

Chapter 8

Procedures, Parties, and Negotiations in a Fragmented Legislature

“You leave with the deal made, but at payoff time, the minister won’t receive you, and no one wants to talk with you anymore.”

A deputy allied with Fernando Henrique Cardoso (Pinheiro 1997, 32)

“I have no trouble with my enemies. I can take care of my enemies in a fight. But my friends, my goddamned friends, they’re the ones who keep me walking the floor at nights!”

Warren G. Harding

This chapter focuses on the legislative process. Why, in the study of legislatures, is process important? The previous chapter focused on political parties’ role as organizers of deputies with shared electoral and policy interests. If party leaders’ recommendations totally determine deputies’ legislative choices, policy outcomes would be no more than the sum of ballots, weighted by the size of each party, cast by party leaders. If deputies needed to vote at all, they could do so while remaining in their local districts, totally isolated from each other. That vision, of course, makes little sense in most legislatures and no sense at all in Brazil. Brazil’s electoral rules produce individualistic legislators only occasionally constrained by party leadership. The executive, though nominally very powerful, struggles continuously to hold together a legislative coalition large enough to pass its program. But, more importantly, legislatures are organizations. Real legislative outcomes cannot be reduced to the sum of individual, once-and-for-all preferences. All legislatures adopt procedural rules that, either deliberately or through consequences no one anticipated, hinder or facilitate policy-making. Legislators organize themselves into caucuses (as opposed to parties) based on state, region, and group interests. And legislatures make certain members leaders, granting them privileges and influence over some range of issues.

The chapter begins with a brief discussion of the theoretical literature on legislatures. This literature highlights the ways legislatures use rules and insti-

tutions to overcome their tendency to cycle when facing broad issues. In the chapter's second section, the inquiry turns to congressional committees. The Budget Committee is examined in depth as a way of exposing the biases a powerful committee can introduce into the distribution of pork. Bargaining and legislative negotiation are the subject of the third section, which offers brief analyses of the fates of five legislative proposals.

I. Preference-Induced Equilibria and Structure-Induced Equilibria

Procedures and rules shape deputies' motivations and weight their influence in bargaining. For theoretical guidance, I will begin with the most rigorous literature on legislatures, the rational choice research examining the U.S. Congress.

In 1951 Kenneth J. Arrow demonstrated that instability of coalitions cannot be eliminated in majority-rule institutions. In voting among three alternatives, for example, it is always possible that three distinct majorities prefer A to B, B to C, and C to A, respectively. This coalition structure results in a cyclicity of majority preferences such that the outcome of a series of paired comparisons includes the Condorcet winner and is determined solely by the order of voting. If A and B are considered first, with the winner paired against C, the outcome will be C. If B and C are considered first, the outcome will be A. If A and C are considered first, the outcome will be B. Arrow's famous "impossibility theorem" (which itself goes back to the eighteenth century and Condorcet) demonstrated that such cyclicity is always possible in simple majority-rule institutions.

Richard D. McKelvey (1976), moving a step beyond Arrow, showed that instability of coalitions is probably the rule rather than the exception. He noted that alternatives are endogenous to the voting body—that is, the power to propose alternatives is shared by each voting member. An endless variety of alternatives is possible, and whenever legislative bills involve several distinct issues or dimensions, members of a minority coalition nearly always have many opportunities to propose alternatives tempting away some of the majority, thus creating a new majority coalition. The new majority may be destroyed through a similar consideration of alternatives. Arrow identified precisely this cyclicity, framed directly in legislative terms. McKelvey's "chaos theorem" demonstrates that almost any majority coalition is subject to disintegrative tendencies. Cyclicity and instability are thus pervasive elements of legislatures.

The notion of instability conflicts with the most basic understanding of normal legislative activity. "If we look at the real world . . . we observe that not

only is there no endless cycling, but acts are passed with reasonable dispatch and then remain unchanged for very long periods of time” (Tullock 1981, 190). From a modeling standpoint, instability eliminates all hope of prediction. Yet it is intuitively believed, based on empirical observations, that at least some elements of legislative outcomes are predictable. There seems to be much more stability—that is, predictability—of outcomes in legislative settings than the instability theorems suggest (Niemi 1983; Tullock 1981).

Most formal theory responds to this majority-rule instability problem. The “new institutionalism” literature points out that the instability proofs of Arrow and McKelvey ignore the crucial structural factors guiding and constraining legislative choices. Institutional elements—political parties, constitutional design, committee structure, and agenda procedures—may be responsible for the stability observed in legislatures.

Two perspectives, the distributive and the informational, dominate the formal literature on the U.S. Congress. Formal theory utilizing the distributive approach includes the “structure-induced equilibrium” work of Kenneth A. Shepsle (1978) and of Shepsle and Barry R. Weingast (1987) and the “industrial organization of Congress” approach of Weingast and William Marshall (1988). The distributive perspective emphasizes legislators’ desire to maximize their chances of reelection by delivering pork-barrel programs to their districts. Legislators have varying preferences and, most importantly, varying intensities over those preferences. This variation creates opportunities for mutual gains from logrolling. Farm members vote for urban renewal programs; urban representatives reciprocate by backing commodity price supports. In geographically based electoral systems, this kind of exchange redounds to the advantage of all, because bringing home the bacon helps legislators’ reelection chances. Still, logrolling agreements are inherently unstable, because members are tempted to defect. The granting of parliamentary rights to committees is a way of stabilizing logrolling arrangements. Such rights guarantee that committees realize their preferences within their specialized “domains.”

Keith Krehbiel (1991) has championed an alternative to distributional theories, the informational approach, which emphasizes specialization. For Krehbiel, the problem confronting procedural rule makers is one of inducing members to develop expertise and to share their expertise with the Chamber as a whole. If they do so, the legislature enacts better policy, reduces uncertainty about policy outcomes, and competes better with other branches of government.

Because, in the Arrow/McKelvey theorem, control over the agenda is a crucial element of legislative outcomes, and because committees play a key role in

agenda setting, the committee system has been a favorite topic for formal theorists. Legislatures conduct much of their business in specialized committees, and committee members often draft the major alternatives for floor consideration. In effect, abdicating authority to committees may be a way of achieving stability.

Perhaps the committee focus just pushes the problem back a step, because stability is no more likely on a committee than on the floor. But committees are not necessarily governed by majority rule. Chairs have substantial power over agendas, and thus over the outcomes, of committee work. Besides, it has long been argued that committees are more homogeneous than their parent chambers.

Authors working from the distributive perspective emphasize the pathological consequences committees produce for the legislative institution as a whole. Committee privilege results in irresponsible, expansive, and intrusive government. Budget politics is the classic example. Logrolling among high-demand, specialized, authorizing committees yields chronic and severe budget deficits (Shepsle and Weingast 1984).

From the information perspective, the primary purpose of committees is the gathering of specialized information. This phenomenon, too, is intuitively reasonable, meshing well with empirical observation of committees. Krehbiel describes the primary benefit of the committee system as a collective one, but specialization in the information model creates a fundamental tension between collective and individual goals. As students of principal-agent problems are aware, information is a significant bargaining resource. Specialists exploit their expertise to bias legislative outcomes toward their own preferences and away from the Chamber median. The fundamental issue of committee organization is therefore the problem of encouraging specialization, which results in significant benefits to all members, while simultaneously keeping specialists from using their expertise to exploit the majority. Krehbiel views all legislative organization decisions within this framework. Institutional elements such as the prerogatives of committee chairs, the strength of the Speaker, and the number of committees to which bills are referred must all be seen as elements in the resolution of conflict between individual and collective outcomes.

These two legislative perspectives, distributive and informational, make distinct predictions about committees. Distributive theorists expect committees to be essentially self-selecting bodies of members who have extreme positions in an issue area and who make intense demands. Information theorists expect majorities—the legislature as a whole—to monitor carefully the composition of committees and to ensure that committees represent a cross-section of posi-

tions in the issue area as well as a variety of demand levels. Committees, in other words, should neither be “preference outliers” nor composed exclusively of “high demanders.”

The two perspectives go beyond committee assignments to offer predictions about seniority rules, the openness to floor amendments of bills reported by committees, and the kinds of controls majorities exert over postfloor conference committees. The current state of the empirical debate in the American context is not relevant here; what matters is the guidance these theoretical positions provide for empirical investigations of other legislatures. Whether in committees, in floor debates, or in conferences, internal rules and procedures matter, especially those favoring, on one side, high demanders and outliers or, on the other, specialists and median legislators.

II. Rules and Outcomes in the Budget Committee: Does Pork Dominate?

No other piece of legislation takes as much time, effort, and attention as the annual budgetary appropriations bill. Not that the Congress makes major changes in the substance of the president’s proposal; rather, Congress struggles to find ways to rank and to finance the thousands of budgetary amendments for projects deputies seek to bestow on their bailiwicks.

Consideration of the budget occurs in a single committee composed of both senators and deputies. The “Mixed Budget Committee” is very large, usually numbering about 10 percent of the Chamber and 20 percent of the Senate. In the 1987–90 legislature, eighteen of the forty-five deputies on the committee were serving their first term. In the 1995–98 legislature, thirty-one of the sixty-one deputies were freshmen. Both proportions are fairly close to the percentage of freshman deputies in the whole Chamber.

After the implementation of the 1988 constitution, the Budget Committee and the legislative budgetary process in general passed through several stages. Between 1988 and 1992, a simple set of procedures governed committee operations. After the arrival of the executive’s budget proposal, deputies had a few months to submit amendments. Each amendment was required to name a source of revenue matching the expenditure envisioned. The Committee then established subcommittees corresponding to each broad program. After extensive meetings and negotiations, the Committee issued a report rejecting or accepting (wholly or partly) each amendment and adding its own amendments. Many

of these committee amendments subsumed or combined those of other deputies, but thousands were totally new. Over the course of the pre-1992 period, deputies steadily expanded their use of electorally motivated budget amendments. In 1990 deputies made about 12,000 amendments (including those made by the Budget Committee itself), up from 8,000 two years earlier.¹ By 1992 the number of amendments had passed 72,000. The committee came to function, at least in the view of many deputies, as a machine for delivering benefits to the committee's senior members.² A clique of ranking deputies called the "budget mafia," led by committee Chair João Alves (PFL-Bahia), dominated. Alves and his followers—nicknamed the seven dwarfs—seemed to have few compunctions about reserving the lion's share of pork for themselves. Their greed became so excessive, however, that in 1992 marginalized deputies revolted, replacing Alves with a chair whose intentions were more egalitarian.

The overthrow of Chairman Alves affected the distribution of amendments between members and nonmembers of the committee, but rapid growth in the number of budget amendments continued unabated until the outbreak, in the fall of 1993, of the budget scandal discussed in chapter 1. That scandal, in which deputies received kickbacks from construction companies profiting from budgetary amendments the deputies introduced, forced the retirement of a number of senior deputies and discredited the Congress as a whole. The corruption also helped persuade leaders of the congressional right wing that the presidential candidate of the leftist Workers' Party, Luís Inácio Lula da Silva, would likely win the 1994 election. For the Right, the only escape was to back the economic stabilization plan (the Plano Real) of Itamar Franco's finance minister, Fernando Henrique Cardoso, and eventually to support his presidential candidacy. Cardoso's stabilization program, however, included a rigorous fiscal austerity package that eliminated most individually submitted budgetary amendments.

With the budget mafia out of the Congress, Cardoso as president, and former deputy José Serra—known to despise pork-barrel politics—as minister of planning, the congressional leadership bowed to the new realities and reorganized its budget procedure. Under the new rules, state delegations submit most amendments collectively. In addition, each deputy and senator may submit up

1. Amendments that mentioned no particular municipality as well as those benefiting a municipality in a state other than the deputy's own were eliminated. The latter were often submitted as favors for deputies who did not want to be associated with what was likely a payoff to a local boss or campaign contributor. Fewer than 10 percent of the amendments failed to benefit a particular municipality in a deputy's own state.

2. Interviews held with deputies in 1991 and 1992.

to ten amendments with a total value of \$2 million reals (currently about \$1.2 million). The total value of these individual amendments equals about 1 percent of the budget.

During the budget mafia's reign, 15–20 percent of all deputies profited enormously from the budget process, but the new system benefits the majority. If the president exercises a line-item veto on these amendments, the game of course changes, but this phenomenon seems not to occur. Instead, the executive simply stalls the “liberation” of the money—the actual transfer of the funds. As of this writing, it is too soon to undertake an empirical analysis of the new arrangements, but fragmentary evidence suggests that parties and states will gain at the expense of individuals. States whose delegates supported the executive on key votes found that the executive branch liberated funds for amendments at a much higher rate than did states dominated by opposition delegates. Acre, for example, had the second highest rate of disbursements; Acre's governor had organized the trade of support for votes on the amendment permitting Cardoso's reelection.³ Amendments submitted by PT deputies had about one-fourth the chance of getting the money, relative to progovernment parties' amendments.

The empirical analysis that follows is based on the outcomes of 1990 Budget Committee procedures. I seek to distinguish winning legislators from losing legislators. Although the explosive trajectory of the pre-1992 budget process seems to indicate a desire to resolve conflict by expanding the overall pot so that every deputy could realize a gain, the committee in 1990 still faced a ceiling and rejected a majority of the amendments submitted.

Table 24 presents the results of a model of the amendment process that predicts the final total awarded by the committee for each amendment submitted.⁴ The socioeconomic and demographic variables determine whether amendments benefiting any particular type of municipality had a greater chance of success.⁵ Amendments clearly had more chance in communities with larger populations,

3. This linkage was confirmed by Acre Senator Nabor Junior (see *Folha de São Paulo*, July 20, 1997, 1–4).

4. Because the committee awarded nothing to most amendments, the dependent variable has a lower bound of zero. In such cases ordinary least squares is inappropriate, so the models in tables 24 and 25 are estimated with a Tobit regression using SAS Lifereg. Amendments made by Alves have been removed from the data. If his amendments are retained and a dummy variable for the chair included, the dummy receives an extremely high coefficient and the rest of the model is essentially unchanged.

5. Dummy variables for certain states were included to clarify the effect of municipal-level characteristics. Deputies in states such as São Paulo make few amendments, but they have a high success rate. Maranhão's deputies submit many amendments, each with a low success rate. With-

TABLE 24. Explaining Amendment Success: Tobit Model of Total Awarded by Budget Committee and Approved on Floor, by Amendment

Parameter	Estimate	PR>/T/
<i>State dummies</i>		
Maranhão	-23.210	.046
Alagoas	148.408	.000
Bahia	34.511	.000
Minas Gerais	31.271	.001
Rio de Janeiro	52.901	.000
Rio Grande do Sul	87.099	.000
São Paulo	106.590	.000
<i>Socioeconomic and demographic variables</i>		
Voters in municipality	.001	.001
Voters in municipality squared	-1.008 E-11	.001
Government employees	652.885	.011
Agricultural employees	-0.041	.252
Migrants in municipality	0.013	.191
Income per capita	-.001	.150
Manufacturing population	-182.661	.016
<i>Party variables</i>		
Share of own party vote in municipality	5.341	.038
Share of total party vote in municipality	-12.276	.000
PDS	54.660	.000
PTB	33.087	.134
PFL	55.803	.000
PMDB	36.782	.000
PT	29.740	.157
<i>Security and seniority variables</i>		
Terms served in Chamber	-1.147	.621
Rank in party list	1.127	.000
Budget committee member × Terms served	22.877	.000

Log Likelihood for Normal Distribution, -17132.

Left Censored Values 6,534 Noncensored Values 2,330

lower levels of manufacturing, lower levels of agriculture, fewer migrants, and more government employees.⁶ Perhaps this portrait looks a bit strange, because the winners appear to be communities lacking either a strong manufacturing base or a strong agricultural base. This combination, however, is common in many poor communities for whom the tertiary sector, especially public em-

out these state dummies the coefficient on manufacturing, for example, would be negative, because more northeastern, low-manufacturing municipalities would seem successful. Inclusion of the state dummies justifies the inference that within each state more developed municipalities do better.

6. The squared term shows that success rates declined for the largest communities.

ployment, drives the economy. Politics is the most viable economic activity in precisely these communities. Government employees are a powerful political force, and deputies fight hard to reward them.

What kinds of electoral conditions influenced amendment success? Deputies were more successful when they received higher shares of all votes cast for their own party in their targeted municipalities. They were less successful when they received a higher share of the votes of all parties. The basis of the first result is clear: deputies dominating their party's vote are no threat to party colleagues, so the Budget Committee supports them. Still, why would deputies who do well among voters of all parties enjoy less amendment success? Perhaps the Budget Committee engages in a certain amount of rationing. If you dominate the voters in your municipality, party leaders reason, you really do not need much pork. Scarce resources, instead, should go to those not threatening party colleagues but needing help against invaders of other parties.

A second group of variables looks at the parties of the deputies making amendments. These coefficients measure the probability of success for each amendment, not the overall success of the given party. Table 24 shows that the PT had a high success rate, but in fact its deputies made few amendments. PDS and PFL deputies amended heavily and enjoyed great success. The PMDB and PTB had low success rates, but these deputies made many amendments. Why were PMDB and PTB deputies less successful? Because their vote bases are more urban and hence more fragmented and less controllable, PMDB and PTB deputies who compete in the same bailiwicks are more likely to contest each other's amendments. In fact, urban deputies admitted in interviews that they tried to limit the pork available to their direct competitors.

What kind of deputies were successful in making amendments? Deputies who were more vulnerable electorally (lower in party lists) tended to be more successful, presumably because they worked harder. Seniority by itself did not help, but the highly positive coefficient of the variable measuring the experience of Budget Committee members (membership times number of terms served) confirms the huge advantage committee membership gave to ranking members.

While table 24 considers the budget-amendment process in terms of the probability of success of each amendment, table 25 examines the probability that any given municipality received an amendment. Some municipalities clearly do better than others. Municipalities in the Northeast did well; municipalities in most of the rest of the country come out even; municipalities in São Paulo lose. There is a simple but compelling explanation: São Paulo is about 40 percent underrepresented in terms of the size of its delegation relative to its population. That shortfall translates into a loss of influence in the Budgetary Com-

mittee. São Paulo simply lacks the votes. While table 25 confirms the overall regional bias in the distribution of amendments, the table also shows that larger, less industrial, and less agricultural municipalities lost. The winners were state capitals and communities with more government employees.⁷

Table 24 linked the electoral characteristics of the vote bases of individual deputies to the success of their amendments. Similarly, table 25 reveals that municipalities' electoral characteristics create conditions discouraging or impelling deputies to expend political resources pushing pork-barrel amendments. Two hypotheses guided the inquiry. First, deputies should submit amendments for municipalities in which they received a higher proportion of their own total vote. In other words, you fight hard for communities contributing 25 percent of all your votes, less hard for communities contributing 2 percent. Second, you fight harder for communities you dominate. If you won 50 percent of a municipality's votes, you defend it with more vigor than if you only took 5 percent of its votes. Once again: where you dominate, you are able to claim credit.

To test the hypothesis of personal dominance and the link to the expenditure of political resources, I calculated the average, in each municipality, of the personal shares of all deputies collecting votes in the municipality. The results support the speculation: in those municipalities where more deputies got high proportions of their total vote, amendments were more likely to be successful.

To test the second hypothesis—linking municipal dominance to the expenditure of resources—I followed two routes, examining interparty and individual fragmentation in the previous election as well as fragmentation in communities of different sizes.⁸ Fragmentation by itself does not seem to matter. In conjunction with population size, however, fragmentation has a substantial impact. Large communities with high partisan fragmentation as well as small communities with low partisan fragmentation tend to be successful in the pork-barrel struggle. At the same time, large communities with high fragmentation among all the candidates as well as small communities with little individual fragmentation tend to be unsuccessful. This rather complicated result requires an explanation, although the explanation can only be tentative.

The description "large communities with vigorously competing parties" fits big cities. With growth either in the number of parties or in the population, more votes are available. The success of this combination demonstrates that members of the Budget Committee try to help their compatriots and that intraparty loyalty

7. This gain in state capitals adds to the favoritism of the Northeast, because state capitals in the Northeast are a bigger share of state population than are capitals in the South and Southeast.

8. This route refers to the interaction term in the model.

TABLE 25. Which Municipalities Get the Most Amendments? (total awarded by budget committee and approved on floor, by municipality)

Parameter	Estimate	PR>/T/
Intercept	-137.800	.001
<i>State and city dummies</i>		
Alagoas	-39.189	.163
Maranhão	58.993	.001
Bahia	130.786	.000
Ceará	91.821	.000
Pernambuco	126.004	.000
Piauí	109.200	.000
Minas Gerais	31.642	.023
Paraná	24.268	.143
Rio de Janeiro	16.651	.508
Rio Grande do Sul	22.007	.240
Santa Catarina	9.035	.629
São Paulo	- 79.276	.000
Capital of state	258.030	.030
<i>Socioeconomic and demographic variables</i>		
Voters in municipality	0.002	.002
Voters in municipality squared	-1.593 E-10	.000
Manufacturing population	-331.270	.004
Government employees	1351.114	.001
Agricultural population	-0.223	.000
Income per capita	0.001	.787
<i>Fragmentation and target variables</i>		
Interparty fragmentation in 1986	-8.661	.746
Individual fragmentation in 1986	45.122	.134
Mean of personal shares in municipality	25.734	.000
Interparty fragmentation in 1986 × Voters	0.001	.000
Individual fragmentation in 1986 × Voters	-0.002	.019
Bailiwick of Budget Committee member	63.743	.019

Log Likelihood for Logistic Distribution, -9450.

Left Censored Values 2,330 Noncensored Values 1,274

and cooperation exist. And the parallel success of small communities with little partisan fragmentation reflects the power of senior Budget Committee deputies from rural municipalities. By contrast, when there are large communities in conjunction with high individual fragmentation, intraparty solidarity drops—creating a kind of prisoner’s dilemma—and incentives to make amendments fall.⁹ In the fourth and final pairing—small communities and low individual fragmenta-

9. Deputies have been known to request that the Budget Committee reject other deputies’ amendments.

tion—there are too few voters to attract political entrepreneurs and too little competition to signal that the community is open to new entrants.

The final variable identifies, for each committee member, the municipality providing the largest share of the member's personal vote. Do Budget Committee members take care of their bailiwicks? They truly do, and since the committee is so large, a substantial chunk of amendment largesse goes to these favored municipalities.

Overall, the distributive model fit pre-1994 budgetary politics in the Chamber of Deputies better than the informational model. Given the rapid turnover of members, there was little chance to develop expertise. The committee's large size, along with its limited staff resources, explains why little serious attention was given to amendments' economic bases. Rather, the committee captured the lion's share of available resources for itself and its allies. Budget Committee members were high demanders. When, in 1991, the committee's inner elite took a huge share for itself, backbenchers rebelled. But the purpose of their rebellion was not to guard the treasury but simply to spread the wealth a little wider—distributive politics, it would appear, at its best.

Distributional and informational perspectives relate to many issue areas beyond budgetary questions. Can hypotheses about preference outliers and high demanders apply more broadly? The models of campaign strategy presented in chapter 2 employed, as an indicator of interest in pork, the probability that a deputy requested an audience with a minister. These petitioning deputies were, in effect, high demanders on questions relating to agriculture, infrastructure, and social action. Were they also more likely to sit on the relevant committees than nonpetitioning deputies? Deputies who met with the agriculture minister were about three times as likely as nonpetitioners to land an agriculture committee seat. Petitioners on infrastructure and social-action issues, however, were no more likely than nonpetitioners to obtain seats on their committees. As I will demonstrate later in this chapter, agriculture committee members are mostly owners of substantial rural properties, and their behavior marks them as preference outliers.¹⁰ Education committee members turn out to be high demanders and preference outliers as well, although their ideological positions are on the Left. Thus, all the evidence available suggests that members of these committees—budget, agriculture, and education—were simultaneously preference outliers and high demanders. Members of committees related to infrastructure

10. Probably 70 percent of the members of the Agriculture Committee come from the *ban-cada rural* (rural caucus). Nearly all its members have personal interests in large-scale agriculture or agribusiness.

and social action, however, may be closer to the median legislator in terms of the level of their demands.

III. Parties and Negotiations

I will now turn to legislative negotiation. Why is negotiation important? By this point, the reader understands that getting bills through the Congress, whether these bills originate in the executive branch or in the Congress itself, is rather difficult. The Congress may ultimately approve a proposal, but almost nothing gets through quickly and few bills get through without significant concessions or side payments. Chapter 5 demonstrated that pork-barrel inducements weigh heavily in the typical deputy's voting calculus. Chapter 6 argued that the need to appeal simultaneously to party, region, and faction complicates the coalition-constructing objective of cabinet formation. Chapter 7 revealed that practically nothing on the president's agenda survives its legislative journey unscathed and that party leaders exert little independent control over their followers. And chapter 8 has shown that key congressional committees are overweighted with deputies making intense and extreme demands. Given that the electoral system tends to produce individualistic deputies organized into numerous parties, and given that the traditional tools of party discipline are weak, presidents and their parliamentary supporters must continually reconstruct their majorities. Building majorities is a process that requires more than pork-barrel inducements; it requires negotiation. Legislative negotiations proceed, simultaneously, on three fronts: intraparty, interparty, and executive-legislative.

In the bargaining processes at the core of this section, the central actors are parties and party leaders. To the casual observer of Brazilian politics, their prominence is obvious. Newspaper accounts of particular legislative battles, for example, always emphasize party leaders' coalition-building tactics. However, I have already explored at length the antiparty aspects of Brazilian politics. Is there no conflict here? If parties do not matter, why are parties the main units of negotiation? What do party leaders do?

Party leaders, especially those in center and right-wing parties, spend most of their time facilitating contacts between ordinary deputies and ministers and between mayors and ministers. Party leaders also appoint presidents and members of committees. Since there is no strong tradition of appointing specialists, committee appointments are part of party leaders' political strategies. In this game ordinary deputies retain considerable autonomy. Passed-over members can leave one party for another, deputies can get on committees and make pri-

vate deals with lobbyists, and renegade members can avoid sanctions simply by leaving their original party before the sanctions become official.

Variations in Party Structure

In the previous chapter, parties were portrayed as one of the institutions helping legislatures escape from the cyclical and instability that, from the perspective of formal theorists, is their equilibrium state. For parties to fulfill their potential as equilibrium institutions, they need some minimum level of formal structure. The degree of structure in Brazil's legislative parties varies greatly across parties and over time. The leftist PT, well organized outside the legislature, holds weekly meetings and generally votes as a unified bloc. The PDT has no extraparlimentary existence but maintains an active party life and has long been led by a politician outside the Congress. The centrist PMDB rarely holds delegation meetings, because its members are too divided. Instead, the leadership uses questionnaires to discover members' positions. Between 1991 and 1993, the PMDB met to close ranks on a unified position only twice, once on the question of the retirement system, where the party backed pensioners against the government, and again on impeachment of President Fernando Collor de Mello, where the party supported his ouster (Novaes 1994, 127). On the right, recommendations from the leaders of the PPB, PFL, and PL (the Liberal Party) do not compel members to cast particular votes; in fact, these parties practically never close ranks on a position. As the PL's legislative director put it, "When there are three, four or five different opinions, the leader himself wants to leave things open. . . . Deputies ought not to be compelled to violate their principles" (Novaes 1994, 127, 130).

Is ideology an important cause of the differences in parties' behavior in the legislative arena? Carlos Alberto Marques Novaes thinks so. He suggests that leftist parties meet to consider substantive ideas, while center and right-wing parties form preferences around the distribution of individual resources that the leader manages. For these parties a collective forum is of no use; the leader deals with deputies in solitary interactions, and there is reciprocity between leader and follower. When a leader gets the votes of his followers, he receives "not the formal realization of a substantive collective agreement, but reciprocity for the success and/or consideration with which he conducted the interests of each one of his equals" (Novaes 1994, 139). The least popular leaders are those who fail to solve their deputies' day-to-day problems. My legislative interviews confirm Novaes's view of leader-follower interactions—those in the center and on the Right are distribution oriented rather than policy oriented. But it should not be concluded that members share preferences only in leftist parties. The existence of leftist parties

(including the very slightly left-of-center PSDB) leaves all other parties with mostly right-wing deputies and thus more ideological coherence. On the right, parties like the PFL harbor nationally oriented neoliberals along with localistic pork-barrelers, but on most issues the two wings find common ground. The fundamental difference is that the leftist parties have a collective practice, while the rightist parties are based on individualistic leader-follower bargains.

Over time, party structure is by no means constant. The PSDB, once a center-left party with considerable ideological coherence, seems to be paying an organizational price for its alliance with the right-wing PFL. The alliance successfully elected Cardoso in 1994, and Cardoso has relied heavily on the PFL to shape and support his legislative program. His reelection strategy centered on shunting possible opponents off to state-level races. Since all possible opponents were outside the PSDB, this strategy naturally produced conflicts with the PSDB politicians who had to face, in state-level races, Cardoso's disappointed presidential aspirants. Coupled with Cardoso's antiparty strategy is his willingness to rely on individual inducements to maintain his legislative base. Some PSDB deputies have turned to jobs and pork barrel as their central legislative activity, but the old leaders, those who founded the party, feel themselves marginalized. As one old activist deputy commented, "The PSDB used to be a party that held meetings to take serious decisions, but now it never meets, not even for parties." Euclides Scalco, former party president, agreed that the party's survivors have lost motivation as a result of "unimaginable alliances and impossible party colleagues" (Carvalho and Pinheiro 1997, 28).

The Need for Negotiators

Even if individual parties were more than merely collections of like-minded deputies—even if, that is, all parties were organized to participate in stable policy coalitions—a leadership structure would be needed to coordinate interparty and executive-legislative bargaining. Until the first Cardoso administration, it appeared that this negotiating structure would be permanently embodied by the college of leaders (*colégio de líderes*), a group composed of congressional party heads. The centrality of the *colégio* turned out to be less than permanent, because the Cardoso administration usurped the *colégio*'s hegemony, moving the locus of negotiating to the presidential palace.¹¹ Nevertheless, the *colégio* is central to the puzzle of how a legislature with so many parties can do anything at all.

11. In August 1999, as President Cardoso's approval ratings hit all-time lows, the president of the Chamber of Deputies announced the resurrection of the *colégio* (see Fleischer 1999).

The *colégio* did not exist until the Constitutional Assembly of 1987–88. As former Deputy Nelson Jobim put it, “As you did not have a majority to vote anything, you had to organize anew for each question. So there developed prior meetings of the leadership to begin to try to organize the voting process . . . to sit at the table to figure out what subjects were consensual and identify the subjects that were not consensual. From this came the college of leaders, which began to dominate the process” (Novaes 1994, 115).

The Chamber’s Internal Rules (*Regimento Interno*) create the *colégio*. Headed officially by the Chamber president, the *colégio* includes representatives of all the parties in the body. The *colégio* sets the agenda for floor consideration of proposals that have completed committee hearings. A system of informal voting governs decisions, with each vote weighted by the number of members a leader represents. If all parties agree, they take a “global” vote. When they cannot reach consensus, the issue is left to be resolved on the floor.

Although the official *colégio* plays a role in agenda setting, the real work is done by a smaller *colégio*—absent the *mesa* (presiding board) president—with a different decision-making structure.¹² Led by the leader of the largest party, the group discusses the substantive merits of proposals approved by the first *colégio*. This “substantive” *colégio* holds both public and private “leaders only” meetings. At its public meetings it invites experts, lobbyists, other deputies, even senators. Though the *colégio* considers only bills that already have a place on the Chamber’s informal agenda, the *colégio* encourages committees to include items the leadership wants. No voting occurs in these substantive meetings, and unless all the leaders agree, the *colégio* cannot modify legislation. The leaders have no formal authority over their members in subsequent floor votes.

The difference in voting rules between these two versions of the college is crucial. Rather than utilizing weighted voting, as prescribed in the official rules, substantive decisions are made by a “one party, one vote” rule, regardless of the size of the participating party. This rule encourages party proliferation, because small parties have enormous power and the potential for blockage and sabotage is very high. To avoid the cycling endemic to such structures, the habit is to seek consensus. As Deputy Roberto Campos put it, almost restating veto-players theory, “Attempts at conciliation reduce the project to the least common denominator, and the least common denominator is something dangerously close to the status quo” (Novaes 1994, 140). In addition, individual deputies, especially

12. The president of the *mesa* is a deputy, of course, but is generally thought to represent the government and abstains on roll-call votes.

those from small parties, are able to force their leaders to put items of interest only to themselves on the agenda. The power of these small delegations comes from the fact that the leaders of the bigger delegations cannot count on the votes of their followers.

Committees seldom play a central role in bargaining and negotiation, and, by default, their absence further increases the influence of the *colégio*. Since committee appointments are made along party lines, why are committees ill-suited for negotiations? Most deputies, it seems, believe that committee members represent their own interests and convictions rather than their parties' positions. In a study of the Social Security and Family Committee, for example, Regina Balieiro Devescovi (1994) found that the *colégio* sometimes interfered with the committee's decision process. Such interference occurred when the committee was likely to produce results at variance with the balance of power between the parties, when the committee could not reach any decision at all, or when the executive branch was pressing for congressional action. Devescovi (1994, 80) concluded that if the arrangements made by the leadership had occurred on the floor of the Chamber, conflictual issues could not have been swiftly concluded.

Not surprisingly, many deputies express dissatisfaction with both the *colégio's* power and the plethora of pork-barrel legislation that filled the Chamber's agenda. In 1991 the Congress established a Modernization Committee to consider reforms. The committee proposed two measures: eliminating the *colégio* and creating a triage committee to establish priorities over pork-barrel legislative proposals. Both proposals failed: the Chamber's elite killed the first, and backbenchers killed the second.

In spite of the realization that the *colégio* plays a crucial role in the legislative process, little is known about the nature of bargaining within the group or between the group and the executive. Three questions are crucial: Where does substantive bargaining occur? Who is involved in bargaining? What factors affect the probability that negotiation will lead to legislative approval?

I now consider five cases of legislative policy-making that occurred between 1988 and 1994.¹³ These cases include bidding reform, 1992–93; the Law of Directives and Bases in Education (LDB), 1989–94; the agrarian reform law of 1992, the ministerial reorganization during the government of Itamar Franco, 1992–93; and macroeconomic stabilization policy in the Franco government,

13. The IRIS Project at the University of Maryland and the North-South Center at the University of Miami supported this portion of the research. In addition to my own interviews, Mauro Porto and Fátima Guimarães of the department of political science of the University of Brasília and Clécio Dias of the University of Illinois, Urbana, conducted interviews.

1992–94. The final case, that of macroeconomic stabilization, occurred when Cardoso was finance minister but was really acting informally as prime minister. As I will demonstrate, the bargaining style in this case foreshadows Cardoso's subsequent presidential administration. These five policies did not necessarily affect large numbers of people, and all were not crucial to presidential political survival. Although some of the cases do in fact fit these criteria, they were really selected to maximize variance on the conditions likely to affect the nature of bargaining and interparty negotiation.¹⁴ The central criterion of case selection, in other words, was the ability of a policy conflict to reveal the nature of legislative negotiation.

The locus of policy initiation was the first condition. Bidding reform, ministerial reorganization, and stabilization came from the executive branch; the LDB and agrarian reform came from the Congress. The importance of the policy, in the perception of legislators and journalists, was a second condition. When inflation surpasses 25 percent per month, stabilization is obviously crucial. Bidding reform was certainly important, but life would continue even with the level of corruption Brazilian bidding exhibited. The centrality of ministerial reorganization was more indirect, in the sense that reorganization could give the president more leverage with Congress. The LDB and agrarian reform measures had more long-term than immediate significance. The participation of civil society was a third dimension. Bidding reform seemed likely to involve specialists and construction companies. The LDB would obviously engage a broad range of interests in education. Agrarian reform concerned mostly rural interests, both landowners and landless, but for those interests it would be very serious indeed. Inflation affected broad economic groups, and any solution would create winners and losers. Ministerial reshuffling directly affected party leaders' political machines and indirectly impacted the winners and losers from the president's legislative program.

Since the details of these cases can be a bit daunting, a brief summary of the lessons they ultimately furnish may help guide the reader. As a forum for multiparty negotiations and bargaining, the *colégio* was most active on unidimensional issues where lines of compromise were clear. On more complex, multidimensional issues, major actors must actively have sought compromise before the *colégio* could play a role. Issues involving powerful states had to be

14. With any case studies, it is easy to exaggerate the rigor of the selection. I tried, as suggested earlier, to pick cases that differed in interesting and relevant ways. But scholars also pick cases because they are doable. The cases chosen furnished enough documentary evidence and willing interviewees that the legislative process became comprehensible. In no sense are these cases a random sampling of legislative controversies.

resolved by the states and the executive before party leaders got involved. For the *colégio* to play a role, parties must have perceived interests as parties, not merely as ideological or regional cohorts of deputies. The allocation of public works and jobs is an obvious concern to parties and their leaders, but the negotiating process could bypass party leaders unless it involved the medium or long-term distribution of pork, as in the case of cabinet reorganization. In such cases, where the executive was constructing a grand coalition and sought commitments about future support, party leadership became central. Finally, the cases underline the importance, in a milieu of mainly weakly disciplined and nonideological parties, of pork-barrel politics. Pork is the cement that binds together legislative coalitions.

Bidding Reform

Brazilian legislators had to see the corruption scandals of the early 1990s, which ultimately led to the impeachment of a president and the ouster of a group of veteran deputies, as threats to their political careers. The nation's voters regularly reject officeholders in all elections, and angry voters might throw out incumbents in even greater numbers than usual. At the core of all the scandals were the payoffs big construction companies (*empreiteiras*) had made to politicians and bureaucrats. For the top dozen *empreiteiras*, government business amounted to more than 90 percent of their annual income. If the regulations allowed corruption, honest behavior would lead to a competitive disadvantage the big firms could hardly accept. In fact, Brazil's bidding regulations facilitated collusion and overcharging, and governments suffered substantial losses.¹⁵

In the typical bidding process for government contracts, the offering agency set a "basic price." Firms could bid up to 15 percent above or below that price. In case of tied bids, contracts were let according to a series of "technical grades" awarded by the offering agency. In practice, firms colluded, and all bids came in about 15 percent above the basic price. The technical grades opened up a broad range of possibilities for corrupt behavior on the part of officials.

The obvious alternative to the basic price system was simply to award the contract to the firm offering the best or lowest price. How did political parties come down on this issue? Purely as organizations, parties had no stakes in bidding reform, but some did have ideological interests. Parties like the PL (and parts of the PFL) were concerned in a doctrinal sense with liberalization and the breaking up of state monopolies. They argued, as did the PPR and part of the PMDB, that best price should be the only criterion for victory. A perform-

15. Most estimates of the amount typically overcharged ran around 30 percent.

ance bond (financed by insurance companies) could be a guarantee against frivolous or corrupt bids. It was clear, however, that big companies would benefit from the institution of a performance bond, because they could more easily get financing for the bond—in part because the insurance companies themselves were inefficient and corrupt. The consequence, in the end, would be greater concentration in the construction sector. For the Workers' Party, seeking to encourage small companies, best price was therefore undemocratic.

A variety of other interests fought over bidding reform. Small and medium-sized construction companies wanted rules facilitating disaggregated bids, because only the largest firms could bid on very large projects or projects combined into packages.¹⁶ Local politicians wanted rules giving the offering agency a certain amount of discretionary authority, because politicians would then be able to collect tips for their contributions to greasing the wheels. The construction companies, regardless of size, wanted rules hindering the entry of out-of-state firms and foreign companies. Out-of-state firms have weaker social ties in a state than do local firms; this weakness hampers collusion, which depends on strong social ties. Foreign firms, more experienced in high-tech construction, could overwhelm even the biggest national construction companies.¹⁷ Finally, the Council of Engineers and Architects played a key role in the dispute. These professionals, working primarily for the big *empreiteiras*, monopolized the technical certification process. Though working for the companies, council members were really lobbying for themselves, pressuring the Congress to maintain some system of technical grades.

The Chamber of Deputies first considered a proposal by Deputy Luís Roberto Ponte. Although most journalistic descriptions of the conflict refer to Ponte as the point man for construction interests, it is more accurate to say that he represented small and medium interests. His proposal eliminated technical grades but kept the basic price criterion. Ponte's version had no least-cost rule, and it adjudicated tied offers through drawings. The maintenance of a basic-price system, however, meant that firms would continue to collude, with all charging 15 percent more than the basic price and with one firm directed to cut

16. One large firm, Andrade Gutierrez, supported the small firms' position on this issue. Losses in Iran had cost Andrade Gutierrez so dearly that the firm was nearly broke.

17. Foreign observers of Brazilian construction projects are usually shocked by the primitiveness of techniques, the poor-quality materials utilized, and the long periods in which projects appear completely stopped. Part of this backwardness comes from the financing system. Firms receive payments up front. They opt for labor-intensive techniques rather than equipment purchases, because equipment has to be paid for immediately while labor is paid gradually. Government payments can then be invested in lucrative short-term speculation. The real bar to the entry of foreign construction firms is the complexity of Brazil's labor laws.

a few reals and get the contract. Small firms were the main beneficiaries of the basic-price system, because it kept more efficient out-of-state firms from entering bidding. Local politicians also liked the proposal, because it gave them maneuvering room to seek tips.

In the Chamber, the *colégio* facilitated bargaining over the bidding-reform proposal, but specialists dominated the actual negotiations. Deputies invited to participate in the discussions were typically former heads of state-level departments, former directors of big companies, former mayors, and so on. The PDT's chief negotiator, for example, was Luíz Salomão, an economist and former secretary of works and environment (1982–86) in Rio de Janeiro. Salomão was known as a nationalist and defender of state firms. The PFL's chief negotiator was José Carlos Aleluia, an ally of Antônio Carlos Magalhães (ACM) who had worked in the Bahian state electric company and in SUDENE, a regional development program. For the PT, the chief negotiator was economist Aloízio Mercadante. The bill's reporting officer (*relator*)¹⁸ was Walter Nory, from the São Paulo PMDB. Nory was a former president of the São Paulo Metro and former secretary of works under Governor Quéricia. He had once been the construction companies' "Man of the Year."

Simultaneously, the Senate began considering a bill authored by then-Senator Fernando Henrique Cardoso. This bill was much less favorable to the construction companies than the Chamber's proposal. In Cardoso's version, best price was the criterion for awarding contracts, and his proposal required posting a bond to guarantee project execution. When Cardoso became Franco's foreign minister in October 1992, Senator Pedro Simon became the bill's sponsor, and in the fall of 1993 the Senate approved it.

In March 1993, the Chamber rejected the Senate bill and resuscitated Ponte's original version. The Chamber did adopt, however, the Senate's criterion of least price. At the insistence of the party heads (and against Walter Nory's wishes), the full Chamber also accepted the Senate's criminal penalties for collusion. The majority of deputies were persuaded to support criminal penalties, in the view of a strong consensus of Chamber informants, because the Collor scandals made it imperative to adopt measures with strong symbolic value. The Chamber also accepted the Senate's imposition of a performance bond (equivalent to 15 percent of the project's value). From the left, Deputies Mercadante and Salomão opposed the bond, arguing that it would exclude small firms from bidding. The Chamber leadership compromised by limiting the bond

18. A *relator* is not a bill's sponsor but is instead a legislator charged with shepherding the bill through the parliamentary maze.

to very large projects. The bill also set a minimum project size for cities wanting to avoid a bidding process altogether. Prior to the reform, the minimum was a single large number, so small cities (with small projects) could often avoid bidding. The new provision had a sliding population level. Small towns, which would now have to conduct more frequent bidding, lobbied against the provision.

When the proposal finally went to President Franco in June 1993, he vetoed eighteen items, including the performance bond. Congressional reaction to the vetoes was sharp and angry. Leaders on all sides criticized the president for acting without regard to the careful consideration Congress had given the legislation. One month later the president sent Congress an emergency measure (*medida provisória*) exempting the military from the public bidding requirement. Because Congress never voted on this measure—although it was discussed—it lapsed. In September 1993, the government sent another emergency measure modifying the bidding legislation, this time by reducing the weight of the least-price criterion for projects built with foreign resources. Since most big projects in Brazil include foreign investment, this provision effectively gutted the least-price principle. Not surprisingly, Congress rejected the president's somewhat odd modification and restored a smaller version of the performance bond.¹⁹

The *colégio* played a significant role in the debate on bidding reform. Specialists dominated the details of the negotiations, but party leaders in the *colégio* guided them. The bidding proposal had only one important dimension. The fundamental issue was the degree of favoritism the legislation would concede to large firms. That simple dimension was one on which party leaders could compromise, and in the end all parties supported the legislation.

Still, caution is advisable when considering the political parties' definition of the "fundamental question under negotiation." Parties found it convenient to compromise on this issue. But in the end, the legislation maintained the criterion of technical certification on big projects, a criterion that provides an opening for politicians to extract rents from construction companies.²⁰ Party leaders knew they needed a symbolic response to public outrage over the cost of government projects but also knew that local politicians benefited from the status quo. The ultimate result was a compromise that satisfied organized interests

19. The bond's value was ultimately set at 10 percent of project value.

20. Perhaps the only actor in this drama with no domestic political interest was the World Bank. In interviews conducted on June 6, 1995, my informants from the bank stated that they believed that in the end the legislation was mostly smoke and mirrors, designed to quiet the public outcry without really eliminating corruption.

in the policy area and saved the skins of politicians but neglected the public interest.

The Law of Directives and Bases in Education

Although the 1988 Brazilian constitution is mostly quite detailed, in education the document merely lays out broad guidelines, leaving to subsequent legislatures the task of constructing an organizing framework for implementing its guidelines. This organizing framework, the LDB, was under discussion continuously after 1988, but no LDB was passed by both chambers until 1996. The 1986–90 Chamber moved a version of the law out of the Education Committee, but the bill never came to a floor vote. Discussion began again after 1990, and in 1993 the Chamber finally approved an LDB proposal. Passage by the Senate came during the Cardoso administration. This discussion examines the 1988–94 period.

In comparison with the other cases, what makes the LDB unique? First, a very wide range of societal groups had stakes in the legislation. The major cleavage was between defenders of public education and defenders of private schools, but advocates of religious education, scientific groups, university professors, and student organizations all put forward specific demands. The Ministry of Education and Culture (MEC) might be expected to defend fiercely its bureaucratic interest in controlling its programs, but in fact the ministry's position varied across presidential administrations and from minister to minister. The LDB was also unique because almost all the Chamber's technical staff, supposedly neutral policy analysts, strongly identified with "progressive" positions; many, in fact, had worked for groups lobbying on the issue.²¹ Third, although political parties' broad philosophical tendencies had implications for education policy, parties as such seldom took clear, negotiable positions on issues related to education.²²

The LDB debate was also noteworthy for politicians' fundamental disinterest. Perhaps it is surprising, given the wide range of class and corporatist interests involved, but nearly all the politicians interviewed—politicians actively involved in the negotiations—believed that most deputies and senators

21. In a sense, the Brazilian pattern is the reverse of what often happens in the United States. Rather than government officials moving to the private sector, Brazilian interest-group representatives move to government. Rarely is there even a pretense of distance from the interest-group's positions.

22. At times parties have committed firmly to positions opposed by many members. The PT, for example, formally supports free university education, but most of its deputies realize that in Brazil, such a policy is regressive.

cared very little about the LDB. Their disinterest stemmed from the passivity toward the legislation on the part of the mass media and the general public. Politicians' apathy reflects both the class cleavage in Brazilian education and the absence of ties between legislators and the poor. By the 1980s public education had become a dumping ground for the poor and lower-middle class; private schools served upper-middle-class and rich children.

The original draft of the LDB was officially authored by Octávio Elíseo, a deputy from the state of Minas Gerais. A former secretary of education in Minas, Elíseo identified with grassroots social movements and organized labor. The draft's real authors, however, were teachers from Minas, mostly from the federal university. The Chamber leadership appointed Jorge Hage, a PDT deputy from Bahia, as the bill's reporting officer. Hage had been an MEC political appointee and rector of the federal university of Bahia. Like Elíseo, Hage identified with grassroots movements and labor. As reporting officer, his task was to conduct hearings, negotiate with deputies and interest groups, and put together a revised version of the original Elíseo proposal.

Nineteen organizations and three individual deputies submitted distinct versions of the LDB. The ministry sent two proposals. From the beginning, conflict centered on three elements of the legislation. One conflict revolved around the issue of financing for public education. The private sector wanted to avoid any increases in the *salário educação*, a tax traditionally earmarked for education.²³ A second conflict involved the makeup and powers of the National Education Council, the highest normative organ making education policy. In the Elíseo proposal, the council had enormous authority, so much that MEC was essentially subordinate to it. The council was to have thirty appointees, ten nominated by the minister of education, ten nominated by the Chamber of Deputies, and ten nominated by teachers' unions. In the Hage version, the council grew to thirty-two, with five members chosen by the president, four by the Congress, six by state and municipal secretaries of education, one by university rectors, one by owners of private schools, five by teachers' unions, two by secondary and university students, two by scientific organizations, and a scattering of others, including members selected by neighborhood organizations. In all, the executive branch of the central government would nominate less than one-third of the council. The third area of conflict involved the extension of "democratic control"—participation by the community, teachers, staff, and students—to governance in private education. The progressive groups generally supported

23. The *salário educação* generates the National Educational Development Fund *convênios* analyzed in chapter 6. As a payroll tax, it is paid by all employers.

democratic control, in part because they expected the balance of ideological forces to favor their interests when “entities of civil society” (staff, students, and professors) had more influence.

The Hage version of the LDB seldom tried to reconcile the conflicts in the proposals it received. Instead, the bill took on a crazy-quilt appearance, with numerous contradictory elements and a multiplicity of unresolved differences. Since the proposal made little pretense of aggregating conflicting interests, legislators felt free to represent their own personal interests or those of narrow segments of society.

By 1990 deputies had offered 978 amendments, and of these the Hage version incorporated 447. These amendments were extraordinarily narrow. In many cases, both on the left and the right, organized groups, such as private secondary schools or the university professors’ union, wrote the amendments. It is also clear that on educational issues both Elíseo and Hage were outliers from the mainstream of the Chamber. Overall, with no political party interested in negotiating the diverse points of view, and with the bill’s leadership far from the median legislator on every conflictual issue, it is no surprise that the LDB never came to a vote.

In the next legislative session (1991–94), the median legislator was substantially more conservative. Hage, Elíseo, and other education progressives had been defeated. When the leadership of the Education Committee passed to a conservative from the Northeast, the Elíseo-Hage version of the LDB was dead.²⁴ The bill was returned simultaneously to three committees: constitution and justice, finance, and education. Predictably, jurisdictional squabbles generated enormous confusion. When the confusion threatened to spill over into other issues, the *colégio* intervened and created a special supraparty negotiating panel composed basically of members of the Education Committee. The reporting officer of the panel was Angela Amin, a moderate and influential PDS deputy from Santa Catarina. Amin created a negotiating group with deputies representing all points of view in education. From the PT came sociologist Florestan Fernandes. Roberto Jefferson, a PTB member from Rio de Janeiro, made the case for private schools. Eraldo Tinoco, a Bahian and former minister of education under Collor, expounded the views of PFL conservatives, while Artur da Tavola played the same role for the center-leftist PSDB.²⁵

24. The rules of the Chamber provided, however, that the bill begin on the floor in the new legislature, because it had already been approved by the Education Committee. Since it clearly could not pass, it returned to committees.

25. Other important participants included Ubiratan Aguiar (PMDB, Ceará) and Renildo Calheiros (PCdoB, Pernambuco).

The supraparty group initially adopted a decision-making routine proposed by an organization called the National Forum to Defend Public Schools, which united most of the organizations on the Left. Under this regimen, the Amin group would negotiate whatever issues could be negotiated. Where the group could reach no compromise, the full Education Committee would vote. The first irreconcilable issue was the article defining the principles of Brazilian education. In the full committee, the progressives won, successfully including democratic governance in public schools. After this defeat, the conservatives lost interest in referring disputes to the full committee, so the Amin group dropped this method of voting and resolved most subsequent issues by sticking to the status quo. For example, on the issue of democratic control of private schools, the private-school owners' vigorous opposition to any form of community control prevailed. On the issue of evaluation of universities, the weaker federal institutions successfully fought off any sort of serious performance appraisal. The National Education Council lost some of its independence from political authority. In the Amin version, the council had twenty-four members, with half chosen by the president. Although the council adopted criteria guaranteeing representation to various regions and types of schools, the president had enough nominees to control its leadership.

As the negotiations proceeded in the new legislative session, it became clear that the Collor government had no interest in any sort of LDB. All three of Collor's ministers of education (Carlos Chiarelli, José Goldemberg, and Eraldo Tinoco), fought vigorously against passage. Only when Itamar Franco took over from Collor did the ministry support passage. Itamar's minister, Maurílio Hingel, had been on the Chamber's legislative staff and on the personal staff of Deputy Ubiratan Aguiar. Hingel made Aguiar the government's representative in LDB negotiations, and the bill's pace in the Chamber accelerated.

The chief negotiator for conservative forces in the 1991–94 session was Tinoco, a Bahian PFL deputy, Collor's last education minister, and a fierce defender of private education. Tinoco's leverage derived from the power of his patron, Antônio Carlos Magalhães. Tinoco had participated in LDB negotiations during the Sarney administration. In that period, however, his influence was much less, because ACM, as Sarney's minister of communications, had a privileged position inside the administration and less need for congressional allies. Moreover, Tinoco's clout under Sarney had been counterbalanced by two other progressive Bahians, Education Minister Carlos Santana and the bill's reporting officer, Hage. In 1990, however, ACM retook the governorship of Bahia, and the Bahian presence in the legislature became more focused. No one doubted that Tinoco spoke for ACM and for much of the PFL.

For the progressives, the chief negotiator was Renildo Calheiros, a young Pernambucan from the Communist Party of Brazil (PCdoB), a small spinoff from the older PCB.²⁶ Though Calheiros was a freshman, rookies can quickly make their mark in a legislature where turnover averages 50 percent, and Calheiros quickly gained a reputation as an articulate and sensible deputy.

Calheiros and the progressives faced a new and much more difficult bargaining environment. The so-called progressive groups from civil society had been represented by an umbrella lobbying organization, the National Forum for the Defense of Public Education. After 1990 the forum began to disintegrate. The departing groups mostly represented scientific organizations disagreeing with the forum over the accreditation and evaluation of universities.²⁷ Since the scientific organizations had the greatest legitimacy outside the educational establishment, their defection reduced the forum's bargaining power.

Not only was the LDB's bloc of leftist supporters beginning to fall apart, but the Education Ministry was fighting hard to block the Chamber's LDB proposal. The Collor administration chose the tactic of supporting an LDB bill introduced in the Senate. Senator Darcy Ribeiro, a well-known anthropologist in the leftist PDT, had authored this version.²⁸ The education establishment strongly opposed Darcy's proposal. But under the Congress's rules, if the Senate passed its version first, that proposal would be voted first by the full Chamber. Moreover, the Senate proposal would pick up some votes from Darcy's fellow PDT deputies in the Chamber.²⁹ So the Senate proposal increased pressure on the Chamber—mostly on the progressives, since they really wanted the LDB—to compromise.

How did the progressive forces, the real driving force behind the LDB, react to these new strategic problems. The initial strategy adopted in the new legislature was to take polemic points, issues unresolvable by the supraparty negotiators, to the full Education Committee for up or down vote. The committee conservatives jettisoned that strategy when it appeared that the progressives

26. The PCB was supposedly Moscow oriented, while the PCdoB was China and Albania oriented. As far as I can tell, nothing in the doctrines of these two parties had anything to do with their putative orientations. With the end of the Soviet Union, the PCB has now changed its name to the PPS.

27. One such group was the Brazilian Society for the Progress of Science.

28. At this time, Collor was courting Darcy's patron, Leonel Brizola, the governor of Rio de Janeiro. A central element of Darcy's proposal was the construction of multipurpose, integrated schools and social service agencies called CIACs. Brizola had started some of these centers in Rio; Collor began to construct them in every state. With his impeachment, the idea quickly died.

29. The PDT's Ribeiro wing included Cariocas José Vicente Brizola, Marcia Cibilis, Luís Mascarenhas, Luís Salamão, and Carlos Luppi.

would regularly defeat them, since on education issues the committee was substantially to the left of the full Chamber. In response, the progressive forces made Calheiros their chief negotiator, one on one against Tinoco. The forum's representatives would wait in the Education Committee hearing room while Calheiros negotiated directly with Tinoco in a room above. When the negotiators would reach a polemic point, Calheiros would descend to confer with the forum representatives.

On the basis of many conversations with deputies and staff involved on all sides of the LDB's negotiation process, I am convinced that the process I have described was genuine. It was not, in other words, merely a symbolic exercise designed to pacify the education pressure groups while the real negotiations went on behind closed doors among powerful congressional leaders. As evidence of this contention, consider one example of substantive accommodation reached in these negotiations. The PCdoB (Calheiros's party) had insisted that the National Council should have a representative elected by students, and the forum defended that position in the negotiations. At the same time, the owners of private universities opposed proposals (coming from the scientific organizations) for establishing minimal levels of qualification of the teaching body as a prerequisite for the founding of a university. These proposals would hinder the opening of universities without qualified teachers. In the negotiations, the private-school owners accepted the inclusion of a student representative on the council. In exchange, the forum agreed to reduce to a very low level the minimum necessary qualification of the teaching staff of a new university. By the time of my interviews, in 1994 and 1995, the staffers—all sympathetic to the forum's positions—had realized that this bargain favored the owners and constituted a serious strategic error.

With the departure of the impeached President Collor, the LDB's prospects improved dramatically. The new minister of education, Hingel, had been a congressional staffer in earlier LDB negotiations. His aides, working with the committee and supplying technical inputs, became strong advocates of the legislation. In the end, the Chamber approved the project, but the session ended before the Senate could vote.

It is worth noting that the LDB went to the *colégio* only when interparty struggles threatened the Chamber's harmony.³⁰ In other words, the *colégio* only functioned where parties mattered as parties. If this is truly a case where public interest was so low that no proposal offered politicians much electoral gain,

30. The *colégio* also made certain final adjustments in the proposal before it was voted on the floor, but they were not substantively important.

and where a plethora of societal interests fought to defend hard-won turf, negotiation would inevitably be very difficult. Most party leaders really preferred no LDB at all. Education is thus a classic example of the consequences of an excess of veto players. Movements away from the status quo become extremely difficult. Unfortunately, in this case, the status quo, the Brazilian educational system, is one of the worst in Latin America.³¹

Agrarian Reform

In 1992 the Congress approved an agrarian reform bill. While the new law hardly allowed the poor to expropriate the estates of the rich, it did represent a small victory for the landless. This modestly progressive agrarian reform proposal passed because an unusual set of circumstances, especially the impeachment of President Collor, created an ethical climate in the Congress favoring the Left.

Consideration of a new agrarian reform proposal began in 1991, when the PT resubmitted a project held over from the previous session. The *mesa* (presiding board) appointed Agriculture Committee member Odelmo Leão as the bill's reporting officer. A first-term deputy representing Minas Gerais and the PRN (Collor's party), Leão was a large-scale landholder active in organizations of rural producers. Though an outlier compared to the median legislator, Leão was typical of the Agriculture Committee, where typically 70 percent of the members have personal interests in large-scale rural enterprises. Given this committee context, it was hardly surprising that the PT proposal never enjoyed the support of more than 30 percent of the committee. Leão held no hearings and refused to allow a committee vote on the proposal.

While the corruption investigation of President Collor was gathering steam, lobbying groups from the agrarian reform movement and the Catholic church began to apply pressure. Conflicts between the organized landless and landowners became more common. President Collor claimed that he could not resolve these agrarian conflicts without some sort of legal framework. In this favorable climate, reform activists believed they had begun to convince rural capitalists that owners of productive lands had no reason, from this proposal, to fear expropriation.³²

In 1992, Vadão Gomes, a young, first-term *paulista* land- and slaughter-

31. The Cardoso administration's educational reforms are beyond the scope of this study, but the Education Ministry has begun to institute, with great controversy, a national field examination in all Brazilian universities.

32. This conclusion results from interviews in the agrarian reform movement, including INESC, the pro-agrarian reform policy center.

house owner, became chair. Leão continued as reporting officer and ultimately introduced a substitute proposal. The rural caucus—that is, the big landowners (see chapter 1), made a number of changes in his proposal, and Leão began discussions with the PT, CONTAG (the Confederation of Agricultural Workers), and the employees of INCRA (the agrarian reform institute).

Although Leão claimed to have eight substitute proposals, he refused to show them to the proreform groups, even in meetings supposedly called to discuss the issue. Frustrated, lobbyists for the agrarian reform movement went to Ibsen Pinheiro, the Chamber president, and asked that the original proposal be moved directly to the full house (the *plenário*) under an urgency rule. The lobbyists also asked for a new reporting officer. Pinheiro responded that he needed two weeks to negotiate with Leão and Gomes. At the end of that stretch, nothing had happened. Leão negotiated with the rural caucus, with the agrarian wing of the PT, and with a banker on the committee but refused to negotiate with party leaders. It became impossible to agree on a substitute proposal.

The Economy Committee, led by Fábio Meirelles of São Paulo, then introduced its own substitute. A committee less dominated by big landowners might seem advantageous, but in fact proreform lobbyists preferred bargaining with the Agriculture Committee, believing that no reform would have sufficient legitimacy to guarantee implementation unless it included key members of the rural caucus. At the precise moment when the Economy Committee began to vote on its substitute, the chief lobbyist of the pro-agrarian reform group happened to be nearby. Hearing that the Economy Committee was about to vote, the lobbyist went to Leão and tried to persuade him that the Economy Committee's actions would encroach on the Agriculture Committee's prerogatives. Properly offended, Leão immediately persuaded the Economy Committee to postpone voting its bill while his proposal was being considered in the Agriculture Committee.

Still, the Agriculture Committee was in no condition to approve anything. Leão wanted to approve a bill by consensus, but the committee was far too divided. Pinheiro finally scheduled a vote for the proposal in the full house. In addition, Pinheiro nearly took away Leão's right to be reporting officer, forcing him to compromise to stay on the bill. Serious negotiations now included CONTAG (representing rural labor) and INESC (a pro-agrarian reform think tank), the main lobbying groups in favor of agrarian reform. At times even the landless movement had representatives in the discussions. In the end, the negotiations reached an accord giving the president and the head of the agrarian reform agency the power to approve expropriations.

The *colégio* accepted this version of the proposal and then began to nego-

tiate a trade between the agrarian reform proposal and a completely distinct proposal, promoted by the Collor administration, to regulate the nation's ports.³³ The leftist parties (PT, PDT, PSDB, PCdoB, PSB, and so forth) agreed to support port reform if the Chamber voted agrarian reform. The Left was a minority on the port proposal, but the government's majority was too small to overcome the Left's obstruction. The dock workers were furious, feeling that they had been betrayed, but the agrarian reform proposal passed.

The project then went to the Senate, which ultimately approved a version even stronger than that of the Chamber. When the proposal returned to the Chamber, Leão called all the interests together to resolve the two versions' differences. Each of the six political parties involved had one representative—in each case a deputy from the rural wing—and each party had one vote, regardless of size. If the vote was four to two or greater, the negotiating committee accepted or rejected the amendment; if the vote was three to three, the amendment went to the floor.³⁴ Of twenty-two amendments, only two went to the floor.

In the end, the Chamber and the Congress as a whole approved a bill contrary to the interests of its best-organized and largest caucus. While individual members of the rural caucus always thought they could use the courts to obstruct implementation, they certainly preferred the simpler route of defeating the bill. At the same time, for some members the bill might forestall more radical demands in the future.

*Ministerial Reshuffling*³⁵

Soon after assuming the presidency (following Collor's resignation), Itamar Franco sent to the Congress Emergency Measure 309, an ambitious proposal creating a series of new ministries and reshuffling the responsibilities of existing ministries. Economy would be split into three ministries: economy, planning, and commerce and industry. The Secretariats of Science and Technology and of Environment would each become ministries. Two ministries that had previously been folded into others, interior and culture, would regain their independence.³⁶

33. The *colégio* had not been involved in negotiations over the substance of the port reform proposal.

34. The representatives of the parties, with each party having one vote, were as follows: PMDB: Roberto Rollemberg, Odacir Klein, Dejandir Dalpasquale; PRN: Odelmo Leão; PT: Pedro Tonelli and Adão Pretto; PDT: Amaury Muller; PFL: Jonas Pinheiro and Ronaldo Caiado; PDS: Fábio Meirelles.

35. Because I was unable to undertake as many interviews in this case as in the others, readers should regard the conclusions advanced here as more tentative.

36. I am indebted to an anonymous reader for pointing out that Itamar's reform mostly reversed Collor's ministerial reorganization of March 1990.

This rearrangement, together with the people nominated to hold the new appointments, created many winners. The Senate as a whole would profit, because four members were expected to lead the ministries. The Northeast would pick up five ministers (including, for the first time, the minister of finance). The PSDB would become the most influential party in the president's cabinet even though it held only 10 percent of the seats in the Chamber. Governor Luís Antônio Fleury, former protégé of ex-Governor Quéricia of São Paulo, would come out ahead, because Franco granted Fleury the liberty to choose certain ministers, mostly as a way of weakening Quéricia. The PT would gain, because the minister of labor would come from that party. Franco's home state of Minas Gerais would benefit from its quota of seven ministers.³⁷

Reorganization also created losers. Antônio Carlos Magalhães, who had been a ferocious critic of the president, had no allies in the new cabinet. Leonel Brizola had one representative, Maurício Correa in the justice ministry, but Correa was very independent of Brizola. Quéricia was not strong enough to impose his own choice in the Ministry of Finance; the most he could do was to veto archenemy José Serra. Against Quéricia's wishes, moreover, the PMDB agreed to participate in the government though it named no ministers. São Paulo state also lost, because Walter Barelli, in the labor ministry, was its only cabinet member. And of course Collor was a big loser; Franco threw out even the former president's second-echelon appointees.³⁸

Since Congress had to approve the ministerial restructurings, the whole process was open to negotiation. Among the chief lines of cleavage, party interests were central. State delegations mattered as well, because each state wanted to maximize its ministerial quota. But parties also had doctrinal interests. The PT wanted to expand the number of ministries in the social areas but opposed growth in bureaucratic jobs carrying high salaries. The PPR (later called the PPB) wanted to keep ministries with northeastern pork-barrel programs in the hands of politicians from that region. The PFL had three lines of opposition. One group rejected the reform just to oppose Itamar. A second group (organized around Marco Maciel) wanted the executive branch given more flexibility—that is, left with fewer controls. In Maciel's view, Congress should limit itself to investigating executive-branch programs after implementation. The third group, the neoliberals clustered around Jorge Bornhausen, sought simply to shrink the government.

37. Minas's count of seven includes Henrique Hargreaves, the head of the domestic policy staff, the Casa Civil.

38. *Globo* (October 9, 1992, 2) estimated that Itamar had 662 second-echelon positions to fill.

Even though state delegations were the single most important group of actors, the *colégio* played an active role in these bargaining sessions. At an early stage, for example, the *colégio* committed itself to an agreement to ignore all corporatist claims. An amendment benefiting accountants, for example, quickly died.

In the end, the legislators modified the president's proposal to reflect more accurately the true balance of forces in Congress. ACM, for example, ended up with three allies in the government, including the president of the Bank of the Northeast, the head of the post office, and the adjunct secretary of communications. The PMDB's northeastern delegates nominated the head of SUDENE, the regional development autarchy that controlled a huge patronage operation. A PPR confidant became director of the credit agency of the Bank of Brazil, an operation crucial to the PPR's base among large-scale farmers. PTB supporters dominated the dock companies in São Paulo and Rio.

What explains the relatively greater importance of the *colégio*? Unidimensionality, as in the case of bidding reform, seems crucial. Everyone dealt in the same currency, the effort to maximize cabinet presence, and everyone benefited from enlarging the size of the cabinet itself. Party leaders (and Itamar as well) all had interests in maintaining the issue's distributive quality (Lowi 1964).

The Franco Administration's Stabilization Program

By 1992 Brazil's inflation once again threatened to surpass 30 percent per month. Inflation had been a persistent near-crisis since the explosion of the international debt problem in the 1980s. Now, however, a broad intellectual consensus had finally been reached regarding inflation's causes. The consensus stressed pervasive indexing, the enormous burden of the internal public debt, and expectations of future inflation.³⁹ In essence, the consensus view placed the behavior of the state itself at the heart of the stabilization crisis.

The Franco government set out to stabilize the economy with less than two years remaining until the 1994 presidential election. The policymakers knew that any stabilization proposal would require a fiscal adjustment. The govern-

39. Indexing means that contracts affecting prices and wages are set with provisions for automatic adjustments to compensate for inflation. When Brazil first adopted indexing, in the mid-1960s, it was regarded as an innovative way to prevent inflation from crippling growth. The downside of indexing, that it gives inflation a momentum difficult to break, was not recognized until later. Expectations of future inflation lead to more inflation as economic actors increase prices preemptively, fearing that others will increase first and thereby create real losses. On the stabilization program itself, see Oliveira (1996) and Franco (1995, chap. 2).

ment's program had three crucial elements: a provisional tax on financial transactions (IPMF), the creation of the Social Emergency Fund (FSE) to restrict federal transfers to states and municipalities, and the creation of a new indexing device (the unit of real value, or URV), which would ultimately become a new currency, the real. I will now discuss the first two elements of the government's plan, omitting an examination of the URV because it did not depend on congressional action.

The IPMF

The government's economic team proposed the IPMF as a tax on every financial transaction paid by check. The rate would be .25 percent of the value of each check, deducted from the amount paid to the check's bearer. At that rate the tax would yield about \$600 million per month. From these receipts, 18 percent would be destined for education programs and 20 percent would go to low-income housing.

Passage of the IPMF faced multiple obstacles. First, the tax arrived at Congress's door just when potential candidates began staking out positions for the presidential campaign. On something as unpopular as a new tax, declared candidates wanted to oppose the government. Second, as a new tax, the proposal required a supermajority in the legislature. Third, the PMDB, as the largest party in the Congress, was pivotal to the IPMF's approval. The PMDB, however, had long sought a larger share of federal pork barrel, especially government jobs. Fourth, state and municipal interests would be damaged, because their transactions would be subject to the tax. Last, banks opposed the tax. They would have to collect it, and the tax would reduce the flow of financial transactions on which they profited so handsomely.

The kinds of narrow corporatist interests that usually influence legislation were largely absent from the IPMF debate. Although banks opposed the tax, most industrialists supported it. Moreover, the tax affected all sectors of industry about equally, so the Congress felt little sectoral pressure. Essentially, two kinds of interests were in play: political interests inside the Congress (that is, groups seeing the proposal as an opportunity to wrest concessions from the executive) and political interests outside the Congress (states and municipalities resisting a new tax).

After eight months of negotiations the Congress approved the IPMF. The government won the key legislative vote comfortably, 298–103.⁴⁰ A vote so lopsided suggests that either the government made more concessions than neces-

40. This vote sent the bill directly to the floor, bypassing committee consideration.

sary or that it enjoyed an overwhelming base of support. Neither conclusion would be correct. During the eight months of negotiations, in fact, the government restructured the cabinet to regain PMDB support and made numerous concessions to individual deputies, senators, and factional interests.

The government's behavior weakened its ability to resist pork-barrel claims. While negotiating the IPMF, the executive promised \$24 million for a water project in Ceará, \$26 million for the Brasília metro, and \$13 million for the "Red Line" highway in Rio de Janeiro. None of these awards had anything to do with the IPMF, but they implied that the government's till was far from empty. Though the government's individual concessions cannot be quantified, all the congressional aides interviewed believed that these concessions were substantial.

How did the parties in this struggle react? The PMDB's problems were many. Its legislative leaders were increasingly unhappy over President Franco's treatment of PMDB ministers. Itamar had already fired the agriculture minister, and the environment minister was expected to be next.⁴¹ The president's elevation of Fernando Henrique Cardoso to the Finance Ministry meant that the chief political enemy of São Paulo's Governor Fleury now controlled economic policy. Even worse, successful stabilization would make Cardoso a viable presidential candidate. The PMDB was also in a continuous battle with Henrique Hargreaves, the head of the domestic policy staff (the *Casa Civil*). Not only was Hargreaves personally directing the distribution of second- and third-level jobs in key states, but he openly favored the PFL over the PMDB.

In May 1993, the PMDB showed its muscle in the Tax and Finance Committee, and it became clear that the IPMF could not pass without PMDB support. The government gave in: Hargreaves lost his control over nominations, a confidant of Governor Fleury became the minister of planning (the number-two economic job), and the PMDB gained the right to name the replacement for the fired agriculture minister. From that point on, the PMDB's support for the IPMF was solid.

Does the appointment of the PMDB's choice, Alexis Stepanenko, as minister of planning mean that political parties were really bargaining over policy rather than pork? The PMDB may have expected the new minister to protect Fleury's interests, but (in the opinion of all informants in this area) Stepanenko's technical incompetence rendered him totally ineffectual, and the PMDB had no credible means of monitoring his performance. By contrast, the Planning Ministry's new undersecretary (Pernambucan Raul Jungmann), a

41. In Brazilian parlance, the about-to-be fired minister was *fritado* (fried).

nomination of Roberto Freire, the government's leader in the Chamber of Deputies, used his considerable technical expertise to become quite influential in both the first and second Cardoso administrations.

Then there is the PFL, a party that nearly always backs whatever government is in power. The PFL ultimately allied with the center-left PSDB in support of Cardoso's presidential candidacy, but that alliance was not consummated until May 1994. At the time of the debate over the IPMF the alliance was far from certain, and the PFL expected to field its own candidate. Still, PFL deputy Francisco Dornelles, a former minister of finance and strong supporter of the interests of the federal treasury, led the government's negotiating team in the Chamber, and in the end 70 percent of the PFL's deputies supported the government—some clearly in exchange for individual concessions.⁴² But the PFL wing led by Bahia's Governor Magalhães consistently opposed the tax, and another PFL deputy, ACM's son Luís Eduardo, led the opposition to it.

How much help did individual ministers give the president? On the basis of interviews with deputies and party staff, along with anecdotal evidence, the ministers seem to have done little to pressure their party compatriots.⁴³ The PSB voted unanimously against the tax even though the ministers of health and culture came from that party. The PT voted against the tax although the Labor Minister was a PT member. Brizola's PDT supported the tax, but PDT minister Correa was more a friend of the president than an ally of Brizola, and it is likely that funds for the Rio metro had something to do with PDT support. A share of the pork, it seems, does not guarantee party support, but without a share the party is sure to oppose.

The IPMF turned out to be clumsy and regressive. Legal actions based on the tax's constitutionality led to the exemption of state governments, the poor, salaried employees making less than \$750 per month, and others. Even the Finance Ministry admitted that the tax was regressive, inflationary (since the tax was shifted to prices), and only produced revenue while inflation was high ("Importance of Education Investments" 1994, 4).

The FSE

In May 1993, Cardoso, PSDB senator from São Paulo and internationally known sociologist, moved from the Foreign Relations Ministry to Finance. Car-

42. Dornelles is another example of the importance of technical expertise. In the area of tax policy, all bargaining between deputies and the government seems to have passed through Dornelles, because he was the only deputy with real expertise in the area. Not only did no other deputies have Dornelles's understanding of taxes, but no one in the congressional staff did either.

43. See "Parties Ignore . . ." 1992.

doso's economic team put together what would have to be the last attempt by the Franco government to tame inflation. The FSE, a key part of the stabilization program, was a fiscal adjustment of almost 16 billion dollars. Of that amount, \$2.1 billion came from new taxes, while \$12.9 billion came from delinking various other funds legally earmarked for states and municipalities. These funds would be spent in fixed percentages in health and sanitation (30 percent), education (7.5 percent), welfare (45.5 percent), and so on. The losers would be the states and municipalities, which would find their receipts reduced sharply, along with the programs themselves, which would suffer cuts in investment. Because the FSE involved changes in formulas mandated by the constitution, it had to be passed as a constitutional amendment, with the Chamber and Senate acting jointly during the ongoing constitutional revision.

What interests were in play on the FSE? States and municipalities obviously wanted to minimize their losses, particularly with an election approaching. Even before the first public announcement of the FSE, Cardoso met with a group of important governors and accepted their demand that the fund not be financed using a particular transfer program for states and municipalities. This concession reduced the fund's size by 15 percent and forced the administration's economists to find compensatory funds elsewhere.⁴⁴ The politicians' anxiety grew when a public opinion survey demonstrated that mayors investing more in education had done better in electing their successors in 1992 ("Importance of Education Investments" 1994, 3). Federal ministers in charge of social programs also faced grave threats: cuts would amount to \$5 billion for the Health Ministry, \$1.2 billion for Social Well-Being, and \$2 billion for Education.

From party leaders' perspective, the FSE game was all about the upcoming presidential succession. No one wanted to help Cardoso, but some parties were more certain of their strategies than others. The PT had its candidate clearly defined, but PT leaders knew it would be enormously easier for Lula to govern if the pain of taming inflation had been absorbed by the Franco administration. The PDT also had an obvious candidate, Leonel Brizola, while the PPR intended either to support ACM in an alliance with the PFL or present its own candidate (which it did). The PMDB and PFL, however, faced more complex alternatives. The *quercista* wing of the PMDB, dominated by former São Paulo Governor Orestes Quércia, wanted to oppose the government, because Quércia intended to be the PMDB's candidate. The Rio Grande do Sul wing hoped for an alliance with the PSDB in which the candidate would be Antônio

44. Interview with member of Cardoso economic team, July 9, 1999.

Britto, PMDB minister of social welfare. For the PFL leadership, the stakes in stabilization were high: if Lula won, the party would probably suffer heavy losses in the Congress, and the PFL's ties to business would be seriously compromised. For the PFL rank and file, conversely, successful stabilization could yield electoral dividends, but these dividends might be less than the votes lost from cuts in patronage programs just before the election. Of course, every party leader remembered the 1986 election, swept by the PMDB in the aftermath of the early success of its ill-fated Plano Cruzado. Everyone wanted to negotiate something, just to look good before the electorate.

The early weeks of the debate were characterized by widespread attacks on the plan by the various presidential candidates. Hopefuls Amin (PPR), Quér-*cia* (PMDB), and Sarney (PMDB) all voiced their opposition. On the other side, Pedro Simon, the leader of the government forces in the Senate, blundered into saying that it was necessary to isolate the PFL and PPR, a remark that only hardened opposition (*Jornal do Brasil*, February 4, 1994, 3). PMDB leaders were angry when President Franco suggested that the economic plan would help the candidacy of Fernando Henrique. Cardoso then threatened, if the Congress failed to approve the FSE quickly, to resign from the ministry. But party leaders believed he would not leave until and unless Congress clearly refused to support the plan. If Cardoso left earlier, he would be unable to justify his exit before public opinion. The ideal situation, then, was to stall, leaving everything in a "warm bath" (*banho-maria*) until the fragility of the minister vis-à-vis the Congress became clearer.

By the first week in February, serious bargaining could begin, because the opposition had enough votes to block the emergency fund.⁴⁵ Just before a key quorum call on January 28, the government agreed to give up \$430 million of the \$2.5 billion it had intended to collect with new taxes.⁴⁶ The government also conceded on PMDB demands regarding salary adjustments for civil servants. The government had wanted to freeze pay in 1994 and 1995 but now offered a higher base to compensate for losses to inflation (*Folha de São Paulo*, February 3, 1994, 1–10). For the PMDB, the electoral payoff from appearing as a friend of the civil servants was considerable. PFL leaders, having learned from

45. Some PMDB leaders threatened to vote against the FSE unless the PMDB was granted more ministries. A rumor circulated that the Ministry of Regional Integration was about to go to a PSDB politician from Ceará. At that time, the PMDB had two ministries, while the PSDB had five. The PMDB suggested Aluizio Alves for the job, but the president's inner circle rejected Alves (*Folha de São Paulo*, February 22, 1994, 3).

46. Of this amount, \$170 million represented a reduction in the rural land tax (*imposto territorial rural*) and \$260 million came from the corporate income tax.

the Plano Cruzado that all schemes work for a few months and that opponents risk political suicide, grudgingly allowed the PMDB to take credit for the new formula. To get the PDT's acquiescence, Cardoso promised Luiz Salomão and Miro Teixeira, PDT leaders from Rio de Janeiro, that he would liberate \$80 million for the conclusion of the Red Line.⁴⁷ One of the government's chief negotiators—dealing directly with deputies and senators—was its head economist, Edmar Bacha, who promised to fund the pet projects of Minas Gerais's Governor Hélio Garcia.

The deals remained insufficient. On February 2 a key motion could not be voted because Congress fell fourteen votes short of a quorum. This defeat, truly a serious one for the government, led to tears by its negotiators and more threats of resignation by Cardoso. Now the problem was the PFL, PPR, and PMDB, especially the first two.

Although the PFL is occasionally characterized as a clientelistic party (*fisiologista*, in Brazilian parlance), only in part is this label accurate. The PFL also shelters an ideological wing of neoliberals, and this wing led the whole party in negotiations on the FSE. In exchange for support on the FSE, these neoliberals sought government backing for their positions in the ongoing constitutional revision. The most important of these positions called for ending government monopolies and for more rapidly opening the economy to foreign capital.⁴⁸

In the end, government support for the PFL's positions on constitutional revision had little importance, since the Left had enough votes to block revision and since the government could do little about it. But the government could continue to make concessions. Negotiator Bacha granted that he could live with only half the resources that had been taken out of funds destined for housing, producing an electorally useful gain of \$500 million.

The PMDB, with the support of the education minister, won a concession removing from the plan the resources of a tax earmarked for education (the *salário educação*), a gain amounting to \$250 million. The government also agreed to make obligatory the application of \$300 million on housing and \$250–300 million on education. Of course, Bacha knew he would later refuse to appropriate the housing money, and Luís Roberto Ponte, the lobbyist for the

47. The government knew it would be impossible to get active support from the PDT but wanted PDT members present for the vote so that a quorum would be reached (interview with member of Cardoso economic team, July 9, 1999).

48. Other planks included an end to progressivity in the income tax, a universal tax rate of 10 percent, a mixed-district voting system, and free higher education only for those unable to pay. The main author of the plan was Jorge Bornhausen (see *Folha de São Paulo*, January 16, 1994, 1–10).

housing industry, knew that Bacha would renege.⁴⁹ However, Bacha's concession did put the money in the budget, and if Ponte had enough bargaining power at a later time, he might well obtain the appropriation. The agriculture minister promised credits worth \$800 million to the rural caucus, and deputies from the Northeast won promises of fiscal incentives.⁵⁰ The government changed its regulations on the granting of radio and TV licenses, chiefly benefiting the evangelical caucus.

Ultimately, the government's accords with the Congress removed \$600 million from the fiscal savings. Many informants interviewed in 1996 and 1997 thought the administration's economists had built that much cushion into the plan. Perhaps, but after the devaluation crisis of 1998–99, it became clear that the government's fiscal adjustment was hugely inadequate. In regional terms, the Northeast lost the most money, roughly \$90 million, while the Southeast lost \$30 million.⁵¹ Most observers agreed that the South and Southeast, usually losers in pork-barrel battles, had done relatively well. The larger financial obligations of southern states, especially the debts of Rio de Janeiro, São Paulo, and Rio Grande do Sul, increased their bargaining power. But the greater success of these regions was likely also a product of the political skill and articulate-ness of the deputies representing them, especially Serra and Dornelles. From all sides in these negotiations, I repeatedly heard disparaging comments about the northeastern deputies' failure to comprehend the details of the taxing and spending issues involved in the FSE. With no serious professional staffing, the northeastern contingent was easy prey for the administration's sophisticated economists. In addition, the generally weaker ties between northeastern deputies and their electorates meant that immediate payoff—even getting on television with the minister—might be more important than the ultimate details of spending and taxing.

Without question, the Chamber's *colégio* played no role until the states and the Ministry of the Economy had reached an accord. The government negotiated directly with state governors and with their representatives in the Congress.⁵² Governors such as Fleury came to Brasília to persuade their deputies to support the FSE. Party leaders relied on the administration's economists to

49. Interview with congressional informants, July 1997.

50. President Franco vetoed this part of the agreement when it reached his desk. My informants suggested that the deal had been made by a congressional leader without authorization from the administration. I do not know if members of the rural caucus knew a veto was likely. It may have been another exercise in symbolic politics. Congress overturned the veto in 1995.

51. São Paulo alone lost \$3 million.

52. For example, Vivaldo Barbosa was Brizola's man in the Chamber of Deputies.

convince individual deputies to back the government's proposals.⁵³ Even when the government began to deal with the *colégio*, the government's representatives negotiated primarily with the leaders of strong parties. In other words, party equality—the essential operating principle of the *colégio*—prevented it from serving as a locus of bargaining and negotiation in the case of the stabilization plan.

The Cases Compared

When did the Chamber's own negotiating mechanism, the *colégio de líderes*, play an important role in negotiation and conflict resolution? In the debate over stabilization policy, the *colégio* was inactive until the states and the Ministry of the Economy reached an accord. In bidding reform, party leaders in the *colégio* chose and guided specialists who arrived at an agreement the whole Chamber could sanction, but the agreement was largely symbolic. In education, the *colégio* had essentially no role beyond preserving interparty harmony, although after years of discussion the Chamber ultimately approved a bill. In agrarian reform, the *colégio* arranged a logroll between leftist and rightist partisan forces, assuring the joint passage of both agrarian and port reform. In the ministerial reshuffle, the *colégio* itself was the key negotiator inside the legislature and between the legislature and the executive.

In essence, the *colégio* deals with areas that are polemical, need partisan expertise, and require political adjustment. When state delegations are very powerful, conflicts have to be resolved first at that level. Central bank finance bills, for example, do not go to the *colégio*, because state delegations are too strong.

Unidimensionality helps: ministerial and agrarian reform are relatively simple issues where the lines of compromise are clear. If issues are multidimensional, then actors in at least some of the conflicts must want compromise. In stabilization policy, the *colégio* could not resolve the conflict between the states and the executive, but the states' weakness vis-à-vis the executive led them to seek compromise. In education, most actors preferred to stick with the status quo rather than risk a new educational policy structure, and politicians saw no electoral gain from forcing a compromise.

Parties make up the *colégio de líderes*, and for the *colégio* to function parties need to perceive interests as parties in an issue. Parties clearly have inter-

53. Interview with government economists and party adviser, July 14, 1997, and July 9, 1999.

ests in ministerial shuffles, and doctrinal party interests were important in bidding reform. In the LDB, however, the parties mostly wished the issue would go away.

The limitations of the *colégio de líderes* become even more evident when comparing stabilization politics to ministerial reshuffling. In both cases, the pork barrel was central. In economic policy, the executive branch offered pork to overcome resistance. Pork bought support from parties, factions, and individual deputies in two ways: (1) by making vague commitments on other issues—though no one had much confidence in these commitments—and (2) by offering regional incentives and individual benefits. Parties were rarely stable or disciplined enough to engage in cross-issue logrolls, especially if the logrolls involved posterior commitments as well, but if the resources were available, the executive could dole out enough largesse to get a bill through. In ministerial reshuffling, by contrast, the executive was constructing a mechanism for distributing future pork. Here the executive had to deal with all parties. In this milieu of undisciplined parties, seat strength and ideological stance might change during a session. The executive could not afford to ignore small parties and govern with a minimum winning coalition, because the coalition might collapse. So the president dealt with all parties, and the *colégio de líderes*, with its principle of party equality, became the appropriate negotiating partner.⁵⁴

Given the constraining influence of the dimensionality of issues and their importance to the executive, what other factors make agreement more likely? The conventional wisdom in Brazil holds that deputies' search for pork hinders legislative policy-making on all kinds of issues. In the sense that deputies fixated on acquiring disaggregable public goods may care little about broader legislation, the criticism is correct. Only a minority of legislators participates actively in legislating on broad issues. In addition, the generally poor quality of staff—itsself a function of the deputies' distrust of independent specialists—surely hinders lawmaking. But if each party were coherent and disciplined, a legislature with many parties would have a much more difficult time passing laws. These cases reinforce a central theorem of the veto-players approach: the broader the distribution of views in a party and the wider the range of policy alternatives acceptable to a majority coalition, the easier it is to reach agreement on policies deviating from the status quo. If each of Brazil's current parties had the discipline and coherence of the PT, the legislative process would truly be chaotic.⁵⁵

54. Small parties generally oppose the *colégio's* prerogatives, preferring to fight in committees.

55. The PT's discipline does not help it negotiate. PT leaders, because they have little authority until a final proposal is accepted, cannot make credible precommitments. At the other ex-

The cases also demonstrate the endogeneity of the legislative bargaining structure. Congressional approval of stabilization proposals under Franco and Cardoso was secured with much pork and many substantive compromises but without significant participation by the *colégio de líderes*. The marginalization of the *colégio* foreshadowed the first Cardoso administration's bargaining style. Intense negotiations occurred, but they were usually conducted directly between the office of the president and the targeted individuals, states, and caucuses. In the second Cardoso administration, with the president a lame duck, his supporting coalition weaker, and most parties looking to distance themselves from the administration before the next presidential election, the locus of negotiations seems likely to return to the Congress itself.

treme, the undisciplined PDT and PTB are both regarded as bad negotiators. The PMDB is equally pulverized, but its staff (particularly excellent at communicating with deputies and counting votes) facilitates bargaining.