

# Top Managers and Risk of Policy Expropriation in Multiparty Presidential Regimes\*

*First Draft*

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## **Abstract:**

When delegating governing tasks to a coalition partner, the president would like to give to a Minister ample powers and discretion in order for her partner to be able to effectively accomplish the political mission accordingly. However, due to information asymmetries inherent to this kind of relationship, the president runs the risk that this discretion might be used to pursue policy outcomes that may harm president's interests and preferences. We argue in this paper that this trade-off between flexibility and control is key for understanding the specific strategy the president chooses to manage her governing coalition in a multiparty presidential setting. Using a novel dataset of 178 combinations of ministers and their respective junior ministers (*secretários-executivos*) in Brazil from 1995 to 2010, we empirically demonstrate that Brazilian presidents have strategically made frequent use of junior minister as watchdogs of coalition partners especially when coalition allies are ideologically distant from president's preferences, when the president builds large coalitions, and when the president does not share power with coalition partners.

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## 1. Introduction

Presidents in multiparty presidential regimes face a constant political dilemma: in addition to strategically allocate other tradable currencies (like pork barrel policies) and to make policy concessions to legislators, presidents must also allocate cabinet portfolio positions to coalition partners in order to govern and to sustain majority coalitions over time. At the same time, by delegating such political authority to parties in coalition, presidents run the risk of being expropriated by appointed cabinet ministers who may not fully share the presidents' policy preferences. This is a typical agency problem between control and flexibility, and there is no right/wrong recipe to follow. It will depend on several features such as: policy content and priorities to be implemented by the government, the number of political parties invited to take part in the governing coalition, the ideological distance among them, the degree of power-sharing among political allies, presidential popularity - to name just a few.

If, on the one hand, the president decides to excessively control the ministry by appointing a "junior minister"<sup>1</sup> that she fully trusts, for instance, a close party mate or a career bureaucrat, a kind of endogenous watchdog, she may upset the coalition partner that was supposed to be in charge of that particular ministry in the first place. The Minister would probably feel uncomfortable with the situation of having someone next to him in the hierarchy of the ministry that was not his first choice, but the president's choice. If, on the other hand, the president decides to delegate very broad authority and flexibility and, consequently, exercise a loose control of the ministry's activities, she may be surprised by the degree of deviation of the policies that might be decided and implemented by that particular subordinate. In case the president finds out that something is going wrong or in a different policy direction, it might be too late and/or too costly to be undone.

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<sup>1</sup> A "junior minister" occupies the second post in the Ministry's hierarchy. Most of the time, while the Minister plays a representation role, the junior minister is the person who takes managerial decisions that directly affect policy content and their outcomes.

As multiparty presidentialism, characterized by post-electoral coalitions, has become the modal form of political system in the Latin American region, managing coalitions wisely turned out to be the key challenge for democratic elected presidents to decrease the cost of governing as well as to deliver virtuous public policies. The presidents' managerial choice of how to allocate cabinet portfolio to coalition partners is constrained by at least three interconnected aspects: (i) the ideological distance among political parties in the governing coalition; (ii) the number of parties in coalition; and (iii) the proportionality of cabinets among coalition partners.

We hypothesize that the greater the ideological distance between the president's party and the political party of the coalition partner, the more inclined the president will be to directly interfere in that particular ministry delegated to that distant partner. It is reasonable to infer that policy preferences among them will be not perfectly aligned and, consequently, policy decisions made by the minister may jeopardize the president's mandate. If that is the case, we should expect greater control of the president by directly appointing a trustful junior minister to the specific cabinet delegated to watchdog a distant ally. On the other hand, the higher the degree of trust measured by the similarity of policy preference between the president and her minister, the less inclined the president will be to control that cabinet, and therefore the minister appointed will have greater leverage to structure his/her ministry as he/she wishes. In the Brazilian jargon it is called *porteira fechada*, a situation in which the Minister enjoys high discretion to choose his political civil service appointees without further control from the coalition *formateur*.

A similar rationale can be applied to our hypothesis regarding the number of political parties invited to be a part of the governing coalition. The larger the number of partisan veto players in the coalition, the greater the difficulty for the president to coordinate the coalition team as a coherent government pursuing a particular agenda or acting in the same policy direction. Given these coordination problems, the president will be predisposed to exercise greater control of the delegated cabinet by appointing a trustful Junior Minister that works as a government coordinator within that respective government branch. By doing so, the junior minister will work as a direct link or bridge

representing the preferences of the president inside that ministry. In governing coalitions composed by a small number of partisan partners, however, the president, as the coalition's manager, will face fewer coordination problems and as such will need less interference in order to harmonize and synchronize the action of coalition partners and thus decrease the risk of policy expropriation.

Concerning the amount of power shared with coalition partners, measured in terms of the cabinet coalescence rate (that is, the proportionality between the number of ministries delegated to a party ally and its relative weight in Congress, estimated in terms of the number of seats occupied by that party in the legislature) we hypothesize the following: the more proportional or coalescent the government cabinet portfolio is, the smaller the need for the presidency to appoint a trustful junior minister to oversight the Minister. That is, the extent to which coalition partners are proportionally rewarded upfront with cabinet positions based on their political weight in Congress, partisan partners will be less motivated to deviate from the president's policy preference given that there will be greater satisfaction and higher commitment among them with regard to government's policy agenda. On the other hand, the more monopolistic or disproportional the government cabinet is, the greater the dissatisfaction and animosity, especially among those coalition partners under rewarded by the government, the higher the necessity for the president to control the behavior of the delegated cabinet. This is so because there will be greater incentives for the under rewarded partner to deviate from the president's policy orientation as a reaction for the lack of government recognition of the partner importance in government.

In order to test these hypotheses, we mobilized and built a unique dataset of 178 pairings of ministers and their respective junior ministers (*secretários-executivos*) in Brazil from 1995 to 2010. We gathered data from different sources: the federal government's transparency website,<sup>2</sup> the Ministry of Planning via formal request using the Free Information Law, the government Official Publication (*Diário Oficial da União*) for information regarding dates of appointments and resignations of junior ministers, as well

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<sup>2</sup> Portal da Transparência: [www.transparencia.gov.br](http://www.transparencia.gov.br).

as from the Federal Electoral Court's list of partisan affiliation of ministers and junior ministers. This novel dataset allows us to study, in a systematic manner, all the possible executive's strategies by appointing junior ministers by two Brazilian presidents: Fernando Henrique Cardoso (PSDB) and Luiz Inácio Lula da Silva (PT), each of whom occupied the presidential office for eight years (two terms). In addition, more than 35 interviews were also carried out with ministers, junior ministers, top bureaucrats and political leaders of each government in order to obtain inside information about government's managerial strategies and coalition parties behavior.

The article is divided in four sections. The second section engages the relevant literature regarding delegation and exposes the theoretical underpinnings of our hypotheses. The third section describes the different patterns of coalition management that have been put in practice since the 1988 Constitution from different Brazilian presidents. The fourth section presents both descriptive analysis and econometric results. The final section offers our preliminary conclusions.

## **2. When to Delegate? A Critical Dialogue with the Literature**

It may seem counterintuitive that presidents would be willing to delegate cabinet positions so often to coalition partners, since in principle chief of executives could be better off by appointing professional career civil servants to political positions in the executive branches. It would definitely be much easier for the executive to control these professional subordinates given that they would have fewer incentives to deviate from president's policy agenda. In multiparty presidential regimes, however, presidents have rather delegated cabinets to partisan allies with very high levels of discretion. What can the strategy of *porteira fechada* do for the presidents that counterweighs for the potential agency costs generated by this strategy of allocating a cabinet position to a political player rather than a professional bureaucrat?

In a number of contexts, scholars have explored how institutional players interact to influence the behavior of bureaucrats. Ever since McCubbins, Noll, and Weingast's

(1987, 1989) and Moe's (1990) seminal works on the subject, a growing literature has illuminated the broad issues of delegation and political control of the bureaucracy. Elected politicians have no choice but to delegate at least some responsibility to bureaucracies. Of course, once politicians delegate, they also face a potential loss of control over the issues that they have delegated. This tension between the necessity of delegation and the potential problems associated with delegation underlines the fundamentally political nature of bureaucracy.

Roughly speaking, there are two major interconnected issues (dyadic form) that have been explored by the delegation literature: delegation from Congress to executive agencies and delegation from the Congress' floor to committees. When passing legislation, legislators in the floor must make at least two choices: first, who should they obtain information from—a potentially biased committee or a potentially biased executive agency? And second, how much discretion should they provide to an agency if the agency is allowed to make policy?

Delegation theory contains several hypotheses that attempt to answer these questions, ranging from information provision (Gilligan and Krehbiel 1987; Krehbiel 1991; Epstein 1997), blame shifting (Fiorina 1982), credible commitments (Levy and Spiller 1996; Mueller and Pereira 2002), preservation of Congress' intertemporal preferences on the bureaucracy (McNollGast 1989), political risk and uncertainty (Moe 1990; De Figueiredo 2002), power parity among political elites (Geddes 1991), to transaction-costs politics (Epstein and O'Halloran 1989; Huber and Shipan 2002), electoral uncertainty, power alternation and the need to tie the hands of the next administration (Lewis 2003; Melo, Pereira and Werneck, 2010).

Answering these question necessarily engenders trade-offs for politicians which will depend on the degree of political alignment, especially in multiparty coalition government: the key will be who they can more rely on to act as if they had the Congress's interests in mind. Furthermore, the degree of constraint imposed on agencies, when they are delegated policy implementation, will depend on how aligned the president

and agencies are with the Congress: a closely aligned agency can be expected to use its information to implement policies which would be close to those that Congress would prefer; otherwise, it will be highly constrained through the use of strict rules, procedures, and very specific legislation.

Four important sets of actors in the politics of agency rule-making have been identified: Congress, its committees, the president, and agencies. Epstein and O'Halloran (1999) expand the set of actors to consider all of these players simultaneously. Indeed, Epstein and O'Halloran's model indicates why the study of dyadic delegation relationships is inappropriately specified: because the legislature has choices and will delegate selectively based on its own strategic considerations (cost of obtaining information versus electoral returns), the policies and form of delegation observed will necessarily be a selected sample of the full set of possible choices of delegation.

By including a broader range of actors, Epstein and O'Halloran's approach allows them to identify the selection mechanism in order to consider empirical relationships more precisely. They find, among other results, that, when the executive branch (the president plus the bureaucracy) are closer in their policy preferences to Congress, congressmen will at once be more willing to delegate and will provide less constraining rule-making procedures when they do delegate to a bureau.

The literature on discretion and administrative procedures has been expanded by the work of Huber and Shipan (2002; see also Huber, Shipan, and Pfahler 2001). Like Epstein and O'Halloran, they point out the importance of understanding variation in administrative discretion—either through the specificity of substantive policy instructions or through the degree of procedural limitations—by examining the roles of various actors in a separation-of-powers system. Following Epstein and O'Halloran's logic, they argue that “statutory control” of agency authority will be tighter when there is misalignment between institutional actors - divided government. Their contribution is to extend this finding to examine the interaction between divided government and other factors: divided control of the legislature itself; legislative capacity and substitute mechanisms for control.

Unlike these previous studies, our study analyzes delegation in coalition-base presidential regimes where the executive, in addition to playing the key role of agenda setter, also enjoys several governing tools to keep its majority coalition stable over time. We incorporated the executive branch as fundamental players in the delegation game (see Lewis 2003), thereby changing the focus of the discussion from the legislative branch, which is at the center of discussions in U.S. scholarship, to the relationship between the President and her coalition partners within executive branches that have been delegated to them.

More recently, other scholars have focused on delegation dilemmas within coalition governments (Thies 2001; Lipsmeyer and Pierce 2011; Carroll and Cox 2012). Thies (2001), for example, considers the conditions under which coalition partners in Italy, Netherlands, Japan and Germany make efforts to monitor each other's ministers, showing that the "junior minister" strategy as spelled out above is present in the first three countries, while German politicians use committee nominations in the *Bundestag* (Thies 2001, p. 588) in order to shadow ministries controlled by rival parties.<sup>3</sup> Lipsmeyer and Pierce (2011) contend that coalition partners use junior ministers as watchdogs when the stakes are high, the differences between the parties are substantial, and when they lack other means of overseeing their partners. This translates into oversight junior ministers being more likely in cabinet ministries that implement policies of high salience, when the minister is from a smaller coalition party, and when committee systems are weak.

While in parliamentary and semi-presidential regimes (Sedelius and Ekman 2010) intra-executive conflict can lead to government termination, in multiparty presidential regimes, as we have already argued, the president's choice of how to manage his governing coalition may lead to policies that may not be desirable by the president. Huber and Martinez-Gallardo (2008) and Martinez-Gallardo (2011) have investigated how presidential nomination strategies are affected by this risk. They find that these strategies

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<sup>3</sup> Carroll and Cox (2012) study this with a larger dataset, comprising 19 multiparty parliamentary democracies, and find similar results. See also Martin and Vanberg (2011).

are rearranged while the government experiences contextual changes and external shocks, which is in line with the arguments we will spell out in this paper.

### **3. Patterns of Coalition Management in Brazil**

Since 1988, Brazilian presidents have presented great variation in how they have built and sustained their governing coalitions, as table 1 shows. President Fernando Collor de Mello (1990–1992), for instance, had an initial governing coalition consisting of only three political parties (PFL, PMDB, and PRN). Thus, Collor’s floor coalition began with 245 seats, which was about 49 percent of the Chamber of Deputies at the time; this was clearly a minority coalition government. His coalition size quickly dropped to 144 seats by the end of the first year of his administration when the PMDB quit the cabinet and was replaced by the PDS/PPR. Collor’s first cabinet straddled the center and right, but his second and third cabinets were the most homogeneous coalition governments of the democratic period, featuring exclusively right-wing parties. However, his first cabinet was extremely disproportional—the coalition parties apart from his own small party (PRN) were underrepresented within the cabinet. Some 60 percent of Collor’s cabinet posts went to independent, nonpartisan ministers. He did not share power with parties that could support him in times of need. In 1992, facing massive popular protests around the country and without a credible and sustainable coalition in Congress, the cost of “buying” support eventually caught up with Collor. Perhaps as a consequence of this political choice he was subsequently impeached and removed from office.

[Table 1 about here]

Fernando Henrique Cardoso (1995–2002), on the other hand, learned quickly that governing without a sustainable coalition in Congress would be too risky even with an impressive range of presidential powers. He initially decided to include only four parties in his governing coalition (PSDB, PFL, PTB, and PMDB). However, at the beginning of his second year in office he realized that he would need a broader majority to approve his many proposed constitutional reforms, which required supermajorities in both houses.

Cardoso recruited two additional parties (PPB and PPS) into his government, bring the coalition size up to 381 seats, or almost 75 percent of the Chamber of Deputies. Although large in size, the Cardoso coalition was not endangered by internal ideological differences. The coalition was a focused center–right coalition in which the constituent parties shared a considerable amount of consensus with regard to the president’s agenda of constitutional reforms. The outstanding feature of the Cardoso coalition was the high level of coalescence (proportionality) of his cabinet. In fact, his was the most proportional government that Brazil has had in the post-1988 period. The coalition management choices made by Cardoso were decisive elements in helping him to sustain his majority coalition for almost eight years at low cost.

Cardoso’s successor, Luiz Inácio Lula da Silva, adopted a different approach upon assuming office in 2003. Lula immediately expanded the number of cabinet-level posts from 21 to 35. Ostensibly, the purpose of this expansion was to include several new ministries with responsibilities for different dimensions of social policies, but most of the new positions went to loyalists of the president’s own Workers’ Party (PT). This skewed allocation increased the PT’s dominance over its coalition partners. In terms of coalition size, the number of political parties (potential veto players) is greater under Lula; his coalition has included at least eight parties every month since the start of his term. However, the larger number of parties does not translate into a larger majority within Congress, since the nominal size of Lula’s coalition is 318 seats (just over the 60 percent supermajority needed for constitutional amendments). As concerns heterogeneity, the ideological spectrum of Lula’s coalition is more diverse, spanning from left-wing to right-wing parties. With regard to coalescence, the PT controls 60 percent of cabinet portfolios while supplying only 29 percent of the coalition’s seats in Congress. The proportionality between seats and ministries dropped from a high of 0.67 during the Cardoso administration to 0.50 in the second Lula cabinet (Amorim Neto 2004). Presumably, this lower proportionality generated dissatisfaction among the PT’s coalition partners, several of whom had participated in the less monopolistic Cardoso government. These strategic choices in coalition management may help explain why in 2004–2005 an impressively popular president, constitutionally powerful, and with a large coalition in

Congress, apparently needed to “buy” support illicitly from deputies in the corruption scandal well known as *mensalão*.

Lula had to open space in his government for PT factions, not only for ministerial positions but also in the public bureaucracy. The greed for second and third level positions in the public bureaucracy was responsible for deepening the lack of power-sharing and increasing the risks of fissures among coalition members. Praça, Freitas and Hoepers (2011), for instance, show the PT extensively dominated political nominations within public bureaucracy occupying 66% of nominations, relegating the other coalition parties such as PMDB, PP and PTB to 12%, 6%, and 5% respectively. As a consequence of the increase in the size of Lula’s coalition in his second term in office, we have reasons to believe that this disproportionality was even higher as of March 2003.

However, dealing with a fragmented and greedy PT for public service positions was not the only political challenge Lula faced to build and sustain his governing coalition. Yet another bargaining-relevant difficulty facing Lula was the distribution of ideological preferences among coalition partners at the 52nd legislature (2003-2006). Figure 1 shows the ideological position<sup>4</sup> (x axis) of the parties and the number of seats each party held (y axis) in the Chamber of Deputies in March 2003, just after Lula and the new legislators took office.

[Figure 1 about here]

The average ideology of the Chamber of Deputies leaned towards right. Thus, the ideological location of Lula’s political party, PT, was rather far away from the average ideological position of the Chamber, roughly three points away in a 1-10 scale.<sup>5</sup> The early inclusion of the PL in the presidential electoral coalition in the 2002 campaign was the

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<sup>4</sup> The ideological scales used here are based on Zucco and Power (2009).

<sup>5</sup> While we have indicated Lula’s position along with PT, this is not to say that his ideal point was equivalent to the average of his party. Lula needed to appear more centrist and needed to obtain some support from the right side of the distribution in Figure 2.

first sign that the president was willing to build an ideologically sparse governing coalition. The inclusion of PTB in first cabinet formation only strengthened this lack of homogeneity, since the PC do B and the PTB were very opposing ideological parties. It also stressed an ideological movement of coalition towards center. Lula's coalition ideological range was 5.5 points, which exceeds by far the 3.4 points of Cardoso's first coalition ideological range, for instance.

Therefore, in terms of ideological homogeneity, a governing coalition never had such a huge average distance among partners. Through a proximity matrix of ideological distances (Power and Zucco, 2009) within coalitional partners is possible to obtain a Coalition Homogeneity Index<sup>6</sup> (CHI) for all cabinet formations since 1995. In order to provide a more measurable reference, the Lula's two first cabinets have a CHI of 0.57 and 0.58 respectively. The entrance of PMDB in the Lula's coalition did not worsen the homogeneity, due to its central ideological positioning, very close to coalition average. Cardoso's first Cabinet poses an improved 0.69 CHI, for instance, since the four parties participating in coalition don't differ much ideologically (See Figure 2).

[Figure 2 about here]

How about the coalition profile of Rousseff's government? Like Lula, Rousseff built a very heterogeneous, oversized, and over concentrated governing coalition, preferring thus to satisfy the internal factions within the PT. As expected, Rousseff decided to invite a large number of partners into her coalition cabinet, but the number was slightly smaller than that of Lula's coalition. Whereas Lula had eight political parties in his first cabinet, Rousseff invited seven. The number of parties did, in fact, translate into a larger majority within Congress since the size of Rousseff's coalition has 328 seats in Brazil's Chamber of Deputies, which is above the 60 percent supermajority of 308 votes needed for

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<sup>6</sup> This index is represented as a percentage and is calculated by subtracting one from a ratio between the observed average of ideological distance and the maximum possible distance. It varies from 0 - a two party coalition with complete opposing ideologies - to 1 - a coalition of any size with all parties having the same ideology.

constitutional amendments. Therefore, if she faces problems pursuing her political agenda, it would not be credible for her to blame her political opposition.

The ideological spectrum of Rousseff's coalition is very similar to that of Lula's coalition, spanning from extreme left wing to extreme right-wing parties. Since Rousseff will certainly try to maintain the core macroeconomic stability and social policies currently in place in Brazil, we will probably not see coalition problems due to the ideological diversity of her governing coalition. That is, as the policy agenda will be very similar to that of her predecessor, Rousseff will probably not face too much opposition from coalition members as a function of their different ideological preferences.

Concerning power sharing, Rousseff's first cabinet was less monopolistic than Lula's, given that she allocated 17 (around 46 percent) cabinet positions to the PT, while Lula allocated 21 positions (60 percent). The coalition formateur (the party of the President) again received a substantial cabinet bonus. Although the Brazilian Democratic Party, PMDB, continues to be under-rewarded, with 6 portfolios (37 percent), it has been more compensated than the initial cabinet under Lula. This clearly illustrates Rousseff's intent to please the second largest party in Brazil's Chamber of Deputies, and the largest party in the Senate, which is also the party of Rousseff's vice-president.

What are the consequences of different strategies of how to manage governing coalitions for the degree of power delegated from the president to subordinate ministries? This is the key question that this paper will address empirically in the following section.

#### **4. Preliminary Empirical Evidence**

##### *Descriptive Assessment*

Among the 178 minister-junior minister pairings that we analyze over the 1995-2010 period in Brazil, we find three basic types of relationships between ministers and junior ministers (*secretários-executivos*).

The first type is a typical watchdog relationship. It occurs 28 percent of the time and is characterized by two distinct situations: when the minister does not belong to the president's party, but the junior minister does; and when neither the minister nor the junior minister belong to the president's party, but the latter is not affiliated to *any* political party and can more easily serve as the president's agent within the cabinet.

Cardoso's government, especially the first term (1995-1998), used these mechanisms quite often. It was a very centralized government in the president's office (*Casa Civil*), the Planning and the Finance ministries (*Ministério do Planejamento* and *Ministério da Fazenda*). In the words of Clóvis Carvalho, a former head of the president's office (*Casa Civil*), one of the most important appointees of the whole government: "the presidency would define policy priorities for the ministries and the junior ministers would keep coalition partners on track" (Interviewed in November 26, 2012). These policy priorities were formalized in a document entitled "Caderno de Encargos" and, according to Luciano Patricio, former Junior Minister of Education during a period of both Cardoso and Lula governments, it resulted in some friction among coalition partners: "A minister of Social Security who belonged to the PFL was reprehended by the party's leadership for sticking to Cardoso's 'caderno de encargos' and Casa Civil's directives instead of trying out his own policies" (Interviewed in March 6, 2013). Sometimes, the relationship between the president's watchdog and the coalition partner occupying the Ministry was so tense and conflictive that it could end up even before it started. When Iris Rezende (PMDB), for instance, was about to be appointed Minister of Justice, the Junior Minister Milton Seligman (PSDB) was invited by president Cardoso to stay on. Rezende, on the other hand, did not agree with Cardoso's decision and the trustable president's watchdog had to leave in order to avoid further problems with an important coalition partner.

Despite the fact that Cardoso rarely chose the junior ministers personally preferring to delegate this task to the “political nucleus of his government,” which used to be formed by Eduardo Jorge, Sérgio Motta and José Serra (according to the former junior minister Milton Seligman, interviewed in May 3, 2013), they were close to the president. This seems to vary quite a bit according to the policy issue area in question and its salience for Cardoso’s policy agenda.

The ministry of Transports is an interesting case to illustrate this. When Cardoso implemented his “Brasil em Ação” agenda, comprised of 42 priority programs, 14 of them belonged to the transportation policy area. In order to make sure that the ministry would abide by the president’s priorities, Cardoso appointed José Luiz Portella as junior minister, responsible for overseeing the managers of each of those 14 programs, “by the time the minister was fairly busy with political relationships” (José Luiz Portella, interviewed December 20, 2012).

A counterexample is the relationship between minister Nelson Jobim (PMDB) and junior minister Milton Seligman (PSDB) in the Ministry of Justice during Cardoso’s government. Although one might, at first glance, suppose that Seligman would watch over Jobim to make sure that the minister does not deviate from the presidential agenda, they actually shared policymaking responsibilities despite the fact that they belong to different political parties in coalition. This is explained, at least in part, by their close personal relationship, which began in the small town of Santa Maria, in the state of Rio Grande do Sul. “It is safe to say that out of 11 policies implemented in the ministry, Jobim took a close look at five and delegated the rest to me. The agenda of the Minister was defined politically by the minister, in consultation with the president, and passed on to me. I had a lot of autonomy to decide what Jobim considered minor questions - such as international contracts and rewriting the part of the penal code that regulates crimes against the environment. In the major questions - such as a new law on money laundering and federal financing by state development banks (BNDES and Caixa Econômica Federal) for new prisons - I took a less prominent role though” (Milton Seligman, interviewed in May 3, 2013).

The notion that junior ministers acted as agents of the presidential office is reinforced by many junior ministers who worked during Cardoso's administration, who used to say that they "generally coordinated amongst themselves from the presidential office's initial agenda" (Milton Seligman, interviewed in May 3, 2013); "helped the minister take decisions after meeting with the president" (Celso Campilongo, former junior minister of the Ministry of Justice, interviewed in February 5, 2013) and "frequently met with representatives from the Casa Civil" (Claudia Costin, former junior minister of the Ministry of Administration and State Reform, interviewed in January 12, 2013; also Carlos Pacheco, former junior minister of the Ministry of Science and Technology, interviewed in March 21, 2013). Thus the idea of a junior minister as "watchdog" is justified in almost a third of the 1995-2010, with a special emphasis on Cardoso's presidency (1995-2002).

The second type of relationship is of political sharing. It occurs 29 percent of the time in our dataset and is characterized by the following: the minister and the junior minister being members of the same political party; or the minister and the junior minister being members of different parties belonging to the coalition, but neither belongs to the president's party.

This occurred mostly during president Lula's government (2003-2010), although there are a number of examples from Cardoso's government as well. Some of the more salient policy areas are managed following this type of relationship. For instance, junior minister Barjas Negri and minister José Serra (both from the Cardoso's political party, PSDB) at the Ministry of Health (March 1998-February 2002); junior minister Bernard Appy and ministers Antonio Pallocci (January 2003-May 2005) and Guido Mantega (March 2006-April 2007), all of the PT, at the Ministério da Fazenda; junior minister Fernando Haddad and minister Tarso Genro (both PT) at the Ministry of Education (February 2004-July 2005); junior minister Alencar Ferreira and minister Ricardo Berzoini (both PT) at the Ministry of Labor (February 2004-May 2005).

When the junior minister and minister belong to the same party, the risk of the ministerial bureaucracy going against the minister's directives decreases dramatically. In this situation, both junior minister and minister may also share policymaking responsibility easily (at the risk of expropriating the president's agenda if they do not belong to the president's party). An example of successful political sharing took place in the Ministry of Labor, in the early stages of the Lula's government, when minister Berzoini and junior minister Alencar Ferreira shared responsibilities: "There existed informal committees within the ministry to analyze specific policies that might be proposed as a legislation. I, as a junior minister, the policy secretaries under me in the hierarchy and the sub-secretary of planning, budget and administration of the ministry, congressmen and business representatives were all very active participants, with the minister coming and going according to necessity. The *Norma Regulamentadora 17* about labor work was successfully done in this manner" (Alencar Ferreira, interviewed in April 9, 2013).

The *Ministério da Fazenda* under the minister Nelson Jobim and the junior minister Bernard Appy operated under the same rationale. "I was a kind of policymaker rather than an administrator, whereas the junior minister who took over after me, Nelson Machado, had more of a managerial profile. I asked the sub-secretary of planning, budget and administration to take care of administrative and personnel matters because Pallocci, the Minister of Finance, let me take a very active role as policymaker, especially in tax matters. I frequently used to have meetings with congressmen (government leader, party leaders and committee chairmen) and governors to discuss tax policy, particularly at the end of 2003 when we were formulating a change in the tax system (Cofins). There was a weekly meeting with all the ministry's policy secretaries, where the main ideas floating around were discussed and also incorporate suggestions from other ministries were taken into account. Then the Minister Pallocci would come in to know how things were going on and used to say which ideas were politically feasible and which would be political bombshells" (Bernard Appy, interviewed in April 2, 2013)

"Political sharing", however, does not necessarily mean that situations that resemble the "watchdog" relationship do not occur. The Ministry of Social Security is a good example.

Junior minister José Cechin (PMDB) acted under minister Waldeck Ornelas (PFL). Cechin remained in office for seven years and became minister for the final year of Cardoso's second term, in 2002. Cechin is an expert in social security and his policy positions were entirely congruent with Cardoso's preferences. So Cechin arguably acted not as an agent of the PMDB sharing duties with the PFL minister, but, in practice, as an agent of the PSDB president would act.

Finally, the third type of relationship between ministers and junior ministers, that we call "technical", occurs 41 percent of the time and is characterized by following feature: the minister belonging to the president's party and the junior minister belonging to no party, functioning as a sort of "bureaucratic assistant" to the more political minister; or neither the minister nor the junior minister belonging to political parties, indicating that policy is probably formulated elsewhere and implemented by the ministry.

Junior ministers might act as bureaucratic assistants in the sense that they are not responsible for policy formulation, but mainly responsible for making sure that the minister's policies are well implemented. In the issue-area policy ministries, this entails negotiating budgets with the Planning and the Finance ministries. Many junior ministers we interviewed agreed that one of their main functions was to "make sure that the bureaucratic machine was working properly" (*fazer a máquina funcionar*). In practice, this means dealing with personnel as well as budgetary issues.

This highlights the need to pick for the position of junior ministers people who used to have bureaucratic expertise in Brasilia - different from policy expertise. This, of course, depends on the policy area and on the political party the minister belongs. As an ex-junior minister at the Ministry of Agriculture says, "the junior minister must know how the ministry works and this does not necessarily depend on him being a member of a political party".

This could frustrate ambitious junior ministers, who would prefer to enjoy a broader leeway to make policy decisions. As Luciano Patricio (former junior minister of

Education during a period of both Cardoso and Lula governments, who was interviewed in March 6, 2013) mentions, “minister Paulo Renato de Souza, of the PSDB, made it clear that I was to be his assistant and not be a policy formulator - unless he specifically asked for, which he did in policies such as ‘mudança do crédito educativo para a FIES’ and the ‘Bolsa Escola’”.

If the junior minister is not careful, though, he might be deemed as “espaçoso” for making too many policy suggestions, as was the case of a former junior minister at the ministry of Communications under a PMDB minister.

As mentioned before, the junior minister as a bureaucratic assistant, deals primarily with budget matters, trying to squeeze (or not to lose) as much as he can from restriction and budget cuts implemented by ministries of finance. Former junior minister Bernard Appy, who was at the other side of the counter, also had to constantly deal with the policy ministries who mostly needed to spend money for their programs. “It was a very intense and tough relationship, because my task was to be fiscally responsible, while the other junior ministers - as well as ministers, sometimes - tried to wrest enough money to implement their pet policies”, he says.

### ***Econometric Exercises:***

As we previously defined, a trustable Junior Minister (a president’s partisan mate or an independent bureaucrat) may work as a sort of agent of the president within a ministry watchdogging the behavior and potential risk of policy drifting of a coalition partisan Minister who belongs to a different political party from he president. This is exactly the first type of a typical watchdog relationship we discussed earlier; that is, when the minister does not belong to the president’s party, but the junior minister does; and when neither the minister nor the junior minister belong to the president’s party, but the latter is not affiliated to *any* political party (usually a career bureaucrat) and can much easily serve as the president’s agent within the cabinet. This is precisely how we operationalized

our dependent variable in all the econometric exercises we implemented. That is, it is a dummy variable in which we attribute the value of 1 if the junior minister is a president's party mate and if the junior minister has no partisan affiliation, and 0 otherwise.

Given such framework, the most appropriate empirical strategy to test our main hypothesis is utilizing a logistic regression model. This kind of statistical model is useful when it is necessary to predict the event probability for a categorical response variable with two outcomes, which is exactly our case. Using the Binary Logistic Regression procedure, we can therefore determine whether a president's watchdog is more likely to be appointed as a junior minister, given observing independent variables.

The unit of analysis of our dataset is the pairwise period in which a particular minister held a ministerial office by the time a junior minister also occupied that position in a particular ministry. Therefore, all variables in our analysis follow the organizational structure of this pairwise timeframe.

Our key independent variables are the following:

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

Concerning these three core independent variables, we have hypothesized that the greater the ideological distance between the president's party and the political party of the coalition partner; the larger the number of political parties in the governing coalition; and

the bigger the disproportionality of power-sharing among coalition partners, the higher the likelihood a president will appoint a trustable junior minister in order to oversight the behavior and policy decisions of a coalition partner minister.

As for controls we have include the following variables:

- 4) President's popularity = represents the average of presidential popularity during the pairwise period of a particular minister and junior minister combination. The data are drawn from the DataFolha polling institute. As DataFolha measures popularity intermittently, generally 6-8 times per year, so first we interpolated missing values to create full coverage period. We then averaged the full series to create a single value for popularity for each pairwise of minister and junior minister combination during Cardoso and Lula's administrations. In Brazil respondents are asked to rate presidential performance as *ótimo* (excellent), *bom* (good), *regular* (average), *ruim* (bad), or *péssimo* (awful). We calculate presidential popularity by subtracting the negatives (*ruim/péssimo*) from the positives (*ótimo/bom*) and ignoring the intermediate (*regular*) category. Given that a popular president enjoys greater popular support, we expect they would face fewer concerns of watchdogging coalition partners by appointing trustable junior minister more often.
- 5) Core = it is a dummy variable that indicates if the ministry occupies a core cabinet in the governing cabinet portfolio (Health, Education Social Security, Planning and Finance) due to their size, budget, and policy importance. Therefore, we should expect a greater control from the president when those ministries are delegated to other partisan members of the governing coalition, but president's political party.
- 6) Learn = it measures the number of previous cabinets a president experienced from that particular combination of minister and junior minister. With this variable we try to capture the process of learning how to manage multiparty coalition governments over time. We, however, do not have a particular expectation from this variable. On the one hand, one may assume that the greater the number of

previous cabinets the greater the experience of the president dealing with coalition partners and as such the smaller the incentives to appoint someone who may eventually upset the relationship with coalition partners by watchdogging the partisan ally occupying the ministry. On the other hand, it is also possible to expect a positive correlation in case the president does not learn from previous experiences and keeps interfering in the cabinet position delegated to a coalition partner.

- 7) Coalition distance = it indicates the ideological distance between the mean of the governing coalition from the president's party ideology. It is expected that a president that is far away from the mean of his governing coalition, the higher the likelihood to appoint a junior minister as a watchdog.
- 8) FHC1 and FHC2 = dummy variable for each of Cardoso's term in office;
- 9) Lula1 and Lula2 = dummy variable for each of Lula's term in office;

Table 2 shows different model specifications estimating the impact of our core independent variables on the probability of the president to appoint a junior minister to watchdog a coalition partner. This table comprises the three key independent variables only. We show later that we also ran other econometric exercises with controlling variables as well. As we can see, the results shown in Table 2 lends strong support to the theory that the ideological distance between the president's political party and the political part of the coalition partner occupying the ministry is the key factor explaining the appointment of a president's agent that works as a watchdog over sighting an ideologically distant coalition ally. The coefficient of this variable is positive and statistically significant at 1 percent confirming that as policy preferences between the president and the ideologically distant partner are not perfectly aligned, the president will try to decrease agency costs and potential risks of policy expropriation by appointing a trustworthy junior minister capable of monitoring and assuring that president's policy preferences will not be jeopardized by an ideologically distant partner.

[Table 2 about here]

Substantively speaking, the model suggests that when the party of the minister is 1 point ideologically away from the president's party, in a 10-point ideology scale (either to the left or to the right of the ideological spectrum), the likelihood of appointing a watchdog increases more than 2.3 times. Therefore, the occurrence of *porteira fechada*, situation in which the minister enjoys high discretion to choose his political civil service appointees and therefore implements his policy preferences without further control from the presidency, with a distant coalition ally tends to be very unlikely.

Surprisingly, the size of the presidential coalition does not play a significant role in the probability of having a watchdog appointed by the president. This means that the number of players does not necessarily represent an apparent coordination/control threat to the presidents that takes the decision to invite many political parties to join the governing coalition. The intuition behind this unexpected result might be that presidents who build governing coalitions with several political parties do not feel uncomfortable or threatened managing too many partisan veto players. Some of those coalition partners may not even occupy positions in cabinet, decreasing thus the necessity of appointing an overseer. Therefore, the cost of governing a coalition with a large number of partners could be high (Pereira 2013), but not to the point that the president would face huge coordination or managerial problems that would require the ostensive and permanent bridge linking the president to the delegated ministries.

Coalition Concentration also plays an important role on the president's decision to appoint a junior minister as a watchdog; however, in the opposite direction that we originally predicted. Its coefficient presented a statistically significant but with a negative sign. This negative effect can lead us to two distinct but somehow complementary understandings. On the one hand, in a coalition environment characterized by power concentration, in which the party of the president is disproportionately rewarded with many cabinet positions, the president would face fewer incentives to control the ministries that do not belong to his party given that they ultimately occupy fewer and lesser important cabinet positions. In other words, if those delegated cabinet positions were really important for the overall performance of the government, they ultimately

would not be occupied by a distant ally, but rather from a closer partner or the president's party itself. On the other hand, the idea that a president would be inclined to appoint a trustable junior minister in order to oversee the decisions of a coalition partner, in an already monopolistic coalition environment, may lead to animosity and instability of the governing coalition and, in extreme cases, may harm the sustainability and good relations between partisan allies. So the president strategically moves one step back, trying to keep his under-rewarded coalition allies satisfied.

It is important to highlight, however, that the goodness of fit of the model is achieved only when we include the variable Coalition Concentration into the model (See Models 3 and 4). This suggests that while Coalition Concentration matters for predicting precisely president's watchdog appointments (the value of 1 in our dichotomous dependent variable), the variable Ideological Distance matters in predicting when a watchdog won't be appointed (the value of 0 in our dichotomous dependent variable). We expect that for every 1 percent of Coalition Concentration the likelihood of appointing a watchdog decreases 90 percent.

We also have run other model specifications including our suggested control variables (See Table 3). By doing so, it neither changes the sign nor the significance of our key independent variables. Nevertheless, apart from the variable Coalition Distance, which measures the ideological distance between the mean of the entire governing coalition from the president's party ideology, all other control variables were not statistically significant. As predicted, the ideological Coalition Distance performed according to our prediction, suggesting that the higher the ideological partisan dispersion of governing coalition members, the greater the likelihood that the president will appoint a junior minister as a ministerial watchdog.

[Table 3 about here]

As we increase the number of variables, controlling for Presidents Popularity for instance, the goodness of fit of the models decreases once again (Model 5). It suggests

that might be some missing interactions among them or that our control variables are somewhat related to our three key independent variables. Although these variables do not have any correlation level that compromises their presence in the model, they could be related to a third unobservable variable, like the president's governing style. Table 4 shows precisely the difference of styles when considering coalition size, coalition divergence and popularity, which are exactly the variables that could be responsible for bringing problems to the model specifications.

[Table 4 about here]

After several tests we have decided to exclude the government-term dummies (FHC1, FHC2, Lula1, and Lula2) from the model, given they would basically indicate presidents' styles but with less variance (they responses are only 0 or 1) and would not bring more explanation to our dependent variable. Also, some variables, like Coalition Size and Coalition Distance cannot be in the same model, since one steals significance from other, due to they endogenous relation. That is, the bigger the size of the coalition, the greater the ideological distance between members of the coalition would be.

## **5. Preliminary Conclusions**

This paper addressed delegation dilemmas presidents face when have to manage multiparty coalitions. Managing multiparty coalition in presidential regimes does not seem to be a trivial task. In many occasions, for instance, chiefs of executives have to deal with many and ideologically diverse coalition partners as well as have to decide the amount of power to share with them. On the one hand, presidents would benefit from delegating sufficient authority and flexibility to coalition allies, who occupy ministerial positions, for them to accomplish their job well in their specific policy area. By doing so, however, presidents run the risk of being expropriated by subordinated ministries if they decide to implement policies that may alienate presidents' preferences.

In order to deal with these tough choices and avoid being expropriated, presidents may decide, for instance, to extensively control the behavior and policy decisions of subordinated partners in their cabinets by appointing someone trustworthy that could exercise the role of a presidential watchdog. This kind of police patrol mechanism, in addition to have the potential to harm the relationship with coalition partners, may introduce lots of rigidities that, at the end of the day, may lead to inefficient policies. Presidents, on the other hand, may prefer to implement a much looser control of subordinates.

This paper particularly investigated the extent to which junior ministers, the second in the policymaker ministerial hierarchy, play the role of presidential watchdogs in multiparty coalitional settings. We claimed that presidents' managerial choice of how to allocate cabinet portfolio to coalition partners is constrained by at least three interconnected institutional and political features: (i) the ideological distance among political parties in the governing coalition; (ii) the number of parties in coalition; and (iii) the proportionality of cabinets among coalition partners.

Contrary to part of the literature on junior ministers, most notably Thies (2001), and somewhat in line with Lipsmeyer and Pierce (2011), we find that presidents make use of junior ministers as watchdogs when ideological differences between coalition parties and president's party are substantial. More specifically, when the party of the minister is 1 point ideologically away from the president's party, in a 10-point ideology scale (either to the left or to the right of the ideological spectrum), the likelihood of appointing a watchdog increases more than 2.3 times. This indicates that ideology matters beyond the floor of the legislature and indeed it is pervasive in the executive branch.

Critically dialoguing with the "coalitional presidentialism" literature, we find, surprisingly, that the size of the presidential coalition does not play a significant role in the probability of having a watchdog appointed by the president. The intuition behind this unexpected result might be that presidents who build governing coalitions with several political parties do not feel uncomfortable or threatened managing too many partisan veto

players. This might suggest - and future research could well sort this out - that inviting many political parties does not necessarily entail having to deal with coordination that is too costly.

Coalition concentration does affect the choice junior ministers as presidential watchdogs; however, in a different direction as we predicted. A president that decides to build a monopolist coalition, concentrating the majority of ministerial position to a particular party (usually the *formateur* president's party), does not seem follow the managerial strategy of appointing watchdogs to oversight coalition partners in other ministries. This might indicate that the opportunity cost of watching over less important ministries may be too high or that the president would not want to upset underrepresented coalition partners. We do intend to pursue future work in order illuminate these potential hypothesis further.

Yet another theoretical argument regarding institutional leadership and presidential agency might be pulled from our empirical work. Cardoso and Lula made different choices regarding junior ministers either as watchdogs for coalition partners (mostly Cardoso) or as bureaucratic assistants for trustable ministers (mostly Lula). This indicates that the "coalitional presidentialism" literature too often errs on the side of institutional design versus individual agency. Even under the same institutions setting and incentive-structure, presidents might make very different choices regarding government building and coalition management. Our empirical work suggests that more attention to this matter might be helpful in order to better understand presidential coalition management in multiparty environments.

Finally, if most of the literature has focused on junior ministers as purely political agents, we show that top civil servants and experienced bureaucrats might often occupy these sensitive political positions.

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## Tables and Figures

**Table 1: Coalition Management (Sample of Collor, Cardoso, Lula, and Rousseff cabinets)**

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

*Note:* The “percentage of posts” means the intra-coalitional percentage of cabinet posts held by the party and “percentage of seats” is party seats as a share of the overall coalition seats held in the Chamber. Source: Melo and Pereira (2013).

**Table 2 – Political Determinants of Coalition Watchdogs in Multiparty Presidential System (Logit without Controls)**

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

\*p<0.1 \*\*p<0.05 \*\*\*p<0.01

**Table 3 - Political Determinants of Coalition Watchdogs in Multiparty Presidential Systems (Logit with Controls)**

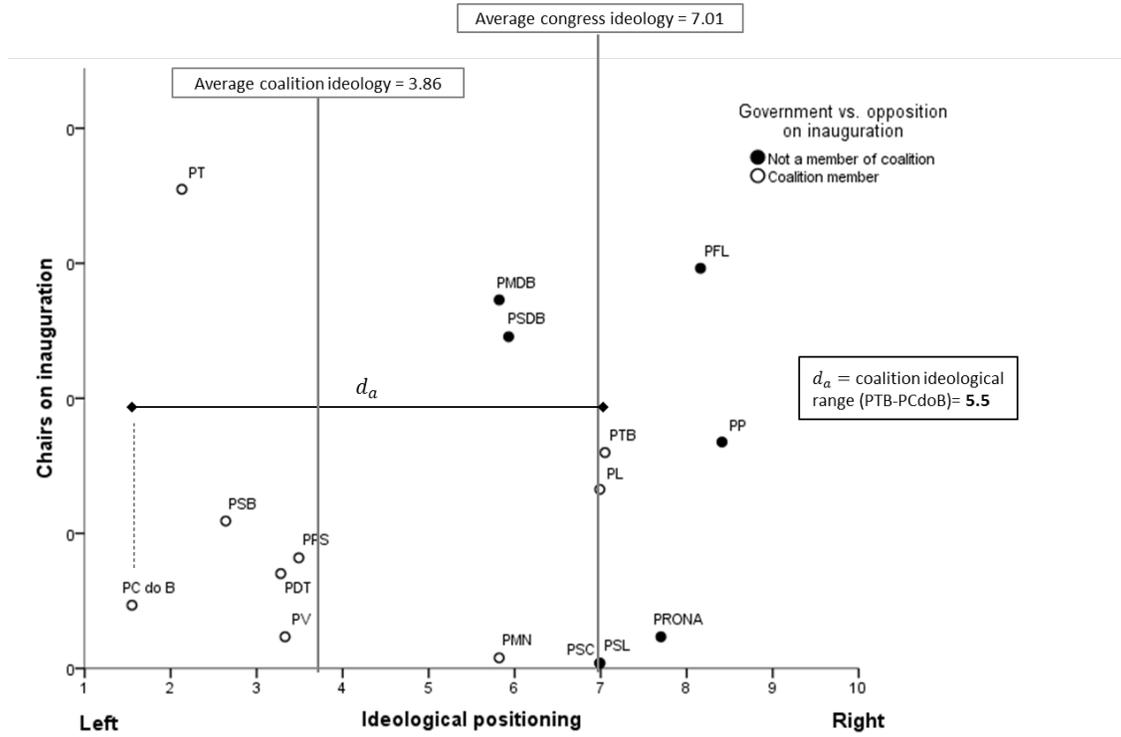
	Model 5	Model 6	Model 7	Model 8
<b>Key hypothesis</b>				
Ideological Distance	0.842*** (0.159)	0.879*** (0.162)	0.850*** (0.158)	0.854*** (0.16)
Coalition Size	0.023 (0.119)	-0.113 (0.118)		
Coalition Concentration	-5.244** (2.256)	-4.41** (2.088)		
<b>Controls</b>				
President Popularity	-0.015 (0.011)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

\*p<0.1 \*\*p<0.05 \*\*\*p<0.01

**Table 4 – Coalition Management Styles of Brazilian Presidents**

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

**Figure 1 - Ideological map of Brazilian chamber composition under Lula (March 2003)**



**Figure 2 - Ideological map of Brazilian chamber composition under FHC- March 1995**

