

# Coalition Management in Multiparty Presidential Regimes

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## Abstract

Although still in its early stages, a growing literature examines the issue of coalition management in multiparty presidential systems. Presidents in such environments have a complex job in building and sustaining coalitions with relatively few historical guideposts. This chapter surveys this emergent scholarship, highlighting the main contributions and aspects studied so far as well as pointing out new potential avenues for investigations with special attention to coalition management in Brazil.

## Introduction

Presidents are the central players in a multi-party presidential system. They are responsible for choosing the parties with whom they will govern and allocating resources in terms of power and finances to the allied parties. Depending on the particular institutional context, the president holds a vast “toolbox” (Raile, Pereira and Power, 2010) for managing coalitions. Understanding the game between partners in multi-party coalitions is important, because this game generates several possibilities of gains from exchange and cooperation over time between political actors (Pereira and Melo, 2012).

Building and maintaining coalition governments is a phenomenon traditionally studied by observing parliamentary systems, where governing through coalitions – with few exceptions – is central to the survival of governments. According to Gallagher, Laver and Mair (2011), in Europe alone 70% of the cabinets formed between 1945 and 2010 were composed of more than one political party.

In a very similar way, presidents elected in multi-party systems, at times with great party fragmentation in the legislative branch, often face the condition of lacking a majority – either formed by their party or by their electoral coalition – of the seats in the legislative branch. Therefore, in order to form a majority government post-election, presidents need to make at least three choices: (1) how many parties will form the coalition; 2) which parties and whether they have similar political and ideological preferences to the president; 3) and the amount of power and resources that will be shared between partners.

Though their focus is ultimately on the generation of legislative support, Raile, Pereira, and Power (2011) argue that such managerial choices engender different tradeoffs and costs for the executive. That is, each of these presidential choices engenders consequences with regard to the capacity of presidents to govern, their legislative successes, and the cost of governing.

It is important to note, however, that these presidential choices are not free from restrictions. Legislative branch elections actually set the initial parameters for these choices, since they define the size (number of seats) of the president's party, as well as the size of potential allies and parties that will oppose government. However, even in the face of such restrictions, it is the president, the *formateur*, who ultimately defines how many, which, and how much power and resources will be shared with allied parties.

### **The Foundations of Coalition Management**

The great majority of the literature on multi-party government formation, duration, and termination was developed under the institutional environment of parliamentary systems. With regard to government formation, the literature stresses the reasons why parties enter in the governing cabinet, focusing on the size

and on the ideology of the potential governing parties. Other theories look at how institutions drive the process of government formation. Still other scholars propose that behavioral norms determine the makeup of a government cabinet.

The relative sizes of parties and coalitions have been focal points since the earliest government-formation theories. Presidents can assemble coalitions with a small or large number of partisan partners. This decision will have consequences for governing capacity, costs, and legislative success of presidential interests in Congress.

Since the earliest models of government formation, the concept of the minimal winning coalition (MWC) has been important. Riker (1962), in his seminal study of coalitions, established the “size principle.” This principle states that the parties that form coalitions (*formateur*) will build their coalitions large enough (but not larger than necessary) to ensure victories in the elections for the legislative branch. Subsequent models took into account the payoffs that would be shared between coalition partners (Diermeier, Eraslan and Merlo, 2003). This hypothesis was key for Strom and Mueller (1999), who explain the existence of minority governments by asserting that members of the coalition government may indeed be burdensome to the president.

Laver and Shepsle (1996) have argued that in the real world the parties forming the government do not have complete information on the true preferences of their rivals. It is expected that, as the asymmetry of information among players increases, they are more likely to increase the size of their coalitions (Dodd, 1976). Carrubba and Volden (2000) predict that, in order to create a more stable exchange environment and less subject to high defection costs, parties create a minimal necessary coalition (MNC) greater than the minimal winning coalition. They also envisage a surplus coalition when the number and diversity of actors is large, when the budget is difficult to approve, and when legislation tends to be costly or inconvenient to its members.

The major change in coalition literature was the rejection of the hypothesis that parties can make credible, mainly intertemporal, agreements. Austen-Smith and Banks (1990), for example, show that the equilibrium of induced structure in the

allocation of ministries would only occur in the very special case of two dimensions of policies with circular preferences (in which there is no particular preference for specific policies). According to Diermeier and Krehbiel (2003) and Diermeier (2006), the cause of these problems lies in the assumption that parties that form the core of the coalition can find cooperative solutions by making credible agreements (core solutions). Unlike the prediction for MWC in most of aforementioned formal models, Groseclose and Snyder (1996) modeled the construction of supermajority coalitions and demonstrated that they may be cheaper than forming an MWC. The authors argue that supermajorities occur more frequently because they prevent small parties from acting as pivotal. The lack of party discipline very often means that a MWC will not be enough to win consistently over time. As a consequence, a *formateur* may think that it is cheaper to assemble supermajorities

The president's second decision in the management of their coalition concerns the ideological distance between coalition partners. Presidents, for instance, may build a homogeneous coalition, when partners share similar ideological views of the world, or a heterogeneous coalition, when coalition allies are very much different from one another. Axelrod (1970) states that ideology is an important aspect, as the prioritization of the parties in the implementation of public policies would lead the *formateur* to compose an executive branch willing to implement policies closer to the *formateur's* preferences. The analytical results of the author refer to a minimum connected winning coalition. That is, a formation in which the parties that make up the government would be adjacent to each other, on a one-dimensional ideological scale.

Swaan (1973) adds to this argument and, less strictly, points out that political agents prefer to join winning coalitions with the least possible dispersion in policy preference (closed minimal range theory), not always ideologically adjacent, but always with least amplitude and possible ideological heterogeneities. The behavioural assumption is that ideologically close coalitions will have less conflict of interest and therefore will distribute larger payoffs to their members, and as a consequence, should be easier to create and sustain overtime.

Alemán and Tsebelis (2011) argue that presidents have greater incentives to form multiparty coalitions when the balance of power leans toward the legislature and will include parties ideologically aligned in a way to reduce governing costs and possible policy drift. Similarly, Pereira et al. (2016) demonstrate that the cost of monitoring partners is directly associated with presidents' choice of how to manage their coalitions. They show that large and ideologically diverse coalitions and disproportionate cabinets tend to be more difficult to coordinate and monitor, and consequently more expensive over time.

The president's third decision in coalition management concerns the level of power sharing among coalition partners. These strategic choices are not independent of one another but are macro-managerial decisions that interconnect and have direct consequences for the quality, level of conflict, sustainability, cost, and governance of a president.

The Baron and Ferejohn (1987) model predicts that the *formateur* party will receive a share of cabinet posts disproportionate to the total weight it would have in the legislative branch, and other coalition partners in government will receive returns commensurate with their voting weight in parliament.

Unlike the Baron-Ferejohn, the demand-negotiation models of Morelli and Montero (2003) provide "pure proportionality" when it comes to rewards for each party in a given coalition, including the *formateur* party. Rather than making sequential offers – as in the Baron-Ferejohn model – players make sequential demands, trying to be compensated for their participation in a giving coalition. Intuitively, each party has the same bargaining power in the game of demand negotiation and this is reflected in an *equilibrium game*.

A variation of the demand negotiation model was proposed by Merlo (1997), who considers that the value of the prize changes over time, implying that in some situations, it would be more advantageous for parties to postpone the solution to the game and wait for new interactions in the future. Thus, when waiting costs are not high, delays could generate balance and produce a great deal for the negotiating parties. One of the interesting features that distinguishes the Baron-Ferejohn model from the Morelli and Merlo models is that the latter are motivated by Gamson's law,

which implies proportionality in the distribution of ministries among coalition partners to their share of seats in the legislative branch (Gamson, 1961), while the former advocates disproportionate returns to certain members of the coalition (usually the *formateur*), regardless of the distribution of seats. Amorim Neto (2006) argues that the coalescence rate varies a lot between Brazilian governments and is generally far from the proportionality rule observed in parliamentary regimes.

Ansolabehere et al. (2005) use a weight-voting measure to predict the ex post payoff distribution to coalition members, Rather than relying on the proportion of seats as a criterion for allocating power and resources to coalition members. They show that although strongly correlated, both proportion of seats and voting differ in important aspects. The real resource that each party brings to the negotiating table does not translate only into seats in parliament, but the ability to form a majority coalition within society.

### **Coalition Management in Brazil**

Based on this literature, especially oriented to understand choices and decisions of coalition management in parliamentary systems, Bertholini and Pereira (2017) argue that presidents are the coordinators of the game in multi-party presidential systems. They propose three hypotheses: 1) large coalitions, with more parties, demand more resources (exchange goods) to maintain themselves over time; 2) coalitions with greater ideological diversity are more difficult to co-ordinate and manage and, therefore, more costly; 3) coalitions that disproportionately reward one of the partners demand from the president the mobilization of additional resources to guarantee satisfaction of the other sub-rewarded members of the coalition.

In the negotiations with parties and members of the Congress in order to form their coalitions, Brazilian presidents have, with a high degree of discretion, a set of “exchange goods” that are part of the portfolio or “toolbox” of government management. These assets are bargaining objects to obtain support of the Congress for the president’s initiatives as well as possible blockades of actions from the opposition in order to constrain the executive branch. It is possible to consider

governing costs as the equivalent of all *disutility* derived by the president in the process of coalition management, which includes all transfers from the president to partners, including to the president's own party. The basic assumption of this theoretical framework is that presidents maximize political support in Congress with the lowest possible management cost.

Although the presidency is based on a configuration of power generated by the elections, in which the president may have only indirect influence (hence considered here as 'exogenous'), this configuration does not completely define the characteristics of the presidential coalition. That is, the president has room to implement specific strategies from the available political arrangements. The effect of these choices will be reflected in the exchange currencies (and in what volume) needed to form and maintain the coalition.

Moreover, coalition choices are not static. On the contrary, they follow a highly dynamic logic and are full of potential endogeneities, producing results that can change the initial composition of the coalition government. Presidential coalitions, therefore, are not only formed and maintained but managed over time according to their efficiency, that is, their costs in terms of exchange goods and their returns in terms of political support in congress.

Carroll and Cox (2004) argue that instead of waiting for *nature* to define the outcome of the election in order to establish the limits of the bargaining game between potential partners of the coalition, ambitious politicians can start negotiating before the election. Taking into account the negotiations that began before the election, the authors affirm that the parties must "pay" not only for the contributions in the legislative branch (number of seats occupied, *formateur* status), but also for contributions in the elections. In this way, pre-electoral pacts might provide incentives for a more proportional allocation of ministries.

External shocks (economic crises, unemployment, inflation) and internal shocks (ministerial reforms, mid-term mayoral elections, corruption scandals) can also have a decisive impact on the equilibrium and utilities that the president and his partners derive from the coalition. These shocks will promote repositioning of forces on the political spectrum, changing the parameters of the coalition. Observing

a specific election outcome and a new power arrangement, the bargain will be redefined, and the president will need exchange goods to ensure the maintenance of an efficient coalition, evaluating the importance of a party to the coalition and ensuring support at acceptable costs.

It is assumed that the electoral outcome establishes a certain distribution of power between the parties and their respective ideological preferences. The president, as a *formateur* of the coalition, makes an offer of political and financial assets to the parties in exchange for political support, forming the government coalition. Based on these choices (number of partners, ideological diversity among them, and degree of power and resources sharing), coalition participants achieve a degree of satisfaction that generates governance capacity. However, the balance achieved is dynamic and can vary in the face of external or internal shocks when coalition members (president and parties) update their respective beliefs/utilities and decide on new prizes/rewards to continue or withdraw from the coalition and under what conditions. A new equilibrium can thus be achieved by generating governance capacity, which, in turn, engenders a new cost matrix.

Another relevant aspect concerns the degree of political vulnerability of the president in relation to the legislative branch. It is rational to infer that the greater the size of the president's party in the legislative branch and the less partisan fragmentation in Congress, the smaller the president's need to build inter-party coalitions. On the other hand, the more vulnerable the president's party is in the legislative branch and the more fragmented the Congress, the greater the president's need to build post-electoral coalitions. Chaisty, Cheeseman, and Power (2014) built the Index of Coalition Necessity (ICN), multiplying the effective number of parties by the percentage of seats not occupied by the president's party, precisely to capture the president's party vulnerability in a fragmented environment. That is, this index attempts to capture the bargaining political environment at the beginning of the government generated by the election outcome.

When comparing proportionality, size and heterogeneity of coalitions formed around different presidencies, the disparities in the choices made to set up and manage alliances with political partners are evident (see table 1). We measure

proportionality using the coalescence index (Amorim Neto 2006).<sup>1</sup> We measure coalition size as the number of parties controlling at least one ministry.<sup>2</sup> Finally, as a measure of ideological heterogeneity, we use coefficients of variation (a ratio between standard deviation and average) of the ideologies of all the parties that formed the coalition.

**Table 1: Coalition management strategies in Brazil, per term (1995-2016), average values, sd in parenthesis.**

| Term       | Proportionality | Size   | Ideological heterogeneity | Power Concentration |
|------------|-----------------|--------|---------------------------|---------------------|
| Cardoso 1  | 71.4            | 4.6    | 31.0                      | 33.8                |
|            | (2.28)          | (0.65) | (5.51)                    | (3.07)              |
| Cardoso 2  | 73.8            | 4.0    | 30.5                      | 42.3                |
|            | (2.47)          | (0.68) | (5.24)                    | (7.05)              |
| Lula 1     | 65.5            | 7.7    | 48.1                      | 52.8                |
|            | (2.37)          | (0.72) | (3.46)                    | (2.71)              |
| Lula 2     | 69.1            | 9.1    | 42.2                      | 42.3                |
|            | (2.32)          | (0.94) | (0.88)                    | (2.66)              |
| Rousseff 1 | 68.9            | 7.8    | 45.4                      | 44.1                |
|            | (1.44)          | (0.63) | (1.07)                    | (1.74)              |
| Rousseff 2 | 75.6            | 7.9    | 37.7                      | 36.3                |
|            | (3.21)          | (0.25) | (0.74)                    | (4.28)              |
| Temer 1    | 80.4            | 10.0   | 27.1                      | 22.8                |
|            | (0.21)          | 0.00   | 0.00                      | (0.44)              |

Source: Bertholini (2017).

Table 1 shows a great variation of coalition management strategies across presidents in all four dimensions analyzed. It clearly shows that the political ideological divergence between the Cardoso's party and his coalition partners was

<sup>1</sup> There is a wide range of disproportionality measures available in the Political Science literature. Although they were originally employed to measure electoral disproportionality, those formulas can be adapted to measure coalition proportionality. Values shown in this chapter are based on our own

<sup>2</sup> We considered in our calculation every ministry and other bureaucratic branches with the status of a ministry. The proportion of ministers with no party affiliation is also considered in our estimation of cabinet allocation to coalition parties.

by far smaller than the ideological distance between Lula and Rousseff's party and their coalition allies. Like Lula, Rousseff built an ideologically heterogeneous coalition, especially in her first term in office. After getting reelected, however, Rousseff managed to have a relatively less heterogeneous coalition, but still more ideologically diverse than her other predecessors. Nevertheless, despite the largest party fragmentation in the Brazilian Congress ever (14.15 effective parties)<sup>3</sup>, Temer managed to build the most homogeneous coalition, putting thus into a question the assumption that great partisan fragmentation necessarily leads to a heterogeneous coalition.

The answer to this puzzle might have been associated to the ideological position of the president and the size of parties. Different from a left president, like Lula, who also dealt with a fragmented Congress, and had no sizable parties on his leftist ideological spectrum, Temer was a center-right president capable of attracting good-sized political parties near by his ideological position without the necessity of much deviation from his own preferences.

Concerning the number of parties within the governing coalition, Cardoso managed to have a coalition with the smallest number of partisan allies. Even with a small number of parties, Cardoso managed to build an oversize coalition. Initially, he 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 the PPS into his government, bringing the coalition size up to 381 seats, or almost 75% of the Chamber of Deputies. At the end of his second term, however, the size of his coalition decreased with the decision of the PFL to leave the governing coalition by launching its own candidate for the 2002 presidential election.

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<sup>3</sup> The Effective Number of Parties (ENP) in the Brazilian Congress since re-democratization was the following: 11 under Rousseff, 9 under Lula, 7 under Cardoso, 8 under Collor/Itamar, and 5 under Sarney.

Cardoso's successor, Lula da Silva, adopted a different approach upon assuming office in 2003. He decided to invite 8 parties to his coalition in his first administration and this number expanded to 9 in his second term in office. However, the larger number of parties did not necessarily translate into a larger majority within Congress, since the nominal size of Lula's coalition was 318 seats (just over the 60% supermajority needed for constitutional amendments). Similarly, Rousseff also built a large coalition by inviting about 8 parties. Nonetheless, Rousseff's first term coalitions gave her a large majority in the Chamber of Deputies with roughly 325 seats, more than the 60% (308 seats) needed to approve constitutional amendments. Perhaps as a consequence of having a government post impeachment, Temer built the largest coalition with 10 political parties. With the exception of the core parties of Rousseff's coalition, all other parties support Temer's government, whose coalition size surpasses 77% of seats in Congress. This is the coalition that occupies the largest number of seats (about 396 out of 513) in the Chamber of Deputies since the re-democratization.

With regard to power concentration, which means the proportion of cabinet positions held by the party of the president, Temer decided not to concentrate power on his own party but rather allocated the majority of cabinet positions to his partisan allies. This strategy led to the highest level of cabinet coalescence, 80.4. Lula, on the other hand, 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. Precisely, the PT under Lula's first administration controlled 60% of cabinet portfolios while supplying only 29% of the coalition's seats in Congress. The proportionality between seats and ministries dropped from a high of 73.8 during the Cardoso's second administration to 65.5 in the first Lula administration.

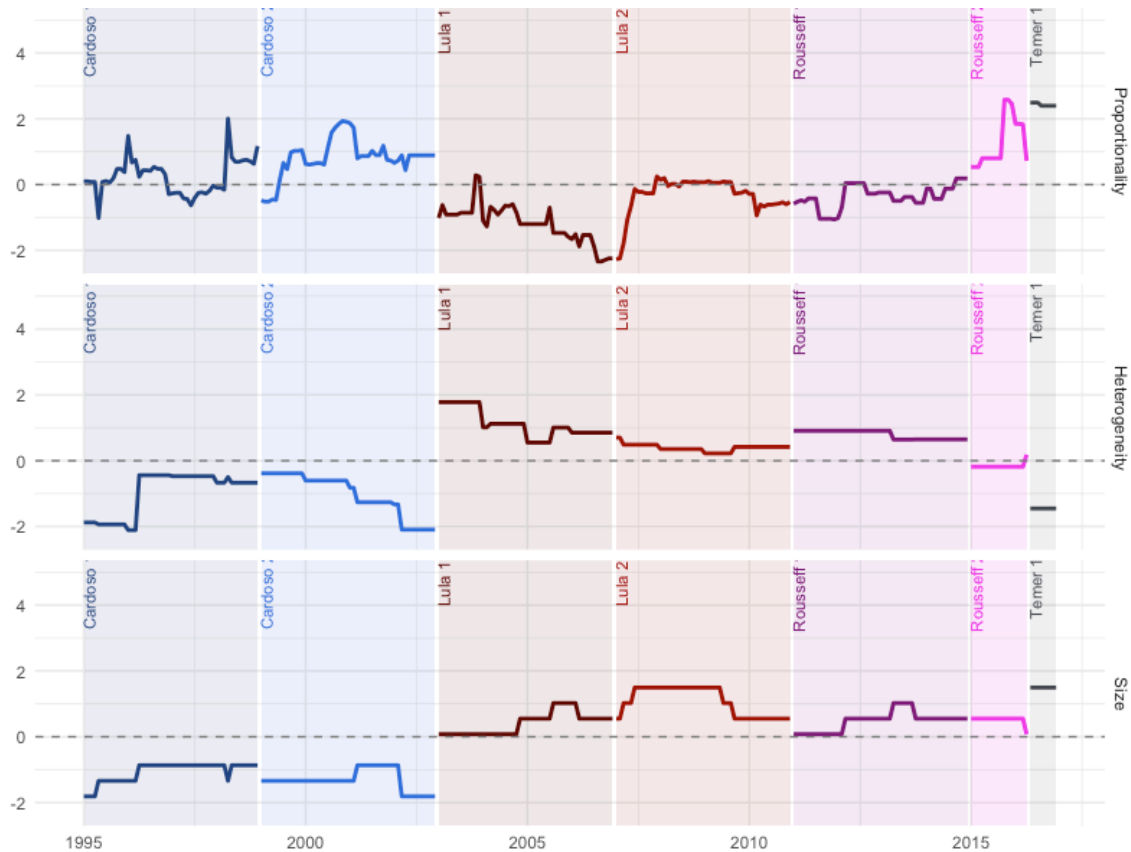
Rousseff's first cabinet was also very monopolistic, assigning 17 (46%) of the ministries to her own party (PT), whereas Lula allocated 21 ministries (60%) to PT. Nevertheless, she managed to substantially improve the proportionality of her

cabined in her second term in office surpassing Carsoso's coalitions achieving 75.6. Although the PMDB continued to be under-rewarded in Rouseff's presidency – controlling six ministries (37%) – the party occupied a larger space than in Lula's first administration. It should be noted that the standard deviation for these dimensions is small, indicating a high strategic consistency of the presidents.

There was major variation in the degree of power sharing among partners in the period studied. FHC (PSDB) maintained a low level of power concentration, between 33.8 and 42.3 during his two terms, mainly due to the good distribution of power with the PMDB. The period ruled by the Worker's Party (PT), on the other hand, showed a tendency of low power sharing with allies, especially because they faced internal challenges of disputes between internal party factions. In other words, by having a "house divided" Lula preferred to over-concentrate powers on PT hands given the ideological diversity of the party.

Figure 1 summarizes the coalition management variables using their standardized values over time. It allows us to have a better data visualization of the distribution of each dimension (size, ideological heterogeneity, and proportionality) of coalition management strategy during each presidential term showing their variations over time. The data distribution suggests how dynamic it is the coalition management game in multiparty presidential settings. It shows the susceptibility of the players, both the president and coalition partners, to make adjustments in their strategies in each particular context.

**Figure 1: Coalition Management Across Terms in Brazil (1995-2016)**



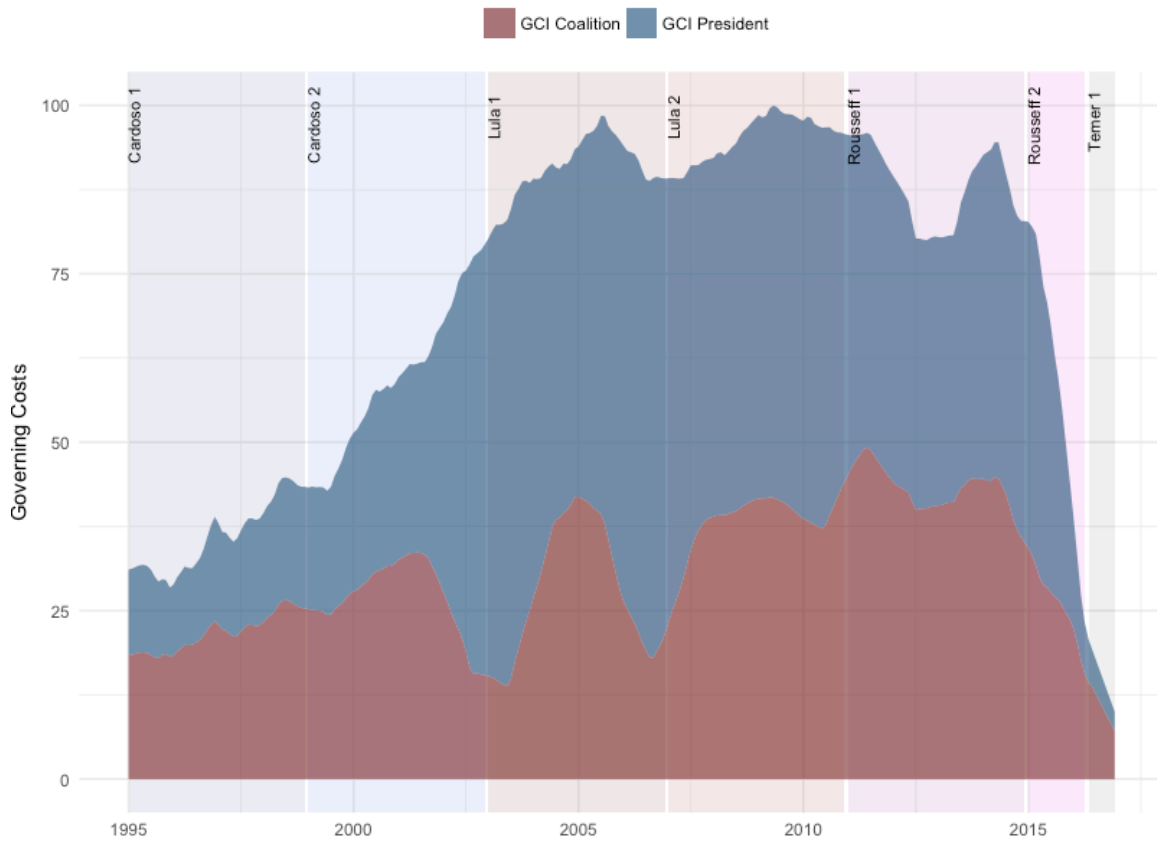
### Governing Costs in the Brazilian Multiparty Presidential Regime

The body of research that aims at modeling presidential strategic decisions involved in the bargaining game with Congress agrees that presidents control a set of political and monetary resources. The president strategically distributes such resources to parties and legislators (Cheibub, Przeworski and Saiegh, 2004; Raile, Pereira and Power, 2010; Zucco, 2009). It is unclear, however, the scope and the nature of the resources distributed as well as how they change over time.

In order to deal with the empirical challenge of building an aggregate measure that allows comparing governing costs between different presidents and at different periods of time, Pereira and Bertholini (2017) propose a synthetic Governing Cost Index (GCI), which is composed of the number of ministries that a president decides to include in his or her government; the resources the president decides to allocate between partisan ministries as a fraction of the GDP; and the

amount the executive branch decides to execute from amendments proposed by the legislative branch to the federal budget as a fraction of the GDP.<sup>4</sup>

**Figure 2: Governing Cost Index (GCI) in Brazil (1995-2016)**



As observed in Figure 2, the cost of presidential coalition management varied considerably in Brazil during the period analyzed, not only with regard to the total cost, but also with regard to the composition of this cost: either with the president's

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<sup>4</sup> GCI is then formed by three variables: "Number of Ministries and Secretariats with ministry status"; the "Natural Logarithm of Total Expenditures with Legislative's Amendments to the Budget divided by the GDP"; and the "Natural Logarithm of Total Expenditure to Maintain Ministries divided by the GDP." The version of the GCI used in this paper was obtained from the first factor extracted from a Time Series Factor Analysis a factorial analysis model, and comprises 70% of total data variance. Detailed methodological information is available upon request.

party or with the coalition partners. For instance, the first term of president FHC was characterized by a relatively low total cost (average of 36 points). FHC costs with his own party, the PSDB, were lower than the costs – added together – of other parties in his coalition (an average of 14.3 and 21.7 points, respectively). In his second term, however, there was an expressive raise in government total governing costs (average of 59.5 points) and a reversal in the composition of costs with the allocation of a greater portion of resources to PSDB (average 32.4 points) vis-a-vis the cost with the other parties of his coalition (average of 27.1 points).

When the PT took office in Brazil in 2003, not only did the total costs of government increase (average 90.6 points), but also there was a much greater reversal in the composition of costs. The president's party became by far the main recipient in relation to the other parties of the president's coalition (average of 62.6 and 28.1 points, respectively). A similar pattern was reproduced in President Lula's second term. However, there was a further increase in total costs (average of 95.2 points), mainly from half of Lula's second term. This growth was mainly due to an increase in costs with the other parties of his coalition in relation to the PT (average of 38.1 and 57.1 points, respectively). The first government of president Rousseff displayed a small decrease in total governing costs (average of 88.1 points). However, the costs with the president's party were still slightly greater than the costs with the sum of the expenditures related to other coalition parties (average of 44.9 and 43.1, respectively). In her second term in office, the total governability cost decreased considerably (average of 58 points), achieving the level of Cardoso's second term in office. Nevertheless, PT returned to be the over rewarded party relative to the other parties in her governing coalition (average of 31.9 and 26.1 points, respectively).

Finally, for the surprise of many, given the extremely low rate of popularity and the controversial, but still legitimate, process of impeachment for fiscal crimes, it is the sharp decline of the total coalition management cost under Temer's administration (average of 15.4 points). At the first sight, this does not make any sense; it should be the other way around with legislators inflating the price of their support given the political venerability of the new president.

Part of the answer to this puzzle might be found in the composition of the management cost. Temer preferred to allocate more than 70% of the governing resources with coalition allies and less than 30% with his own party. Combined with a very high level of proportionality (average of 80.4 points) and an extremely low level of ideological heterogeneity (average of 27.1 points) between coalition allies, this strategy of over rewarding partners, instead of his party, has generated an *ex ante* satisfaction of partisan allies helping the president to be successful in Congress with a relatively low governability costs, despite his political vulnerabilities with the society.

Table 2 consolidates the costs of managing the coalition of the president (GCI) by comparing the average costs by presidential mandate with the president's party and the sum of costs of the other coalition parties. In addition, the last column of table 2 shows the distribution of the *Index of Coalition Necessity* during the seven presidential terms studied so far. There is a great variation in this amount of the president's vulnerability, which takes into account the size of the president's party in relation to the fragmentation of parties in Congress.

**Table 2: Costs of coalition management in Brazil (average per term), 1995-2016**

| Term              | GCI  | GCI Coalition | GCI President Party | GCI Coalition (%) | GCI President Party (%) | Coalition Necessity Index |
|-------------------|------|---------------|---------------------|-------------------|-------------------------|---------------------------|
| <b>Cardoso 1</b>  | 36.0 | 21.7          | 14.3                | 60.2              | 39.8                    | 78.3                      |
| <b>Cardoso 2</b>  | 59.5 | 27.1          | 32.4                | 45.2              | 54.8                    | 78.8                      |
| <b>Lula 1</b>     | 90.6 | 28.1          | 62.6                | 31.0              | 69.0                    | 86.4                      |
| <b>Lula 2</b>     | 95.2 | 38.1          | 57.1                | 40.1              | 59.9                    | 91.3                      |
| <b>Rousseff 1</b> | 88.1 | 43.1          | 44.9                | 49.0              | 51.0                    | 95.5                      |
| <b>Rousseff 2</b> | 58.0 | 26.1          | 31.9                | 44.4              | 55.6                    | 119.5                     |
| <b>Temer</b>      | 15.4 | 10.9          | 4.5                 | 70.7              | 29.3                    | 123.0                     |

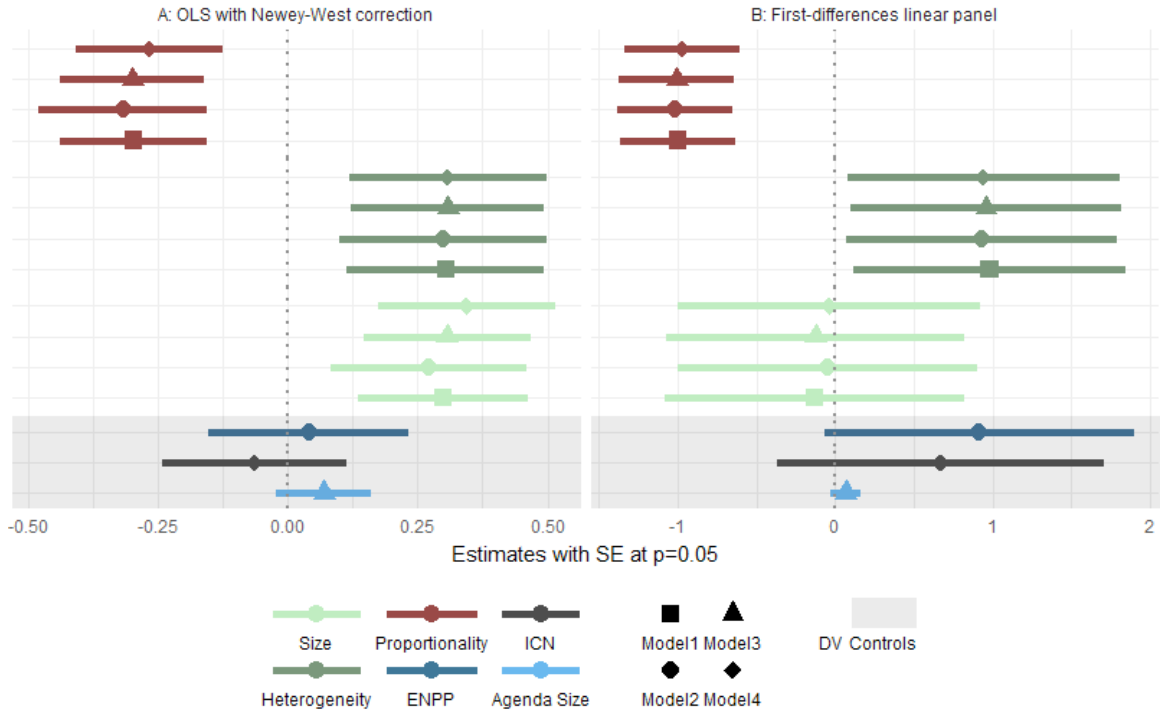
Source: Bertholini (2017).

While FHC was much less vulnerable (Index of Coalition Necessity around 78.3 and 78.8, respectively), the PT governments were definitely more reliant on the

need to govern through coalitions (Lula1, 86.4; Lula2, 91.3; Rousseff1, 95.5; Rousseff2, 119.5; and Temer 123). This significant and continuous expansion in the coalition necessity is explained, fundamentally, by the increase in party fragmentation in the legislative branch. Temer has now reached an incredible plateau of 123 points in the index. For a comparative idea, Chaisty et al. (2014) show that other multi-party presidential systems present presidencies with much lower rates of coalition necessity: Ecuador, 20.33 in 2002; Chile, 46.73 in 2002; Armenia, 39.52 in 2003; Russia, 37.88 in 1999; Ukraine, 19.80 in 2010; Kenya, 25.42 in 2002; Benin, 22.56 in 2006; and Malawi, 18.35 in 2004.

In order to estimate the relationship between governing costs and strategies of coalition management, we implemented two different econometric tests with four specifications, comprising thus eight models in total. In all models, coalition size, proportionality and ideological heterogeneity are the key independent variables. As controls, we have measures of party fragmentation (effective number of parties), president vulnerability (index of coalition necessity) and agenda size (measured as the number of legislative bills proposed by the president). The first group of models (A) is Newey-West corrected OLS having the de-seasoned GCI as the dependent variable. The second group of models (B) – robustness checks - is first-differences linear panels having the random component of GCI as the dependent variable and presidential terms and months within term as indexes of the panel (Figure 3).

### **Figure 3: Presidential Strategies and Governing Cost Index (GCI)**



Results in Figure 3 indicate that even controlling for partisan fragmentation, presidential vulnerability and agenda size, the effect of presidential strategies of how to manage their governing coalition are very robust and confirm our hypotheses. As motioned before, we predicted that the larger the number of parties in the governing coalition, the higher the degree of ideological heterogeneity, and the smaller the power sharing among coalition partners, the more expensive it is to govern a multiparty presidential regimes.

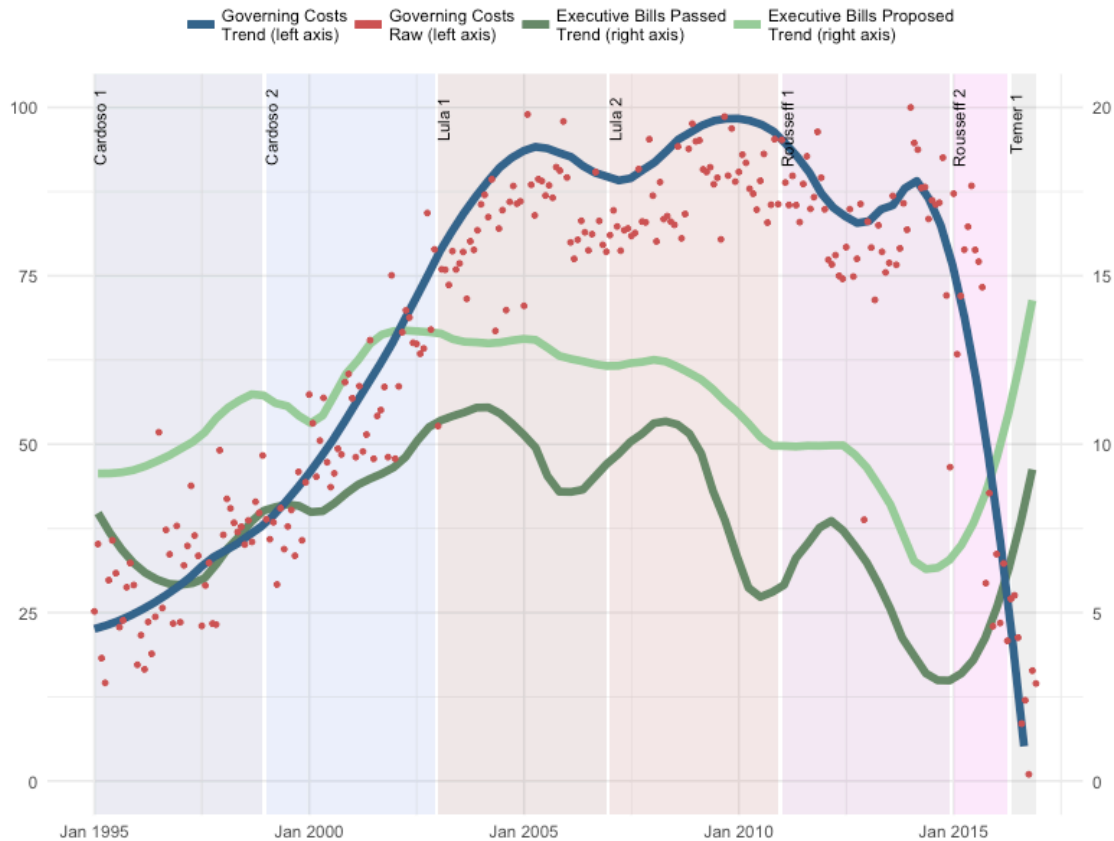
Models A1 to A4 unequivocally shows that coalition management strategies substantively impact on the cost of governing a president face in Congress. The empirical evidence consistently confirms the three main hypotheses. Models B1 to B4, correspond to the capacity presidents' strategies of managing their coalitions have to affect the dynamic cycle of governing costs within their respective terms. The results reaffirm that cabinet proportionality and ideological heterogeneity as important management decisions, despite the level of fragmentation. However, the size of the presidential coalition was not statistically significant. As expected,

coalition size would be more affected by rampant fragmentation, i.e. rather a result from external constraints than a presidential decision *per se*.

### **Efficiency of Coalition Management**

If governing costs are mobilized, in theory, to secure support for the president in the legislative branch, it is reasonable to expect that higher costs would translate into greater legislative support in Congress. By comparing legislative support and coalition management costs, it is possible to perform a simple visualization exercise, with the comparison of costs vis-à-vis support (Figure 4). This is just an illustrative exercise, which aims to compare the results of different presidents and to identify any particular association between the GCI and legislative support for the president.

### **Figure 4: Executive Bills and Governing Costs in Brazil (1995-2016)**



There seems to be no relation between higher management costs and greater legislative support, since the curves follow opposite trends (Figure 4). In fact, higher costs did not translate into greater support from members of the Congress. The opposite is also true. A good example is the first term of Cardoso in office, when his coalition strategy led to a very low cost of governing against a positive rate of legislative approval. A similar pattern happened with Temer’s administration. At various times, even with large investments through the creation of new ministries and bureaucracies, the execution of amendments proposed by the legislative to the federal budget, or the disbursement of greater resources from the ministries, the government had little support for its initiatives. Rousseff’s strategy of managing her governing coalition is a great example of this apparent paradox.

If increasing costs are not sufficient for presidents to achieve higher legislative success, what then? Rennó and Wojcik (2015) and Rennó and Hiroi (2014) propose pathways for understanding on that matter. The authors find that

intra-coalition cohesion and inter-ministerial cooperation are key factors for presidents to implement their legislative agendas, which is very well connected to the intuitive idea that the fewer conflicts within coalition, the better the results for the president in Congress.

### **New Avenues on Coalition Management in Multi-party Presidentialism**

Presidents in multiparty settings rarely enjoy partisan majorities in Congress. In order to overcome minority status, presidents have to build and sustain post-electoral coalition majorities. Nevertheless, despite presidential efforts to build and sustainably manage a governing coalition that would have a recommended ideologically homogeneous small number of players and a proportional allocation of power and resources between partisan allies, the governing coalition might not necessarily be congruent with the preference of Congress.

The received wisdom on multiparty presidential regimes (Figueiredo and Limongi 2000) claims that constitutional and agenda-setting powers are the key determinants of successful minority government in Congress. In addition to the constitutional strength of a president, however, the degree of congruence between the preference of the presidential coalition and the preference of the floor of the Congress could be a crucial ingredient for the legislative success of the executive. That is, regardless of presidential powers, the higher the preference incongruence between the president's coalition and the floor, the more difficult will be coalition management and the higher the probability that the Congress will work as the opposite of progress. It is, in fact, the functional equivalent of divided government in multiparty presidential settings.

With this substantive reconceptualization, it is possible to observe, on the one hand, a numerically majoritarian governing coalition under divided government. On the other hand, it is also possible to identify a minority coalition under unified government. That is, the size of a presidential coalition and its ideological congruence with the floor of the congress are different dimensions, and there might be a mismatch between the two.

This reconceptualization is particularly useful when one analyzes the

functioning of presidential regimes in fragmented institutional settings. With this new research agenda, it should be possible to observe the frequency of divided/unified government and its consequences for the legislative success of the president, cost of governing, coalition breakdowns, chances of impeachment and legislative capacity to check the president.

The unexplored high frequency of elected minority presidents in multi-party presidential regimes and the consequent outcome of post-electoral divided coalition governments have led to a research agenda aimed at exploring the puzzle of minority coalitions as an equilibrium (Figueiredo et al., 2009; Chaisty et al., 2014). Conceptually speaking, the arithmetical understanding of divided government seems useless to explain this phenomenon in multi-party presidential settings, given that the president's party almost always fails to control at least one house of the legislature. That is, divided government has been increasingly the norm.

In a multi-party environment, therefore, an arithmetical definition of divided government in presidential regimes can be understood to comprise not simply the situations where a party opposed to the president actually controls at least one house of the legislature, but also the more general cases where the majority comprises more than one party in a coalition supporting the president in Congress.

To be precise, when the median preference of the presidential coalition matches the median preference of the floor of the Congress it is reasonable to consider a unified government. On the other hand, when the median preferences of the floor and the coalition are incongruent there would be divided government.

What are the consequences of ideological congruence, and, more importantly, how can ideological congruence be used analytically as a criterion for identifying governments? This new definition of divided government implies a continuous measure, not a binary condition. As such, the challenge is to set an ex-ante threshold for a government to be considered as divided.

As a preliminary exercise, we arbitrarily set the ideological space between -1 and 1 in our ideology difference scale - that goes theoretically from -9 to 9 - as the unified government interval (see figure 5). All the country-years within the gray shaded area are, therefore, considered unified under this arbitrary definition and



This empirical assessment redefines as unified some governments that the classic literature would (mis)identify as minority governments, as in the DPI dataset. This is precisely the case of countries that are under the minority condition and inside the gray shaded area (Figure 5, facet Minority): Panama in 2009 and 2013 or Colombia in 2002 and 2014, for instance. Figure 5 also shows that the great number of countries in which the president enjoys majority status is also considered unified governments, as we expected. Although less common, under the facet Majority, it is possible to identify cases that combine majority coalitions and divided governments, such as Peru in 2000 and Nicaragua in 2006. In other words, numeric majority status, measured by the number of seats held by the party of the president or its coalition, does not necessarily mean that the government is unified. The opposite can also be observed. There are cases in which the government coalition, numerically speaking, does not enjoy majority status but, nevertheless, its ideological preferences are congruent with the floor of the Congress, suggesting a unified condition.

In the specific case of Brazil, all Brazilian presidents, on average, have been able to build and sustain post-electoral majorities.<sup>5</sup> However, as Figure 5 displays, the presidential majority status were not always translated in unified government. Particularly under Lula's first and second terms and Rousseff's first term in office, Brazil clearly faced the condition of majoritarian divided governments.

The expectation is that a divided government (lack of ideological congruence between the coalition and the floor) decreases the probability of presidents' legislative success, even after controlling for other coalition management aspects such as the size of the coalition, its ideological heterogeneity and the amount of power and resources shared with allies (considering coalescence rates, i.e., consistency with partners' share of seats). In addition, divided government makes executive-legislative relations more difficult to coordinate and, as a consequence,

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<sup>5</sup> There are two brief occasions of exceptions: the first year of Lula's first term in office, when he enjoyed the minority status, and the last months of Rousseff's second term, just before her impeachment when her coalition broken.

more costly to presidents. Those are hypotheses that further investigations may consider to test.

## **Conclusion**

It is only recently that scholars have started to examine the relevance of coalitions in multiparty presidential regimes. The great majority of the coalition management scholarship is dedicated to parliamentary regimes. In addition, the tools used to understand the working of two-party presidentialism are not useful to deal with multiparty settings. In particular, the size of the majority backing the president in Congress, partisan loyalty, political ideology, and agenda settings powers do not necessarily determine legislative behavior in multiparty presidential regimes. It is rather the strategic provision of coalition goods under the discretion of presidents that is the most influential for the government to achieve legislative support and capacity to govern.

This chapter highlighted challenges a president faces governing in a multiparty setting in which the party of the president frequently does not enjoy the majority status and, as a consequence, has to build and manage a post electoral coalition. Particularly, it scrutinized the strategic tradeoffs a president faces managing its governing coalition with regard to the number of coalition partners, their ideological heterogeneity, and power sharing with allies.

Each of these coalition management choices engenders different cost of governing. Coalitions that are larger with a great number of partners, with diverse ideological heterogeneity, and higher concentration of powers with disproportionate distribution of resources in one of the coalition members, are more difficult to manage, which implies more coordination problems and higher cost of governing.

The pertinent literature (Cheibub, Przeworski and Saiegh, 2004; Raile, Pereira and Power, 2010; Zucco, 2009; Alston and Mueller 2011) already acknowledges the existence of gains from exchange between the president and coalition partners as well as that the president strategically distribute political and monetary resources to parties and legislators. Nevertheless, it was unclear the size

of resources distributed and how they change over time. In other words, there was a lack of a reliable measure of governing costs that a president may face in a multiparty setting.

Bertholini and Pereira (2017) built a Governability Cost Index (GCI) in order to overcome this empirical challenge. This index is an aggregated measure of the number of cabinet positions, their respective budgets and monetary resources initiated by legislators in the annual budget that have been in fact appropriated by the executive. It allows comparing strategies of coalition management and their correspondent governing costs between presidents in distinct periods of time.

This chapter also addressed potential avenues of new research agendas on coalition management in multiparty presidential regimes in comparative perspective. Particularly, the usefulness of the arithmetical concept of divided/unified in an institutional environment in which, almost always, the president's party does not enjoy the majority status. As an alternative conceptualization of divided/unified government in multiparty presidential regimes, it has been suggested a substantive understanding based on the degree of ideological congruence between the governing coalition and the floor of the Congress.

Based on this new definition, it was able to observe that there is a lot of variation between and within countries in Latin America. It is possible to identify, for instance, countries that would traditionally be misclassified as divided, given the minority status of the president's party in Congress, be reinterpreted as unified, and vice-versa.

The theoretical expectations suggest that the lack of ideological congruence between the presidential coalition and the floor of Congress (divided government) in multiparty presidential regimes seems to be one of the key elements explaining the lack of success of a president in Congress and its corresponding high cost of governing.

Certainly, presidents face different exogenous constraints as well as external and internal shocks during their times in office. However, multiparty presidents are not pure hostages of adverse political conditions generated by a fragmented

environment; they have some choices as they engage in coalition management. Not every president will successfully optimize in making these choices. Ultimately, the problems with the Brazilian multiparty presidential system may owe more to coalition management strategies than to institutional design shortcomings.

One of the key implications of our findings, especially to the comparative literature, is that we may need to consider downplaying to role of constitutional and agenda-setting powers of the executive overcoming the centrifugal governability problems and costs of multiparty presidential regimes. If the president does not do the homework of managing well his/her coalition, increasing the cost of governing does not necessarily generate more legislative support, but rather it leads to intertemporal cycling majorities and presidential defeats in Congress.

In a multiparty fragmented presidential game, coalition allies need an external coordinator capable of decreasing coordination problems. Without this external CEO (the president), legislative majorities become unstable and unpredictable and the problem of cycling majorities turn out to be the legislative routine.

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# ANNEX

## Time Series De-composition of the Governing Cost Index (GCI)

