 1992-1994 period.
endowed powers to bargain support from potential coalition partners. Table 6-1 provides substantive content to the "nature of payoffs" dimension explained earlier. It lists available presidential prerogatives (or the nature of available payments), provides a description of potential beneficiaries, identifies the regional scope of the payment, and provides examples where available.
TABLE 6-1

DISCRETIONARY COALITION PAYOFFS AVAILABLE TO ECUADORIAN PRESIDENTS

<table>
<thead>
<tr>
<th>Nature of payoff</th>
<th>Subject (Direct or indirect Beneficiaries)</th>
<th>Regional Scope (national, provincial, individual)</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Sharing**</td>
<td>Political parties gain control offices</td>
<td>National</td>
<td>Judiciary, electoral, constitutional, superintendents.</td>
</tr>
<tr>
<td>Wholesale Agreements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cabinet and sub-cabinet appointments</td>
<td>Political parties, collaborators and their constituencies gain ministerial office</td>
<td>National</td>
<td>Health Ministry</td>
</tr>
<tr>
<td>Provincial governments and State Companies</td>
<td>Political parties gain access to money, political influence and policymaking authority.</td>
<td>National, regional, provincial</td>
<td>Oil (Petroecuador), Social Security, Electricity, Development Banks, Telecommunications</td>
</tr>
<tr>
<td>Policy Concessions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public policy, policy concessions</td>
<td>Party constituencies or interest groups</td>
<td>National, provincial.</td>
<td>Lowering tariffs, altering exchange rate, bailouts, pardons</td>
</tr>
<tr>
<td>Retail Agreements</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licensing and contracting</td>
<td>Provides monetary benefits to individuals and interest groups</td>
<td>Usually regional or provincial</td>
<td>Government contracting in health, education, energy.</td>
</tr>
<tr>
<td>Pork and Rent-Seeking</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International, regional or local appointments</td>
<td>Personal favors to individuals: access to money, political influence and jobs.</td>
<td>Individual</td>
<td>Ambassadors (25%), Police intendents.</td>
</tr>
<tr>
<td>Budgetary allocations /sectional governments</td>
<td>Party constituencies or interest groups</td>
<td>Regional, provincial</td>
<td>PSC Local governments 1993</td>
</tr>
<tr>
<td>Rents (from discretionary spending funds)</td>
<td>Personal benefits for legislators and maybe their districts.</td>
<td>Individual</td>
<td>Dahik 1993</td>
</tr>
</tbody>
</table>

Source: Political Constitution, Congressional Hearings and personal interviews.
** Their appointment process is not the exclusive prerogative of the president. These are listed as highly valuable given that president actively participates in their designation and because they weigh heavily in the coalition making process.
The payoffs are arranged according to their "market value" for potential partners, which is significantly associated with the scope of influence. Thus, the more potential beneficiaries, the higher the value of the payoff, and inversely, more individualistic payments tend to have a limited scope of action. Not surprisingly, these tend to correlate with the public profile of each payoff, with the most influential being also the most visible kind of payment (i.e. most controversial) such as a cabinet position, and the least influential or more personal payment such as a business concession is rarely subject to public scrutiny.

a) Power Sharing Arrangements and the Election of Control Authorities

For most of the period of analysis (1979-1998), there was a mandated reshuffling of congressional authorities (President and Vice President) each year on August 10th, and every other year after 1998. The outcome of this election often determined who would have agenda control over the policymaking process, political impeachments, and committee allocation, and who controlled the nomination process of other key government authorities. Beyond the control of congress, what was really at stake was the political control (for the next year or so) of: 1) The administration of Justice through the joint presidential and party nomination of Supreme Court judges (between 1979 and 1996) or the nomination of Constitutional Tribunal members since 1997, 2) The election oversight through the designation of the members of the directorate of the Supreme Electoral Tribunal (TSE) and those of its provincial branches, 3) The control and oversight of the government administration through the appointment of such authorities as the Attorney General, the General Comptroller and the Superintendents of the Banking

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239 After the 1998 constitutional reforms, there were also explicit provisions to pick the president of congress from the top two largest parties.
and Telecommunications as well as various directors of state owned enterprises. The election of these positions was at the same time the president's (narrow) chance to form a pro-government coalition and benefit from it. These positions endowed the president or political parties with key bargaining treats -or threats- for future bargaining: who decides the validity of a constitutional demand, who passes an electoral penalty for excessive campaign spending, whether to block a favorable committee report in the legislature and so on. Chapter 3 showed that Ecuadorian presidents -despite the adverse political environment- assembled 15 pro-government majorities in 23 congressional elections for President (65%). Government formation received a lot of press coverage but coalition members systematically denied association. The 1994 congressional election illustrates this point. After successfully assembling a coalition around the two largest parties in Congress PRE and PSC, the leaders of both parties firmly stated their political antagonism and after justifying their vote as a brief truce, they pledged to let "the war go on" in every other respect (Burbano and Rowland 1998: 74).

b) Cabinet Ministries

A second level of bargaining took place around the presidents' discretionary authority to freely appoint cabinet members. Similar to their roles in parliamentary democracies, cabinets contributed significantly to cementing pro-government alliances (Amorim-Neto 1998b; Haggard and McCubbins 2001) while granting political parties some policymaking influence and access to a rich source of pork and patronage for their own constituencies. In Ecuador, for instance, a Health minister would have the authority to appoint provincial directors, allocate government contracts, and include friends, allies

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240 Roughly speaking, presidents had authority to appoint at least some 200 government officials including cabinet ministers and their sub-cabinet secretaries for all ministries.
and family members in the government payroll, among others. Ecuadorian cabinets however, had fewer partisan members than virtually any other Latin American democracy, meaning that most cabinet members were not identified with any specific political party or tendency (Amorim-Neto 1998). According to the logic of ghost coalitions, low cabinet partisanship was explained by the greater -and public- liability that parties faced for being associated with the government's actions. A good example of a "ghost cabinet" was Noboa's allocation of the Health Ministry to Dr. Jamriska, an "independent" associated with the National Independent Movement (MIN) to cement their vote on Fiscal Reforms in April 2001. While the promise of a ministry was an attractive offer to opposition parties, they often preferred to disguise such appointments as individual -not partisan- collaboration, or settle for less visible sub-cabinet level positions (Mershon 1996). Formal attempts at cabinet sharing, such as the one proposed by President Borja (ID) to the Christian Democrats (DP) in 1988, were censured by the DP's own leader Osvaldo Hurtado as a "historic mistake" and caused severe splits between the more radical party members and the gobiernistas (Conaghan 1995, Hurtado 1990).

241 Interview with a former President, held anonymous at the president's request.

242 In her work on coalition making in Italy, Mershon argues that politicians were able to "raise" the payoffs of coalitions by expanding -among other things- the number of sub-cabinet positions available to coalition partners (1996: 538).
It is often argued that the fierce congressional opposition consistently toppled cabinet members through impeachment procedures, thus bringing much government instability and policy uncertainty (Burbano de Lara and Rowland 1998; Arteta and Hurtado Larrea 2002). Using the same dataset, Figure 6-3 depicts an alternative view.243 The average proportion of total resignations (39.3%) is more than four times the proportion of censored ministers, which amounts to less than 10% of the total sample. While there was a relatively small proportion of political victims to congressional opposition, most cabinet resignations were voluntary or triggered by presidents' need to

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243 I thank Michel Rowland for sharing this dataset with me.
"oxygenate" the cabinet to accommodate new coalition partners. In support of this parliamentary concept of coalition formation, it is interesting to note that presidents with smaller -or no- party contingents such as Hurtado or Noboa had the highest resignation (renewal) rate, whereas presidents like Borja with higher partisan support in congress had over 30% of impeached and censored cabinet members. In this sense, frequent cabinet renewal were escape valves for political conflict that tested the strength of coalitions, not the source of it.

c) Patronage Distribution: Provincial Governors and State Companies

Less visible, but greatly influential -perhaps due to their more veiled nature- were dozens of executive appointments to direct state-owned companies and corporations in the oil sector (PetroEcuador), electricity (Inecel), telephony (Ietel/Emtel/Conatel), social security (IESS), and modernization council (Conam), customs authority and national development banks (BNF and BEDE). Governors were appointed by the president to represent the executive in the provinces, and they influenced key public works appointments at the sub-provincial level. In the international arena, presidents had autonomous authority to appoint up to 25% of diplomatic mission chiefs (with the remaining percentage chosen according to internal Foreign Relations procedures), and discretionary authority to appoint other diplomatic officials of lower ranking. When negotiating with the president, party leaders were often interested in bulk entitlements.

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244 In Ecuadorian politics, it is common the notion of Presidents asking for the resignation (pedir la renuncia) of his ministers or cabinet members themselves offering their postings to the president, in order to allow government reshuffling and accommodate a new coalition. A most recent example was Lucio Gutiérrez' November 2003 cabinet reshuffling in response to the breakup of the indigenous alliance and the formation of a new pact with the Coastal parties PRE and PSC.

245 For future research, it would be more appropriate to assess the workings of Ecuadorian cabinets in terms of their more similar Italian or Irish parliamentary counterparts (DiPalma 1977; Strom 1990; Mershon 1996).
(also known as "contratos colectivos" or collective contracts) to sectors of the government or "asked for (control of) entire provinces" in which they considered to have their strongholds.\textsuperscript{246} Leaders in turn, used these baskets of goodies to discipline and reward their party members.\textsuperscript{247}

Even though these government officials were appointed for a fixed mandate, their survival almost entirely depended on the president's discretionary power to ratify or reverse decisions, depending on whether they needed to reward or punish congressional coalition partners. Preliminary data on duration of the mandates of provincial governors indicates a high turnover rate of roughly 1.18 years per person, with only 28\% of cases who left office for "natural" causes (completion of mandate or death).\textsuperscript{248} Discounting those governors who were "promoted" or transferred to another sector, it can be inferred that over 53\% of governors were directly dismissed by the president or were asked to resign.\textsuperscript{249} Similar to the argument presented with cabinet renewals, it is argued that Presidents removed these government officials from office to send a threat to congressional partners, or to accommodate new alliance members.

\textbf{d) Pork and Policy Concessions}

As in the previous set of rewards, policy concessions had varying degrees of public visibility thus attracting different kinds of potential beneficiaries: the more

\textsuperscript{246} Interview with a former President, held anonymous at the president's request.

\textsuperscript{247} Through these positions, political parties gained access to significant provincial level or area specific resources, grant concessions and licenses to diverse interest groups, negotiate the channeling of funding for a locality, appoint and remove lower government bureaucrats, as well as using their diplomatic status to further trade, tourism and cultural policies.

\textsuperscript{248} Given the lack of available data, provincial governorships are used to obtain an estimate of turnover rates of presidential appointees. Other government positions like Provincial Directors of Health, Education or Public Works had tremendous control over resource allocation and were often disputed by political parties.

\textsuperscript{249} Detailed information about political affiliation and duration of such government officials is mostly not existent or incomplete.
valuable the payoff, the more visible it was; the more personal was the favor, the less
visible to public scrutiny. In the process of approving major economic reforms, interest
groups demanded from their party representatives the introduction of selective policies to
benefit or protect specific constituencies (cfr. Mershon 1996: 541). Examples of these
concessions included lowering trade tariffs, pardoning debts, granting guarantees for debt
defaults, imposing special prices on -or granting subsidies to- export products like shrimp
or bananas, and so on. A most controversial example of a policy concession to the
opposition occurred during the Hurtado Administration, when the president agreed to
purchase and convert to sucre the private dollar debt of influential business sectors,
renegotiating it with very lenient conditions according to some, in order to secure the
political support of business sectors (Araujo 1998, Grindle and Thoumi 1993). Budgetary
allocations to specific districts or provinces were also offered to benefit the constituencies
of political parties in exchange of legislative cooperation. Even though budgetary
spending was heavily restricted with spending laws especially after 1994, Araujo shows
that congress increased the proposed government spending by 45% on average (1998:
145).\footnote{The increment was especially significant in the most flexible spending accounts: Transferences,
(Local) Allocations, General Spending and Public Works (Araujo 1998: 145).}

Other types of payments by policy concessions included: issuing operating
licenses, government contracts, the speedy approval of public works, the fast track
approval and channeling of foreign development loans, and judicial pardons.

e) Particularistic Benefits

While most of the payments discussed so far were usually negotiated with the
leaders of political parties, presidents completed legislative majorities by offering
particularistic payments to small parties or "independent" legislators. Legislators
defected from their parties when the expected political benefit from becoming a free agent exceeded the perceived (electoral or legislative) cost of breaking way from their organization (Kato 1998; Mainwaring 1999; Desposato 2003).\textsuperscript{251} As illustrated in Chapter 4, an average of only 10\% of legislators abandoned their parties in a given year, and most of them moved away from opposition parties and remained independent.\textsuperscript{252} These pivotal agents came from marginal but usually over represented districts, they had a center/populist party affiliation and they often lacked legislative experience. Besides purely pursuing rent-seeking objectives, these agents were mostly interested in delivering public works, budgetary allocations and personal favors for their constituents (justified as "\textit{obras para mi provincia}”). In a 1996 survey of the Ecuadorian congress done by Mateos and Alcántara, the vast majority of legislators were in complete agreement with the importance of bringing resources to their regions as an evaluation of their political success (Mateos and Alcántara 1998: 90).\textsuperscript{253} A recent example from the Noboa Administration (2000-2002) illustrates the use of selective payments to break party discipline. On May 4\textsuperscript{th}, 2001 President Noboa blocked a congressional amendment and passed a Fiscal Reform with the votes of several legislators who went against their parties. In subsequent weeks the media reported the nature of payoffs received by defecting legislators.\textsuperscript{254} Reynaldo Yanchapaxi (4 times DP legislator from Cotopaxi)

\textsuperscript{251} Despite the approval and existence of an Ethics Code in the Ecuadorian Congress that threatens to expel party defectors from Congress, in practice it has never worked. The fact that the Code allows legislators to be the judge and the victim produces cyclical majorities of friends and foes, especially when defectors come from all parties.

\textsuperscript{252} Ecuadorian legislators showed a remarkable tendency for staying loyal to party labels despite low barriers to defection.

\textsuperscript{253} The breakup of responses showed a greater tendency for localism in centrist parties (100\% of positive responses from PRE legislators), and decreasing to the right (96\% of the rightist PSC and 80\% of the moderate DP), and left (57\% from PCK).

\textsuperscript{254} \textit{El Comercio}, Quito, July 8th, 2001.
obtained better roads for his province, Raul Andrade (PRE National legislator) obtained a fast track IADB credit for his native province Manabí, Fulton Serrano (PRE-El Oro) bargained the governorship of his province for his son, and the direction of the Health Minister for another relative. Though some parties expelled their deputies, an informal rule of "impunity by consent" was applied to block the application of the Code of Ethics in Congress and prevent the recall from office of the new pro-government legislators. Through this practice, presidents not only protected but they also nurtured the formation of proto-parties, often made of independent legislators, to ensure their continued support for the government. Oftentimes, these pivotal actors exerted their blackmailing power to obtain significant concessions from the president, but it was also in their best interest to comply with their government commitments or else they ran the risk of losing all material and political privileges thus becoming some kind of congressional pariahs.

3.2 Monitoring and Penalizing Ghost Coalitions

José Sánchez-Parga once observed, "political scandal (in Ecuador) offered a remarkable laboratory to study the process of political construction in a society" (1998: 119). The threat of triggering political scandals was a signaling game aimed at maintaining or renewing congressional alliances. From this perspective, the observed pervasiveness of political conflict was significantly composed of impeachment threats, constitutional demands, judicial inquiries and many other wing-flapping mechanisms used by coalition partners to demand coalition maintenance. Given the concealed nature

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255 The creation and nurturing of proto parties was a survival strategy especially for those presidents who assumed office with almost no legislative support: Hurtado rewarded with cabinet positions the growth of the Grupo Roldosista, Durán Ballén helped achieve legal status for "independent" legislators, and Noboa made significant concessions including the Health Ministry to the members of MIN.
of political agreements, monitoring and enforcement schemes were devised from parallel arenas, by "going public" and triggering (or threatening to trigger) public scandals.

According to Sánchez-Parga, executive-legislative conflict spread to such high stakes arenas as the Supreme Court, Electoral and Constitutional Tribunals, and regional and municipal governments (1998: 84, 101, 106).

Figure 6-4 clearly shows that there was an average 14.6-to-one ratio (and more than a 20-to-1 during the Febres Cordero administration) between the number of cabinet impeachment threats raised from legislators in Congress, to the actual "conviction rates" or cabinet censoring and dismissals. Carrying out impeachment proceedings was extremely costly and uncertain dealings compared to the cheap and very visible
opposition act of "just" launching an impeachment threat to a cabinet minister to remind the president of some preexisting agreement. Yet, when threats were credible, they proposed a cooperation dilemma for the accused players: a) they could yield to the threat and comply with a previous legislative agreement, or b) they could escalate the conflict by threatening back. A relevant example of the former occurred in January 2001, when President Noboa threatened to dismiss DP-affiliated government collaborators if the party was being inconsistent in its behavior (unwilling to vote for a proposed Fiscal Reform).256 The second alternative is explored in more detail in the next section that illustrates the workings of ghost coalitions and their demise in two case studies.

4. Ghost Coalitions in the Making of Reforms: Two Case Studies

This section illustrates the critical roles played by clandestine alliances to pass two fundamental sets of reforms: the modernization laws approved during the Durán-Ballén administration (1992-1996), and the process that led to dollarisation reforms during the Mahuad administration (1998-2000) and its aftermath with Noboa (2000-2003). In all cases, presidents faced a minoritarian situation, with Durán-Ballén (1995-6) and Noboa (2000-2) having no formal partisan backing. All presidents faced a steep agenda of economic reforms, with Durán-Ballén following a self-imposed commitment to modernization whereas Mahuad and Noboa were responding to exogenous constraints. While Durán-Ballén enjoyed wide access to presidential resources in the formation of congressional alliances (such as discretionary funds, provincial transfers, and no formal

256 Diario HOY, Quito. In the opposite direction, the rightist Partido Social Cristiano (PSC) threatened to impeach President Mahuad's Finance Minister if the government withdrew support for the PSC's proposal of Tax Reforms in January 1999.
barriers to promote party defections), President Noboa compensated for this lack of bargaining chips with high rates of public support and a discourse of "leadership above politics". Finally, in all cases the PSC appears as a powerful legislative partner but also a strong veto player when excluded from the government coalition.


Upon inauguration, the conservative government of Sixto Durán Ballén boldly set out his plan "to end the shameful structure of privilege of the inefficient public sector, that absorbs state resources, provides poor services and stifles national development" (Revista Vistazo, cited in Hey and Klaks 1999: 78). The key protagonist in the adoption of "modernization reforms" was Vice President Alberto Dahik, a Princeton-trained economist and a hard line proponent of fiscal austerity and economic re-structuring (Hey and Klaks 1999). Durán-Ballén inherited a moderately growing economy (3.6% GDP) with an "average" fiscal deficit of 1.2%GDP. In addition to adopting decisive reforms towards economic liberalization (Hey and Klaks 1999), a significant achievement of Durán-Ballén's government was to be the first one (since the return to democracy) to maintain policy continuity that was even followed by subsequent administrations (Araujo 1998: 79).\(^{257}\)

Confronted with a small party contingent in Congress and a feeble center left coalition, the executive formed a clandestine alliance with the Social Christian party, which had the largest plurality in Congress (27% of seats vs. 21% of the government

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\(^{257}\) The presence of exogenous shocks such as the armed conflict against Peru during January 1995 affected but did not significantly alter the direction of the economic adjustment. President Durán-Ballén capitalized on soaring job approval rates to impose significant taxes on luxury goods and help finance the armed conflict.
alliance PUR-PCE). The clandestine agreement took place in a Guayaquil residence with the presence of the President, the Vice President Dahik, and the Chief of Staff Marcelo Santos for the government and the PSC leaders León Febres Cordero and Jaime Nebot. This agreement and its contents were only disclosed three years after, during Dahik's Congressional impeachment hearings (Dahik 1995). Despite sinking job approval rates, this ghost alliance helped Durán-Ballén bring fruitful results for the approval of modernization-related and market-oriented reforms between 1992 and 1994, including a Public Sector Budgets Law, (de)regulation of intellectual property rights and foreign investment, Financial System Institutions Law, Capital Markets Law, Agrarian Reform Law, Hydrocarbons Law, Tax Reform Law, and State Modernization Law, among the most influential (Araujo 1998: 85-6, (De la Torre et al. 2001), Hey and Klaks 1999).

Several years later, VP Dahik revealed the costs of reform by disclosing the contents of "a broad political agreement" with the PSC that included budgetary allocations for PSC-controlled electoral strongholds in the Coastal provinces of Guayas, Manabí, Los Rios and Esmeraldas totaling over 200,000 million sucres (US$100 million); direct cash transfers (from the Government's Discretionary Spending Fund) to purchase individual legislators for up to US$500.000 each to approve the privatization of Telecommunications or Electricity laws; government jobs in state owned oil (Petroecuador) and energy (INECEL) companies, and most importantly a negotiation to regain for the PSC the control of the Supreme Courts and the Electoral Tribunal (Dahik 1995; Vargas Pazzos 1995; Saltos Galarza 1999: 207).258 Government access to executive discretionary funds and provincial transferences greatly facilitated the

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258 When the PSC lost the election of President of Congress to Carlos Vallejo (ID) in August 1992 (Burbano and Rowland 1998), a government alliance helped it regain the control of the Courts and Electoral Tribunals until 1994 (Dahik 1995).
cementing of political support especially among independent legislators who also played a pivotal role during the modernization process.\textsuperscript{259}

When Vice President Dahik considered that escalating PSC demands had gone beyond the scope of the original pact, he decided to kill the ghost alliance with the PSC by "going public". During an interview with journalist Jorge Vivanco in July 1995, Dahik denounced that Supreme Court Judges demanded bribes from the executive to determine the constitutionality of certain Modernization laws that were being challenged by the opposition.\textsuperscript{260} Vivanco's interview put the ghost alliance into the spotlight since the PSC had appointed the Supreme Court Judges back in 1992.\textsuperscript{261} An angry and frustrated PSC leader (and mayor of Guayaquil) León Febres Cordero launched a massive attack on the government that culminated in his party's congressional impeachment of VP Dahik on corruption charges, ironically for buying the votes of legislators.\textsuperscript{262} In the aftermath of the impeachment proceedings, Alberto Dahik was acquitted by a narrow vote in Congress, but he resigned and fled to exile in Costa Rica shortly after a Supreme Court Judge issued a warrant for his arrest (Sánchez-Parga 1998: 121, Saltos 1999: 209). Several reforms were passed to curb the discretionary spending funds of the executive as well as the abilities of legislator to negotiate resource allocation for their provinces. The

\textsuperscript{259} Party Switching rates were almost 1 in 4 during this period, as shown in Chapter 4. The "contingent of independents" that at some point was the second largest in Congress, bargained their legalization status with the president as a condition for their approval of reelection reforms, but in the end, both legalization of independents and immediate reelection were approved by plebiscite in 1994 (Mejía-Acosta 2003).

\textsuperscript{260} Diario Hoy, Quito, July 7, 1995.

\textsuperscript{261} According to Congressman Castello's congressional statement, the Government and the PSC leadership held another meeting after the controversial interview but failed to reconcile positions (1995). Reportedly, Febres Cordero wanted more government transfers to districts, but the government refused.

\textsuperscript{262} Outraged for the apparent corruption scandal, PSC leader León Febres Cordero cried to Dahik from Guayaquil "The fox has tried to play smart again but his time has come... the people will capture and sentence him". Diario HOY, Quito, July 7, 1995.
PSC did not escape unharmed from the scandal; its presidential candidate Jaime Nebot, lost the election the following year.

4.2 The Dollarisation Reforms (1998-2002)

When president Jamil Mahuad dollarised the economy in January 2000, the widespread consensus was that Ecuador had reached its economic collapse. By the end of 1999, unemployment was soaring at 20%, GDP had fallen by 7%, inflation rates had skyrocketed to nearly 90% (the highest in Latin America), and the national currency el sucre depreciated by almost 200% in 1999. The origins of a multiple economic crisis can be traced back domestic and international effects. In the domestic arena, the short but conflictive presidency of Mr. Bucaram followed by the interim government of Mr. Alarcón contributed to policy inactivity to curb a growing fiscal deficit and to enforce strong regulation in the wake of a moderate banking crisis (De la Torre et al. 2001). In addition, Ecuador's economy was severely affected by three exogenous shocks: a) el Niño-related floodings (with an estimated loss of 13% of 1998 GDP), b) a drop of international oil prices (from $20.45 a barrel in 1996 to $6.95 in 1998), and c) the contagion effect from the Russian crisis (drying up of international credit, plus soaring interest rates) (De la Torre et. al. 2001).

Local and international agents hailed the beginning of the Mahuad administration with optimism because they saw in him an adjustment-committed politician supported by a strong technical team. His Christian Democratic Popular Democracy Party (DP) obtained less than 30% of the seats in Congress, making the government pursue a "natural" -but not public- alliance with the rightist Social Christian Party (PSC), which
had 23% of the seats. In the words of Mahuad’s Chief of Staff Jaime Durán, both parties shared the same vision to implement a broad agenda of market-oriented economic reforms necessary to address the Ecuadorian economic crisis. Though its protagonists denied the existence of a programmatic agreement, the "aplanadora" (or steamroller as the press called this alliance) went on to lend congressional support for the approval of a peace treaty with Peru, the approval of a fiscal reform package (which included the creation of new government taxes like a 1% tax on all financial transactions (Impuesto a la Circulacion de Capitales, or ICC) to finance the fiscal deficit, a proposal to reform the directory of the Deposit Guarantee Agency (AGD) in charge of bailing out insolvent banks, and the 1999 fiscal budget. The efficiency of the ICC created great controversy among economists and political opposition from within, among other things because some ICC revenues went to finance public works in PSC-ruled city of Guayaquil. It is interesting to note here, that only three days before the final vote in Congress, President Mahuad denied any alliance with the PSC. When interviewed by the Quito Newspaper *El Comercio*, he insisted on simply favoring “agreements that promote modernization”. In exchange, the DP-PSC alliance jointly appointed the Banking Superintendent, Attorney General, People’s Attorney, and the directory of the Electoral Tribunal with PSC in the presidency and DP in the vice presidency.

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263 This was seen by many as a “natural alliance” since the two parties had consistently collaborated in the past to drive President Bucaram out of office in 1997 and to pass important legislation during the 1998 National Assembly. The fact that PSC decided not to run in the 1998 presidential election has also been interpreted as another implicit agreement to facilitate the arrival of DP to power with the condition that the PSC would be on the passenger’s seat.

264 Personal Interview, Quito, April 15th, 2001.


266 Minor payoffs were also given to smaller alliance members: PCE and FRA.
The drastic drop in oil prices together with IMF recommendations created additional pressures on the government to balance a growing fiscal deficit and create new taxes in 1999. The fate of the *aplanadora* was threatened by the PSC’s reluctance to approve new taxes. Political disagreement turned into open war when Mahuad imposed a bank holiday on March 10th, 1999 to prevent a massive devaluation of the Sucre.\textsuperscript{267} Five days later, Mahuad declared a year-long deposit freeze in an effort to prevent further bank collapses (De la Torre et al. 2001: 26). With the support of PSC leaders, Mr. Aspiazu, the owner of Banco del Progreso (the largest deposit holder in the country), turned his bank imminent bankruptcy into a regional conflict and called for an open mobilization to “resist the attacks of the central governments on the banks of Guayaquil” (De la Torre et. al. 2001).\textsuperscript{268} In the aftermath of the banking crisis and with a slim 16% approval rate, Mahuad turned to making concealed alliances with the left and populist parties. In July 1999, he passed Financial Institutions and AGD reforms with the Left (Democratic Left and Pachakutik) in exchange for lower gas prices. When newspapers reported the agreement, the leader of ID Paco Moncayo denied having met with the president, much less making any negotiation, but the party supported the president’s fiscal reforms a few days later in exchange for lower gas prices.\textsuperscript{269} He also obtained fiscal reforms with the 22 votes of the PRE in October, and a month later the approval of the 2000 budget, allegedly in exchange for "transfers to municipal and provincial

\textsuperscript{267} Between January and March 1999, the Mahuad administration and PSC leaders made several failed attempts at renegotiating the alliance, including the replacement of the Finance Minister Jaramillo who opposed the PSC’s 1% tax, but the magnitude of the crisis required drastic reforms that the PSC was not willing to approve.

\textsuperscript{268} A few months later, Aspiazu went to jail for tax evasion, and from there, he revealed making a $3.1 million dollar campaign donation to the Mahuad campaign, contribution that Mahuad failed to timely report to the Electoral Tribunal (TSE).

\textsuperscript{269} *Diario El Comercio*, Quito, July 19, 1999, P. A3.
governments” in the Coastal region. According to the press, DP leader Ramiro Rivera reached an agreement with PRE leaders Sicouret and Marún on October 21st. Sicouret denied such meeting by saying that the only way to balance the deficit “is not by increasing revenues but reducing debt payments … and the President already took a step in that direction by defaulting on Brady bonds”.

The January crisis that led to Mahuad's ousting on January 21st 2000, came just 10 days after the president announced the need to dollarize the economy. Mahuad had adopted dollarisation as a way to prevent a hyperinflationary spiral. The coup came from outside the congressional arena, as a group of disgruntled army officers led by Lucio Gutiérrez channeled the mobilization of indigenous groups to demand Mahuad's resignation. As one analyst rightly put it “maybe people liked the (dollarisation) song, but they were tired of the singer”. On the next day, Vice President Noboa assumed office to: a) confront the economic crisis, b) calm the indigenous uprising, c) carry out with the proposed dollarisation reforms, and d) do it all with the same congressional fragmentation and no legislative party he could call his own.

Gustavo Noboa, a conservative university professor from the coastal elite, intentionally developed an image of “presidential leadership above politics” by defending “his right to gather the necessary votes from Congress in order to govern the country”. He profited from high opinion ratings (+45% net approval rates, up from -80% when Mahuad left office) to commit the support of party and business leaders to save Ecuador from economic and political uncertainties. DP’s collaboration was secured through the

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272 Published interview, Diario El Comercio, Quito, 13 August 2000.
election of Vice president Pinto and giving the party leadership to the pro-PSC Guayas legislator Alejandro Aguayo. The PSC appeared as a natural legislative partner since some business constituencies demanded dollarisation early on in the Mahuad administration. With the support of DP, PSC, FRA, and PCE he consolidated a super Steam Roller (la super aplanadora, as newspapers called it) to pass a Monetary Stability and Economic Recovery Law (Trole I).²⁷³ A few weeks later, the IMF approved a fresh loan for $300 USD million.²⁷⁴ In muddling through legislative agreements, the Noboa administration adopted pragmatic strategies to carefully negotiate piecemeal reforms (before submitting a bill to congress), to distribute patronage to potential allies, to reward and strengthen "independent" pro-government parties and individuals (such as the MIN), and to coerce compliance from insecure partners (such as threatening to dismiss government appointed DP officials).²⁷⁵ Despite the adverse conditions for success, such political strategies paid off when the government passed the Trole II in August 2000, Fiscal Budget in November, Tax and Customs Reforms in May 2001 (though it was later ruled unconstitutional by the Constitutional Tribunal), Fiscal Responsibility and Government Spending Law in March 2002, and met the economic goals required for signing an IMF agreement at the end of 2002, that Noboa left for incoming President

²⁷³ The first bill included some basic reforms needed to implement dollarisation in Ecuador, and it was approved at the end of February, only 14 days after its initiation (for a full report, see EIU Ecuador Country Report, 1st quarter 2000: 16). In mid-March, Noboa proposed additional amendments demanded by the IMF in order to sign the Stand by agreement with Ecuador, and although the congressional majority did not fully approve of those reforms, they accepted the government's partial veto.

²⁷⁴ In return, the government committed itself to raise salaries (in 20%), the prices of fuel (in 60%) and domestic gas (in 40%) in July and October. Additionally, the government allowed transportation costs to increase a full 80%.

²⁷⁵ The media reported on how legislative votes were bargained with the presence of government officials in Congress. Bargaining chips included provincial governorships, the provincial direction of a ministry, diplomatic postings, public works and loan approvals. “Noboa relies on political quotas” Diario El Comercio, Quito, July 8th, 2001.
Gutierrez to sign as a "good luck" gesture. It is interesting to note that president Noboa’s net job approval rates remained on the "favorable" side during his interim government, reaching higher levels (of up to 50% in October 2000) while congress debated internal conflicts.

5. Conclusions

The formation of ghost coalitions to trade pork and patronage in exchange of legislative support was instrumental to passing structural reforms through the narrow eye of a congressional needle. The adoption of an informal institutions framework contributed to describing the observed rules of a game that enabled legislative success despite a contentious political environment and mounting social discontent. By illustrating the effective uses of threats and sanctions, elites reinforced legislative cooperation and produced moderate windows of opportunity for policy change. In other words, informal institutions helped enhance the (poor) policymaking capacity of a fragmented legislature, predicted by formal institutions alone.

The extent to which informal alliances ensured " survival and internal consistency of the economic policies in the long run" remains an empirical question. Specific institutional constraints like high legislative turnover rates (non-reelection cum midterm elections) did contribute however to the short duration of ghost coalitions (Mejía-Acosta 2003, Mills 1984). Furthermore, "lame duck" presidents could not escape the pressure of

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276 There is an ongoing debate regarding the political economy of the adjustment in Ecuador, from the most pessimistic (Schuldt 1994), to the moderate (Grindle and Thoumi 1993), to more optimistic assessments (Hey and Klaks 1999).
new elections, and the exhausting effects of coalition formation and maintenance for pushing controversial reforms through multiple parties (*desgaste negociador*).\(^{277}\)

Recent reforms in the political constitution and the organized society are likely to affect the informal institution of making ghost coalitions in Ecuador in two important ways. First, there is a measured change towards curbing the use of particularistic payments. After the Dahik scandal, there have been significant reforms to limit the executive's use of discretionary spending accounts, to eliminate legislators' ability to negotiate budgetary allocations for their provinces, or to punish with mandate recall if legislators bargain for government jobs or defect their parties.\(^{278}\) Secondly, there has been a gradual movement to promote increased -horizontal and vertical- accountability, by allowing the immediate reelection of politicians and granting more autonomous powers to control institutions.\(^{279}\)\(^{280}\) The extent to which these important sets of reforms eliminate incentives for the making of clandestine alliances would depend on the players' ability to find suitable incentives for making visible -and responsible- political agreements or go back to reinventing their own rules of the game.\(^{281}\)

\(^{277}\) Personal Interviews with Ortiz, Durán and Pons. Quito, July 2001.

\(^{278}\) The first two reforms are included in the 1998 Constitution, whereas the latter are coded in the 1998 Legislative Ethics Code. More recent attempts include the passing of a timid Civil Service reform in 2004.

\(^{279}\) Supreme Court Judges have gained political autonomy from congress and the executive, as well as the conformation of the Constitutional Tribunal; corruption watchdogs such as the Civic Committee Against Corruption (CCCC) have been endowed with some jurisdiction powers; important legislation has been approved to mandate disclosure of campaign financing, government contracting, and access to government information; finally, several civic organizations promoting transparency and accountability have flourished. Although resources have been allocated for the implementation of electronic vote counters in the legislature, politicians have consistently blocked this reform. No legislative watchdogs have flourished to tabulate party discipline scores.

\(^{280}\) Shortly after the passing of the Ethics Code, the leader of the government party Ramiro Rivera (DP) confessed being “tied of hands and feet” with no bargaining chips available to entice political cooperation. Personal Interview, Quito July 1999.
CHAPTER 7

GHOST COALITIONS, POLICY MAKING AND DEMOCRATIC ACCOUNTABILITY

This dissertation explained how presidents and legislators crafted informal agreements to pass market-oriented reforms despite an adverse institutional environment. The making of ghost or clandestine coalitions was a common practice by which presidents distributed clientelistic benefits to party leaders who acted in turn as brokers of legislative support. Often, these political players disguised the crafting of legislative agreements to avoid the electoral liability of collaborating with unpopular governments. This section highlights the dissertation's main theoretical contributions, summarizes the most relevant empirical findings and briefly discusses the implications of making ghost coalitions for democratic accountability and separation of powers in Ecuador.

1. Model Contributions

The proposed theoretical framework offers three useful improvements over existing works. First, it offers a dynamic account of legislative bargaining in a multiparty presidentialism, where political actors constrained by existing institutional arrangements, devise their own informal rules of the game to surmount those constraints and advance
their own goals and ambitions. Secondly, by focusing on informal rules and practices, the dissertation takes a step beyond existing accounts that describe political behavior as deviations from a normative ideal and engages in the search for the factual rules of the game being played by actors, thus highlighting the existing gap between the predicted and the observed. Thirdly, by focusing on patterns of policy change it provides abundant empirical evidence to test existing premises advanced by the veto players theory on an institutional context prone to policy stability and stalemate such as Ecuador.

The revival of institutional approaches to explain political phenomena during the nineties made tremendous contributions to the study of democratic transitions, political regimes and the roles of political parties, elections and legislatures. In the study of executive-legislative relations, these approaches focused on the formal "rules of the game" that explained the proliferation of political parties, the formation of legislative coalitions or the effects of alternative electoral systems, both applied to case studies and in comparative perspective. In this sense, scholars identified the constitutional and political arrangements in which interbranch cooperation -and conflict- takes place. But given that institutions are usually taken as given by a specific set of circumstances, and they in fact, do change in smaller or negligible increments over time, only moderate attention has been paid to the possibility that ambitious politicians may craft alternative strategies to further their own goals and policy preferences. In this work, the roles of political brokers as agents of discipline is a useful example of how party leaders lacking the formal mechanisms to enforce party unity, achieved high unity scores by distributing material and particularistic rewards to the rank and file.
Following along institutional premises, rational choice approaches make predictions about individual interest-maximizing behavior and the strategic interactions that take place within a specific institutional context. In this sense, "rational" individuals are more sensitive to case specific or context specific institutional variations over time, since they are able to craft the best -utility maximizing- response according to existing rules and by observing others players' actions. But behavioral approaches are usually built on theoretical premises often based on ad hoc assumptions that are not supported by or not tested with empirical evidence collected from field observations and available data. The tendency to empirically testing formal models is relatively new in the study of legislative politics or policy change, and even fewer scholars have set out to explain patterns of policy change in presidential settings. The proposed model of legislative bargaining seeks to reconcile and advance both theoretical approaches in two ways. First, by taking into account the individual motivations and ambitions of politicians - presidents and legislators- to predict their strategic choices when acting in a given set of formal constraints and opportunities, in this case, represented by a complex distribution of partisan, constitutional and integrative powers. Secondly, by deriving empirical testable propositions -outlined in Chapter 2- that are verified throughout the dissertation with the use of roll call data, survey polls, legislative productivity, career profiles, field interviews, etc.

A significant contribution of this work is to incorporate the roles of informal institutions to explain the gap between the normative dimension of institutions and the observed behavior of political elites. Most of the existing literature focuses on the structural conditions that favor the formation of legislative coalitions and the likelihood
of policy change, for example the existence of large presidential contingents in congress, or the extensive use of constitutional prerogatives to introduce legislation. Yet, this work reports that Ecuadorian presidents produced important levels of policy change regardless of the size of their legislative party and without exclusively relying on decree authority. The dissertation focuses on the informal bargaining strategies that secure coalitional trust and enhanced the presidents' coalition making ability. By sponsoring ghost coalitions, presidents were able to distribute clientelistic benefits to party leaders who played the roles of legislative brokers gathering votes from the rank and file. Often, these political players disguised the crafting of legislative agreements to avoid the electoral liability of collaborating with unpopular governments. The focus on informal mechanisms proposes an alternative perspective to enhance the understanding of coalition politics especially in the context of fragmented politics.

Finally, the proposed framework uses Ecuador as an extreme case conventionally identified as featuring multiple veto players, deep regional and ideological polarization, and intense levels of interbranch conflict. Different statistical analyses are used to test the combined impact of constitutional and partisan powers over legislative success, the roles of legislative brokers on party discipline and the likelihood of government cooperation, the motivations for maverick legislators to defect their parties or remain silent dissidents, the use of government payoffs and concessions for cementing coalitions, and the use of informal agreements to monitor and enforce these payoffs in exchange of clandestine legislative cooperation.
2. **Summary of Results**

The dissertation refines the conventional portrait of policy-making in Ecuador, usually characterized by presidents who, lacking a solid party contingent, bombarded Congress with urgency decrees when pushing for economic reforms (Conaghan 1995, Burbano and Rowland 1998, Sánchez-Parga 1998). Chapter 3 shows that between 1979 and 2003, presidents did not make predominant use of decree powers to pass legislation, partly because they were subject to submitting decrees to congress only one at a time. Decrees were used in only 35% of the 277 bills submitted to congress, although their use produced high approval rates for the president (75%). The use of (partial) veto power was a good strategy to boost presidential decree authority especially after the 1998 constitutional reforms. Holding other variables constant, decree authority was an important tool to get legislation approved, but it was not a sufficient condition to legislative success; in turn, the use of veto power explained perfect success rates, even in the absence of decree authority.

Consistent with model expectations, a smaller ideological gap between the president and the median legislator (measured by their parties' ideological preferences) was a strong predictor of policy change. Consistent with new evidence reported for other presidential regimes the size of the presidents' party alone was not a significant predictor of policy change, but the size of the government coalition mattered, thus underscoring the fact that solely counting the number of parties be misleading for predicting coalition formation patterns. The logit regression results also suggest that the number of party defections did play an instrumental role in predicting policy change.
Chapter 4 uses roll call data to test conventional assumptions about Ecuador's undisciplined legislature. In analyzing the presidents' dilemma of gathering wholesale support from party leaders, or buying retail from individual legislators (P (L,V)), the chapter finds elevated unity scores (in the range of 90%), even after eliminating non-controversial votes and controlling for measurement bias. Against the frequent assumption that Ecuadorian legislators are non-ideological and similar to voting patterns found in Brazil's equally fragmented legislature, party unity scores increase with well-defined ideological parties (on the left or right) and decrease among catch all centrist or populist parties.

High levels of party unity suggest the roles played by party leaders as legislative brokers. Given that party leaders lack the electoral or legislative leverage to enforce party obedience, their strength comes from their ability to bargain collective party demands with the president in exchange for legislative support. The chapter develops the idea that leaders play an instrumental role for minimizing the presidents' transaction costs and maximizing legislators' demands for pork (L(P,V)). Evidence suggests that presidents did privilege the formation of policy coalitions with more disciplined parties as long as their brokers effectively deliver reliable party support. In making legislative agreements, the data supports the idea that presidents privileged agreements with parties that lied closer to their ideal policy points. Finally, and according to existing model predictions, party unity eroded with the passing of the legislative term.

Chapter 4 finds that, against conventional expectations for a fragmented legislature, presidents did not make widespread use of individual vote buying mechanisms, but only as a selective strategy to secure legislative majorities. The next
chapter further explores the vote buying logic but from the perspective of the pivotal legislator. Chapter 5 focuses on the legislators' decision to defect or dissent party ranks and independently vote with the president \((V(P, L))\). Centrifugal tendencies away from party affiliation are analyzed with two parallel models, to test party unity scores (using a logistic regression) as well as party switching patterns (using OLS). In both cases, a similar set of institutional descriptors conform the profile of what defines a maverick legislator: a politician coming from small district and visible constituencies, featuring short political ambitions in the legislative arena, and declaring a centrist or no specific ideology. The crucial difference between a switcher and a dissident however, was the liability (or potential cost) of becoming a free agent in a highly fragmented and highly competitive bargaining scenario as the Ecuadorian legislature. If legislators were local caudillos with strong political support and possibly the monopoly over media ownership in their own districts, they had the potential for becoming "their own brokers" in the coalition making process. Legislators who lacked this electoral security, preferred to remain attached to their political parties and make silent agreements to support the presidents' agenda without actually voting for it (also known as silent majorities). The model also helped explain other conditions through which pivotal players were more likely to emerge. In the case of party dissidence, presidents encouraged vote buying by strengthening this strategy with the use of constitutional prerogatives such as the use of veto powers. In the case of party switching, presidents encouraged defections strategically on election years as a way for legislators to maximize their short-term gains of being a maverick.
Chapter 6 explains the roles of informal institutions for aggregating and distributing existing benefits and rewards for cooperation based on qualitative data. The chapter highlights the use of mechanisms like the making of ghost coalitions that enabled players to reduce the electoral liability of being associated with the government while ensuring the flow of cooperation payoffs. In this logic, publicity stunts and other position taking strategies were often crafted to maintain a reputation of "political independency" in the media and public opinion. Clandestine alliances were also instrumental for making policy changes despite mounting social discontent and helped monitor and enforce agreements with the use of threats and sanctions on alternative arenas.

An empirical evaluation of the dynamic choice model of presidential strategies proposed in Chapter 2 shows that taken as a whole, making ghost coalitions with political parties was the predominant strategy of presidents when evaluating coalition-making strategies with the fragmented Ecuadorian congress. Figure 7-1 presents a graphic interpretation of this argument. Confronted with the choice of voting with parties or buying individual loyalties by sponsoring party defections or breaking opposition parties, empirical evidence shows that presidents prefer the former. Corroborating model predictions, chapter 5 showed that the ratio of party defectors to party loyalists is roughly 1 in 10. Similarly, a comparable scenario of party discipline is found when looking at party unity scores: with high (average weighed) unity scores reported around 90%, the ratio of dissidents in Ecuadorian parties is also 1 in 10. Even after controlling for ideological voting, this unexpected finding that parties mattered is mostly explained by the presence of party leaders who, acting as coalition brokers, whip disciplined votes for
the president's agenda in exchange of programmatic concessions, cabinet portfolios and collective benefits that were used to reward the rank and file.

** Figure 7-1 Distribution of Coalition Making Strategies in Ecuador (1979-2002)

The vertical dimension charts presidential (average net) job approval ratings as a measure of popularity. The dynamic choice model in Chapter 2 predicted that ghost coalitions would become evident as legislators face increasing liability costs for voting with an unpopular president. Legislators engaged in wing flapping strategies or publicity stunts to publicly criticize the president or to deny association while maintaining the flow of cooperation incentives. As Chapter 6 illustrates, Ecuadorian presidents in average, enjoyed a brief "honeymoon" period of roughly 5 to 6 months before dropping to negative net job approval ratings for most of the remaining three and a half years in office. The making of ghost coalitions thus, explains the puzzling fact that presidents
were still able to craft legislative coalitions for reform in the second and third years in office (and considerably less in the last year) despite a drastic fall in popularity.

The combined evidence from previous empirical chapters supports the claim that making ghost coalitions was a frequent strategy for passing economic reforms. While the strategy produced "efficient policy outputs", it had severe implications for thwarting conventional patterns of horizontal and vertical accountability explored below.

3. **Ghost Coalitions and Democratic Accountability**

Political accountability can be minimally defined as the answerability and responsibility of public officials (Mainwaring and Welna 2003). The nature and scope of additional components that define political accountability have triggered much scholarly debate. Important conceptual differences appear depending on whether accountability relations are limited to formal (legalized) authority to oversee and/or sanction (Kenney 2003; Mainwaring 2003; Moreno et al. 2003), on whether formal sanctioning power is a necessary component of accountability (Kenney 2003; Moreno et al. 2003), and whether accountability relationships are exclusive of vertical or hierarchical principal-agent relationship (Moreno et al.). In this chapter, and for the purposes of framing the broader implications of making ghost coalitions on the nature of political accountability, it is relevant to focus on two levels: the vertical or hierarchical relationship between voters and representatives, and the "horizontal" dimension of checks and balances between different government branches.

Presidential systems create a particular framework of vertical accountability by which voters, acting as principals, elect two political agents in independent -and
sometimes simultaneous-ways: presidents and legislators (Linz 1990). Along the vertical dimension, democratic elections in principle empower voters with formal mechanisms to directly punish or reward the performance of elected officials (Stokes 2001). But without the possibility for reelection, Ecuadorian politicians were hardly accountable to voters in this classic sense for much of the period of study. Presidents for one thing were banned from seeking a second term in office, and acting in a fluid political context, presidential candidates who were officially endorsed by an unpopular incumbent government would have had poor chances for electoral success. Legislators also faced several institutional impediments for being accountable to voters. As explained earlier, legislators elected under a closed list PR system also had few opportunities to become visible to voters or to claim credit for specific policy decisions. The constitutional ban on immediate reelection removed incentives to develop a legislative connection with their electoral districts. Finally, for much of the period of study, legislators had limited or no formal access to government transfers or budgetary allocations for their districts.

Given that these institutional arrangements contributed to breaking down accountability links between legislators and their constituents, it is hard to argue that the making of ghost coalitions further contributed to this disconnection. On the contrary, this study advanced the idea that ghost coalitions appeared in the context of poorly accountable institutions as an informal and unusual way to "reconnect" legislators with their constituents. First, ghost coalitions allowed legislators to deliver pork and patronage at the local level while denying any participation in adopting unpopular national policies. Secondly, legislators' had limited or no access to channeling formal
government transferences to their districts, but they nevertheless crafted informal agreements to speed up a pending loan for a province, to pressure the government on delayed payments of teachers' salaries, or to help local cronies obtain an operating license for opening a new business or gaining a government contract. Finally, legislators could also elevate their political profile vis-à-vis their potential voters by staging publicity stunts to criticize the government, by threatening to impeach cabinet ministers on the basis of policy decisions, or by uncovering -or triggering- political corruption scandals. The making of ghost coalitions helped to advance the political ambitions of the political elite, despite existing institutional impediments. There is preliminary evidence suggesting that legislators, who did not or could not return to serve additional terms in congress, were able to advance their political ambitions in alternative arenas, perhaps by serving in city and provincial governments.

For the purpose of revising the link between ghost coalitions and horizontal accountability, it is important to make a distinction between the latter and the Madisonian principle of checks and balances (Kenney 2003). Not all forms of interbranch dynamics establish relations of accountability, just as the legislative process in itself (i.e. the congressional amendment of an executive led bill) does not imply an element of sanctioning (Kenney; Mainwaring 2003). The defining issue is "whether an actor has the constitutional/legal capacity to (...) impose sanctions on (a public) official" (Mainwaring 2003: 17). Following the proposed definition, the making of ghost coalitions per se did not imply any specific relationship of accountability in the legislative approval of executive-led economic reforms. However, the clandestine nature of such agreements encouraged politicians to devise informal "treats or threats" to monitor and enforce
compliance in arenas outside of the legislative process. In this sense, democratic mechanisms for legislative oversight (such as congressional impeachments of cabinet members) as well as the oversight roles of control organisms (such as Constitutional Tribunal, Electoral Tribunal, Attorney General, General Comptroller) became political instruments to increase politician's bargaining leverage and to punish non-compliance with clandestine agreements. As shown in the previous chapter, there was a disproportionate ratio between the number of legislative threats to carry out political impeachments and the actual "conviction" rates or the number of government officials who were dismissed (about 20 to 1). This highly conflictive scenario may have been a signaling strategy by which legislators could threatened the government in order to renew or renegotiate political alliances while keeping a public image of government independence vis-à-vis their potential voters.

Undoubtedly, high levels of political conflict and scandal imposed a toll on society's perception of the political elite and more specifically, of the role played by institutions of political representation: the congress and the political parties. Repeated surveys consistently show that these two share the lowest rankings of citizens' trust in Ecuador, and the portrait is somewhat echoed in the rest of Latin America. Yet, what is interesting to note that citizens kept voting for political parties in numerous national and local elections (Pachano and Pizzarro 2002), despite the overall poor rankings given to congress and political parties as a whole. Moreover, these voting patterns tended to strengthen regional parties along previously defined core constituencies (Pachano and Pizzarro 2002). This paradox may be explained by reconsidering the possibility suggested above that ghost coalitions allowed politicians and political parties to "reconnect" with
their specific constituencies by delivering pork and patronage to electoral strongholds while effectively blaming national policy failures on the executive or competing political parties.

Recent reforms made to the Political Constitution and significant changes on the organized society are likely to affect the informal institution of making ghost coalitions in Ecuador in two important ways. First, there is a measured change towards curbing the use of particularistic payments. After the Dahik scandal, there have been significant reforms to limit the executive's use of discretionary spending accounts, to eliminate legislators' ability to negotiate budgetary allocations for their provinces, or to punish with mandate recall if legislators bargain for government jobs or defect their parties. Secondly, there has been a gradual movement to promote increased -horizontal and vertical- accountability, by allowing the immediate reelection of politicians and granting more autonomous powers to control institutions. Supreme Court Judges have gained political autonomy from congress and the executive, and are now elected by an independent body of the judiciary. The Constitutional Tribunal has gained more political autonomy in its configuration and has acquired the effective power to be a last instance of constitutional appeal. Corruption watchdogs such as the Civic Committee Against Corruption (CCCC) have been endowed with some investigative but not yet sanctioning powers. Important legislation has been approved by congress to mandate disclosure of campaign financing, government contracting, and access to government information. Several civic organizations promoting electoral transparency and political accountability have flourished.

282 The first two reforms are included in the 1998 Constitution, whereas the latter are coded in the 1998 Legislative Ethics Code. More recent attempts include the passing of a timid Civil Service reform in 2004.
Despite these initiatives to promote greater legislative transparency have been blocked or thwarted by legislators. Perhaps not surprisingly, Ecuadorian legislators have consistently opposed the implementation of electronic voting boards in congress, despite the fact that financing for this purpose has become available in previous occasions. When interviewed on the implications of installing an electronic board in the congressional chamber, one independent legislator -who requested anonymity- clearly articulated the politicians' preference for avoiding public voting. Clandestine voting gave more flexibility for making legislative alliances: "this way they can claim to oppose something and vote in favor of it. It is like Former Mexican President Echeverria used to say to his chauffeur: 'always signal to the left when you are going to turn to the right'".4

The adoption of an Ethics Code in November 1998 to punish party defectors with congressional expulsion is another example of a failed reform dedicated to prevent undesirable behavior. Originally designed to curb party switching, patronage distribution and vote buying practices, the Code was proposed and approved by the government party (DP) shortly after assuming office. This strategy was done as a way to show voters of its commitment to reform and more importantly, as a way to preventing their own party attrition. Yet, in the words of the party leaders who were supposed beneficiaries of the reform, the Code "tied their hands and feet" since leaders were left without bargaining chips available to entice political cooperation. Not surprisingly, alternative -informal- mechanisms were devised by party leaders to promote party defections while neutralizing the application of the Code on the pivotal players.

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283 Personal Interview with Congresswoman Alexandra Vela, (DP-Pichincha), Quito June 2000.
284 Personal Interview with a Congressman of the independent party MIN, Quito April 11. 2001.
285 Personal Interview with Congressman Ramiro Rivera, leader of the government party (DP-Pichincha), Quito July 1999.
This dissertation has focused on a most controversial area of policy change, the adoption of market-oriented reforms in congress, to illustrate patterns of executive-legislative conflict and cooperation, coalition formation and legislative behavior in Ecuador. This study has contributed to demystifying three conventional beliefs about interbranch dynamics with empirical implications for the comparative study of fragmented presidential systems. First, it showed that the size of the president's party is not a crucial condition for the passing of legislation through congress; oftentimes, presidents and legislators are able to craft functional multiparty coalitions to achieve significant market-oriented reforms. Secondly, it strengthened the idea that party leaders are key protagonists of the coalition making process, acting as brokers with capacity to answer the presidents' need for legislative votes and the legislators' needs for pork and patronage for their districts. And finally, it advanced the idea that individual vote buying is the exception rather than the rule during the coalition formation process, because legislators could be better off acting within a party cartel that provided collective goods rather than risking individual actions in a highly competitive political environment.

In all these scenarios, the dissertation illustrates how political actors devised informal and clandestine strategies to enhance coalitional trust within the political elite, while developing robust links with their electoral bases of support. The dissertation advances the concept of ghost coalitions to capture the extent to which political players devised alternative mechanisms to overcome institutional restrictions for coalition making and political responsiveness. Operating in a fragmented presidentialism however,
ghost coalitions could only provide sub optimal solutions to long-term coalition making needs, since their renewal imposed continuous political bargaining (*desgaste negociador*) to governments. The resilience of this informal practice in Ecuadorian politics illustrates the limited impact of repeated electoral and legislative reforms aimed at providing the president with solid and reliable congressional majorities. As shown throughout this dissertation, ghost coalitions were not sporadic events but rather a continuous practice reenacted by several presidents for over two decades.

In closing, the analysis of ghost coalitions offers empirical elements to explain the gap between the formal rules of the game and the observed behavior, by explaining with careful detail the practical rules governing coalition formation patterns and recognizing the mismatch between the ambitions of political players with the incentives provided by representative institutions. The extent to which political players can reconcile the formal and the existing rules of the game, and bring clandestine coalitions into the light, would depend on their ability to derive public rewards from interbranch cooperation. In the first place, much can be gained from developing the political parties’ capacity to do case work for their constituencies, to negotiate the allocation of government transferences, to formalize the legislative lobbying of interest groups, and to develop the technical ability to propose alternative policies to the executive. In a second dimension, much can be learnt from parliamentary systems to "legalize" or "formalize" the allocation -and withdrawal- of government payoffs in exchange of political cooperation over time, especially in the case of cabinet selection, local office and policy concessions to potential coalition partners.
This dissertation sustains that there are no short cuts for institutional reforms, but closing the gap between the formal and informal rules of political dynamics in Ecuador and Latin America can be an essential condition for legitimizing and strengthening existing democratic institutions.

Notre Dame, April 2004.
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Congressional Hearings

Interviews
APPENDIX

A CRONOLOGY OF MARKET ORIENTED REFORMS IN ECUADOR

(1979-2002)
TABLE A
A CRONOLOGY OF MARKET ORIENTED REFORMS IN ECUADOR (1979-2002)

<table>
<thead>
<tr>
<th>Period</th>
<th>Proposed Reform</th>
<th>Nature of Reform</th>
<th>Decision Making Arena</th>
<th>Other Political Events or Exogenous Shocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>March, 1981</td>
<td>Hike in Gasoline prices, electric rates and transportation. Interest rates increased.</td>
<td>Fiscal adjustment.</td>
<td>Executive decision.</td>
<td></td>
</tr>
<tr>
<td>Jan-Oct, 1982</td>
<td>• Further debt accumulation prohibited. Cut subsidies and transfers. Increase in prices of gasoline and transportation and electricity. Some minimum wage (MW) increase.</td>
<td>• Fiscal adjustment (increasing revenues and cutting expenditures).</td>
<td>Executive with the Economic cabinet: Central Bank Director, Monetary Board and Finance Minister.</td>
<td>Armed conflict against Peru (January 1981) President Roldos died in a plane crash (May 81).</td>
</tr>
<tr>
<td></td>
<td>• Devaluation of exchange rate and application of constant mini devaluations (creeping). Interest rates increased. Price controls on all other goods.</td>
<td>• Inflation control/monetary policies.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Opening lines of credit for productive sectors.</td>
<td></td>
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</tr>
<tr>
<td>Year</td>
<td>Event Description</td>
<td>Fiscal Policy</td>
<td>Monetary Policy</td>
<td>Remarks</td>
</tr>
<tr>
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</tr>
</tbody>
</table>
| Sep-Dec, 1984 | • Strengthen fiscal administration to increase tax collection. Gas and transportation prices increase. MW increases.  
• Exchange rate devalued and adoption of fixed system. Most price controls eliminated.  
• Import liberalization and lower tariff levels. | Fiscal Adjustment. | Monetary policies/inflation control. | Beginning of market oriented neo liberal reforms. |
| Aug, 1985  | Reforms made to Monetary Regime Law. MW increased.                               | Monetary reforms. | Approved by Congress |                                      |
International oil prices drop sharply. |
| Jan-Feb, 1986 | New devaluation. Greater trade liberalization with lower tariffs.                | Monetary and trade policies. | Executive with the Economic cabinet. | Midterm elections: opposition wins 60% of seats. Finance Minister Dahik impeached |
| Aug-Nov, 1986 | Further liberalization of exchange and interest rates. Lower tariffs to dismantle protection. IMF approves standby loan. MW increased. | Monetary and trade policies. | Executive with the Economic cabinet. |                                      |
| Jan-Mar 87  | Debt payments suspended. Oil exports stopped. Fuel and transport fares increased. Price controls or freezes back in place. | Fiscal (mis)management: increased gov't spending above revenues. | Executive decision. Dramatic policy reversal. | LFC is kidnapped at military base (Jan 87).  
Severe earthquakes destroy oil pipeline (Mar 87). |
| Jan-Aug, 1988 | Run on the sucre, and three tiered exchange rates established. Frozen electricity rates are increased again. | Damage control and increased spending policies. | Congressional Stalemate | Borja elected president. |
**TABLE A (continued)**


<table>
<thead>
<tr>
<th>Date</th>
<th>Action Description</th>
<th>Monetary Policy</th>
<th>Executive Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep, 1989</td>
<td>State-owned Petro Ecuador and five related branches were created.</td>
<td>Deregulation (Privatization-oriented Reform)</td>
<td>Executive authority</td>
</tr>
<tr>
<td>Dec, 1989</td>
<td>Significant changes to income, VAT and ICE taxes. Reduced tariffs and taxes for foreign investment and grant additional tax benefits for selective industries.</td>
<td>Tax Reform</td>
<td>Approved by Congress</td>
</tr>
<tr>
<td>Date</td>
<td>Event Description</td>
<td>Policy Type</td>
<td>Approval</td>
</tr>
<tr>
<td>--------------</td>
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</tr>
<tr>
<td>Aug, 1990</td>
<td>Maquila Regime, Part Time Labor and other labor reforms Law.</td>
<td>Labor reforms.</td>
<td>Approved by Congress</td>
</tr>
<tr>
<td>Jan-Jul, 1991</td>
<td>Budget cuts government spending by 15% and adopts measures taken to reduce fiscal deficit. Gradual liberalization of Central Bank's interest rates. Exchange rate adjusted. MW increased. Tariff lowering to products from Andean countries.</td>
<td>Fiscal austerity</td>
<td>Executive decision with congressional ratification.</td>
</tr>
</tbody>
</table>

**President Sixto Durán Ballén, Conservative (PUR), August 1992- August 1996.**

<table>
<thead>
<tr>
<th>Period</th>
<th>Legislation</th>
<th>Reform Type</th>
<th>Approval</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov, 1992</td>
<td>Public Sector Budgets Law, to allow control of government spending, and promote budgetary efficiency managed by the finance ministry. Creation of free market zone with Colombia and Bolivia. Currency liberalization.</td>
<td>Fiscal reform</td>
<td>Approved by Congress</td>
</tr>
<tr>
<td>Apr-Jul, 1993</td>
<td>Stock Market Law, to enhance investing opportunities and promote participation in financial markets. Increased role of Central Bank to regulate flow of currencies. Authorization to financial institutions to enhance operations with foreign currencies. Creation of Constant Value Units (UVC) to promote savings in the financial sector. MW increased.</td>
<td>Banking/Financial Reforms</td>
<td>Approved by Congress</td>
</tr>
</tbody>
</table>
TABLE A (continued)

<table>
<thead>
<tr>
<th>Period</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>May-Jul, 1994</td>
<td>(A significantly revised version of) Agrarian Reform Law. Reduced required deposit for all banking institutions. MW increased.</td>
</tr>
<tr>
<td></td>
<td>Privatization-oriented reforms</td>
</tr>
<tr>
<td></td>
<td>Approved by Congress</td>
</tr>
<tr>
<td></td>
<td>Midterm elections held. Government share drops to less than 5%. Draught and energy crises that lasts throughout the summer.</td>
</tr>
<tr>
<td>Nov-Dec, 1994</td>
<td>Strengthening of Central Bank to intervene in money market and weakening role of Monetary Board. Facilitating operations with currencies, establishment of an exchange band.</td>
</tr>
<tr>
<td></td>
<td>Financial/Banking reforms.</td>
</tr>
<tr>
<td></td>
<td>Executive decision with congressional ratification.</td>
</tr>
<tr>
<td>Jan-Feb, 1995</td>
<td>New taxes approved to finance budget deficit because or war. Strengthening and enabling of banking institutions to manage foreign operations. Adjustment of the exchange rate. Debt renegotiation within Brady plan. MW increased.</td>
</tr>
<tr>
<td></td>
<td>Fiscal, banking, monetary and debt management policies.</td>
</tr>
<tr>
<td></td>
<td>Executive decision with congressional ratification.</td>
</tr>
<tr>
<td></td>
<td>High president's job approval rates. Failed political reform attempted. &quot;War&quot; with Peru.</td>
</tr>
<tr>
<td></td>
<td>Trade and monetary reforms.</td>
</tr>
<tr>
<td></td>
<td>Approved by congress</td>
</tr>
<tr>
<td></td>
<td>Dahik impeached and acquitted but he resigns (Oct 95).</td>
</tr>
<tr>
<td>Jan-Aug, 1996</td>
<td>New adjustment of exchange rate. MW increased.</td>
</tr>
<tr>
<td></td>
<td>Minor adjustment policies.</td>
</tr>
<tr>
<td></td>
<td>Executive authority.</td>
</tr>
<tr>
<td></td>
<td>Bucaram Elected.</td>
</tr>
</tbody>
</table>


|              | Failed Fiscal and monetary policies due to lack of political and economic credibility.                                                                                                                        |
|              | Executive authority.                                                                                                                                                                                            |
|              | Coalition of traditional political parties to oust the president.                                                                                                                                               |


Feb 97- Aug 98.| Warm adjustment policies or "Mickey Mouse package" announced. Public policy and higher gov't spending but no substantial adjustment.                                                                          |
|              | President does not want to commit to serious reform effort.                                                                                                                                                     |
|              | Executive authority                                                                                                                                                                                           |
|              | Popular plebiscite (May 97) and National Assembly (Dec 97) "El Niño" flooding (Nov 97)                                                                                                                                 |

### TABLE A (continued)

<table>
<thead>
<tr>
<th>Period</th>
<th>Event Description</th>
<th>Fiscal and Financial Reform</th>
<th>Approved by</th>
<th>President's party enjoys 35% share in congress. Peace process with Peru is signed in Oct 98.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov-Dec, 1998</td>
<td>Tax and Finances Reform Law, to create a new tax on commercial transactions (ICC) and a Deposit Guarantee Agency (AGD).</td>
<td>Fiscal and Financial Reform</td>
<td>Approved by Congress</td>
<td></td>
</tr>
<tr>
<td>Feb-Apr, 1999</td>
<td>Reorganization of Public Finances Law: fiscal package proposed to increase taxes and reduce spending. Reform of Financial Institutions Law: imposes penalties on banks to make them responsible for issued credits.</td>
<td>Fiscal and Financial Reform. Financial Reform</td>
<td>Approved with the Left (after failed coalition with the right)</td>
<td>Economics minister resigns (Jan 99). Run on banks and accounts frozen by the President (Mar 99)</td>
</tr>
<tr>
<td>Jun-Jul, 1999</td>
<td>Reforms to Modernization Law. Deposit Guarantee Agency (AGD) Reform</td>
<td>Modernization and privatization Reforms Financial and Banking Reforms</td>
<td>Denied by Congress Approved by the Left</td>
<td>Massive protests nationwide paralyze the country of 12 days.</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Period</th>
<th>Event Description</th>
<th>Fiscal, Monetary, Financial, Labor and Trade reforms.</th>
<th>Approved by Congress</th>
<th>Mahuad is ousted by a indigenous-military coalition (Jan 00).</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Event Description</td>
<td>Status</td>
<td></td>
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<tr>
<td>Feb-May, 2001</td>
<td>Tax and Customs Reform</td>
<td>Approved construction of Oil Pipeline</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Tax and Customs Reform</td>
<td>Approved by President, challenged by Constitutional Court.</td>
<td></td>
</tr>
<tr>
<td>Mar, 2002</td>
<td>Fiscal Responsibility, Stabilization and Transparency Law</td>
<td>Fiscal Reforms</td>
<td>Approved</td>
<td></td>
</tr>
<tr>
<td>Nov-Dec, 2002</td>
<td>IMF loan ready to be signed.</td>
<td>Debt Management and Fiscal Reforms</td>
<td>Executive Authority</td>
<td>President Gutiérrez elected</td>
</tr>
</tbody>
</table>