

**Fiscal Horizontal Accountability?  
Toward a Theory of Budgetary "Checks and Balances" in  
Presidential Systems**

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## 1) Introduction

Taxing and spending are probably the most important things that governments do. Everywhere, nearly all citizens pay taxes and receive government benefits of some kind or another. A key element of democratic horizontal accountability are the "checks and balances" and oversight mechanisms in place that regulate the flow of money into and out of the government's coffers. Unfortunately, we know very little about the politics of budgeting in presidential systems outside the US, and thus know little about the existence of or potential for horizontal accountability in fiscal policy. How are spending priorities set? What institutions tend to favor the executive or the legislative branches of government? Through the legislature, can parties effectively oversee the execution of the budget, to verify that their preferred outcomes are not being undermined by unaccountable executive-branch bureaucrats? We lack even preliminary answers to these crucial questions.<sup>1</sup>

Budgeting can be thought of as having three main stages: the formulation of the budget proposal, the approval of the budget proposal, and the implementation of the budget that is actually signed into law. The first two stages involve the executive and legislative branches, while the third brings in the bureaucracy as an agent of the other branches. In this paper, to keep the discussion tractable, I focus on the first two stages of the process and leave aside discussion of budgetary implementation (see e.g. Petrei 1998 on accountability of implementation).

Is budgetary "horizontal accountability" in these different stages of the process possible in Latin America's new presidential democracies? The conventional wisdom answers "no," holding that presidents dominate the budget process from start to finish, in a way that harms democratic accountability - both vertical and horizontal. Indeed, presidents across Latin America generally possess significant formal powers to control the budget, from agenda-setting powers to strong veto powers. They also possess tremendous advantages in information, resources, and expertise. Given this apparent lack of "checks and balances," Cox and Morgenstern have recently argued that many Latin American presidents are "virtual budget dictators" (Cox and Morgenstern N.d., 10). In terms of this conference and this paper, we can

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<sup>1</sup> A classic study, Wildavsky's *Budgeting*, is a theory of budget processes, not budget outcomes. In this paper I am more concerned with outcomes than processes (although these of course are linked). A notable exception in this regard is Barry Ames' *Political Survival* (1987). However, Ames' book mostly explored executive budget strategies, and does not fully explore the possibilities for legislative influence.

infer that the conventional view holds that little "horizontal accountability" exists and that budget practices in Latin America's newer democracies are generally fairly undemocratic.

Building on existing research on executive-legislative relations (Shugart and Carey 1992; Mainwaring and Shugart 1997; Carey and Shugart 1998; Morgenstern and Nacif (eds.), N.d.), I will argue that such a view is at least partially mistaken. The literature on budgeting in presidential systems is quite limited. Almost all existing work focuses on budget deficits as the dependent variable. This is an important "output" variable, but does not provide insight into the full range of political dynamics behind budgeting. Budgeting involves two equally important dynamics: fixing the overall level of spending (i.e. deficit/surplus), and fixing the distribution of spending across policy rubrics (i.e. "guns versus butter"). Because we have focused largely on only one of these dynamics, existing scholarly attempts to assess the "balance of powers" in presidential systems are inadequate.<sup>2</sup> I will explore how the existing literature can speak to the issue of "horizontal accountability" in budget politics broadly considered. We can divide the variables hypothesized to affect budgets in the existing literature into two groups: institutional and partisan variables.<sup>3</sup>

I argue that the institutional literature, which typically enumerates various veto and agenda powers and then rank-orders different systems, cannot adequately describe or explain the degree of horizontal accountability in fiscal policy in Latin America. More important variables include the distribution of partisan power between branches, and an understanding of the electoral partisan relationship between the president and both his supporters and his opponents in the legislature. The sources of fiscal horizontal accountability are not primarily found in specific budget institutions, but more importantly in extensive partisan competition and legislators' individual and collective interests in maintaining and/or developing the institutional strength of the legislature.

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<sup>2</sup> If the economic situation in Latin America were to ever improve sufficiently so that MFIs were to focus less on how much is being spent and instead concentrated on how politicians choose to spend money, whether on education, weapons, health care, infrastructure investment, or other sectors, the assumptions that scholars bring to the table would also change. After all, rare is the party that campaigns and wins primarily based on a platform of "fiscal balance" (especially in Latin America).

<sup>3</sup> Of course, an extensive literature in economics deals with the sources of budget deficits.

## 2) Institutions and Budget Politics

The first line of research focuses on the institutional balance of power between the executive and legislative branches. Typically, scholars enumerate various political institutions that define executive-legislative relations across countries, and then assess whether the institutional framework tends to favor one branch or the other, and by implication whether each branch can hold the other horizontally accountable. The institutional relationship is then "mapped" onto some budget outcome, such as the size of budget deficits.

Most of the existing work on budgeting in Latin America - with a few notable exceptions (Weldon N.d., Jones N.d.; see more generally Cox and Morgenstern, N.d.) - adopts this approach, which expands upon Shugart and Carey's (1992) ranking of presidential budgetary powers on a single 0-4 scale (e.g. Sanguinetti and Tommasi 1997; Fukusaku and Hausmann (eds.), 1998; Alesina et al. 1999; Poterba and von Hagen, 1999; Baldez and Carey 1999).

In what follows I develop a rank-ordering system that assesses the executive-legislative balance of power in eighteen Latin American democratic presidential systems (see Table 1 for countries in the sample and the years for which I gathered data).<sup>4</sup> This system is similar in spirit to other scholars' efforts, but my system also differs somewhat from other classifications, either in terms of the case selection or in terms of focus. For example, Baldez and Carey have fewer cases and Alesina et al. have more variables. I focus on five institutional variables Alesina et al. argued were most important. *Ceteris paribus*, these variables ought to determine executive-legislative balance in terms budgetary authority: 1) Whether the president or the legislature is designated *de jure* budget proposer 2) The degree to which the president and/or the legislature can amend the budget proposal 3) The reversionary outcome 4) The president's veto powers 5) The president's, and/or the legislature's ability to modify the budget during the fiscal year

### • Condition 1) Proposing Power

In this sample of countries there is no variation on the first condition; formally, the

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<sup>4</sup> Only systems with democratically elected presidents and legislatures were included. I welcome comments on the case selection. I included only complete administrations that began after 1980.

president is always the proposer, and thus always sets the agenda. Baldez and Carey (1999) miscoded Latin American presidents', formal agenda-setting powers by claiming that the presidents of Ecuador, Venezuela, Argentina, Costa Rica, Bolivia, and Brazil do not have exclusive "gate-keeping" authority to propose the budget. This is simply not the case.<sup>5</sup> In all those countries, the presidents have exclusive de jure authority to submit the budget, as is true around the region. In the US, no such rule exists (and Congress has authority over taxation).

Does agenda-setting power give the president substantial advantages? Shugart and Carey (152) allege that agenda-setting power is not "formidable," but numerous scholars disagree with this claim. For example, the agenda-setter can choose to submit only proposals that, from his perspective, will not make the status quo worse. If the legislature does not have the power to override a threatened presidential veto, then agenda control gives the president the power to veto any proposal that will make him worse off. In addition, the president, as leader of an (ostensibly) hierarchical executive branch, has significant advantages in terms of hidden information and the absence of collective actions problems over the potentially fractious legislature. He may use these advantages to set spending priorities, knowing that the legislature will lack the knowledge and capacity to organize and respond in a timely fashion according to its preferences. Thus, although presidents may not be budget "dictators," agenda control allows them to propose and enact policies that may differ significantly from those of the median legislator (Cox and McCubbins, 235-38). Yet since this variable is constant in the sample, it cannot explain variation in horizontal accountability, and I will therefore discuss how the legislature responds to presidential initiatives for the remaining four institutional variables.

#### • **Condition 2) The Legislature's ability to amend the President's proposed budget**

There are two ways that the Legislature can amend the President's proposal: in terms of the amount budgeted, and in terms of the distribution of spending within the budget. The latter may of course be shaped by rules governing the former. The constitutional and other formal

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<sup>5</sup> All information on "gate-keeping" comes from the constitutions of the respective countries. For Ecuador, see Article 171, § 17; for Venezuela, Article 228; for Argentina, Article 100, §6; for Costa Rica, Article 140, § 17, and Article 177-78; for Bolivia, Article 96, §7; for Brazil, Article 165. These constitutions were obtained via the Georgetown Political Database of the Americas website (<http://www.georgetown.edu/pdba>).

rules that I have consulted only speak to the question of whether the legislature can amend the amount budgeted, so our discussion will be limited to this question as well. Arranged in increasing order of legislative power, the possibilities are:

- a) The Legislature, cannot *increase* spending or the deficit, but can decrease spending or raise revenue.
- b) The Legislature requires Presidential approval before final passage to increase spending.
- c) The Legislature cannot increase the deficit, but can increase spending if increases revenue.
- d) The Legislature can increase or decrease spending or revenue without restriction.

• **Condition 3) Reversionary or Default Outcomes**

Reversionary or default outcomes are what happens if the legislature does not approve a budget. This condition does not assume that a "continuing resolution" is enacted, which is the common practice in the US. Technically, and as happened in reality in 1994 in the US when no continuing resolution was passed, the government shuts down if no budget is passed. In many countries the legislation and/or constitution is silent on this issue and the issue has never come up. In other countries I have gone with what the legislation or constitution says. There are four possible default outcomes, again arranged in increasing order of legislative power:

- a) The President's budget is enacted (10 of 18 cases).
- b) The previous year's budget is adopted (7 cases).
- c) The government shuts down (1 case) (this assumes that a government shutdown is bad primarily for the president, which may or may not be true).

• **Condition 4) The President's ability to unilaterally impound spending after approval.**

If the Legislature amends and ultimately approves a budget, what are the President's postapproval options? Two rules are relevant to the final determination of spending. The first is the President's ability to unilaterally impound spending after approval. This is equivalent to a lineitem veto, or whether the budget "authorizes" or "imposes" spending on the executive. If the President is only "authorized" to spend, he can reduce spending on a given program, but cannot increase spending. This is an asymmetric power, for it only works to the President's benefit if he prefers less spending to more on a given line-item. Note that while impoundment directly affects the amount of spending, it only indirectly affects the distribution of spending

by allowing the president to spend relatively less than authorized in certain areas than others, but not more, and leaves the president unable to shift spending from one rubric to another.

Conditions three and four have a potentially much greater impact on executive-legislative relations than conditions one and two. If condition 2d and 3c hold but the president has the power to impound funds, then the legislature's ability to increase spending becomes irrelevant. There are four possibilities:

- a) The president can impound funds at will (e.g. by decree).
- b) The President can impound non-earmarked expenditures.
- c) The President can impound funds, but only when revenues are lower than projected
- d) The President cannot impound funds, and must spend the amounts budgeted (as in the US).

• **Condition 5) The President's ability to modify the budget after the Legislature approves the budget (i.e. on transfers across programs)**

This is the second condition relevant to post-approval final determination of spending priorities. This condition is not equivalent to an item veto - if this condition holds, the President possesses an even greater institutional power. This power allows the President to either reduce or increase spending on a given program, within the total amount approved. The total amount of spending should remain the same. There are four possibilities:

- a) The President can modify the budget on his own, and without the Legislature's approval
- b) The President can modify the budget on his own, but only with the Legislature's approval
- c) The President cannot modify the budget on his own initiative
- d) The budget can only be modified on the Legislature's initiative

***2.1) A Rank-Ordering System***

The details above permit construction of a rank-ordering system of budgetary powers. I gave the president a point (on a 0-3 or 0-2 scale, depending on the number of options) for each "degree" of power he possessed, for a total of 11 possible points. This system provides a plausible rank-ordering of budgetary authority in presidential systems. All else equal, in some countries the president has more institutional tools at his disposal, and in others he has fewer. However, the idea that institutional variation determines the balance of executive-legislative

relations on budgeting ought to raise alarm bells immediately. Without knowledge about the president's and the median legislator's preferences, then we do not know whether institutional variation will matter. For example, if the president prefers to spend *more* overall and on each policy area while the median legislator prefers to spend less, then the president's capacity to impound spending does not matter. Likewise, we must also have information about the position of the reversion point relative to the preferences of the president and the median legislator before assessing whether one branch can check the other.

Furthermore, these four conditions impact different aspects of budget policy in varying ways. If we are interested in the institutional correlates of budget deficits as a dependent variable, then if the president favors lower spending and has the power to impound money (condition 4a holds), then it doesn't matter if he does not have condition 2a or 3a. Likewise, a president who has condition 5a is more likely to obtain his favored distribution of spending, although having this power might not affect his ability to obtain his favored level of spending. A ranking system that simply adds up scores on these variables to assess overall executive-legislative "balance" may not be very helpful, although it might help illuminate specific aspects of fiscal policy.

I will provide two illustrations of the potential dangers of using composite rank-ordering indices to evaluate budget powers. First, I will compare Brazil and Mexico in general terms. Then, I will statistically correlate institutional rankings with budget deficits.

## **2.2) Institutional Variation and "Budget Dictators" in Brazil and Mexico**

The Brazilian president most resembles the "budget dictator" relative to the other countries.<sup>6</sup> Only the president can submit the budget proposal; the legislature must obtain presidential approval to increase spending in the budget proposal; the president's proposal is the reversion outcome; and the president can both impound spending as well as move a substantial portion of the budget from one area to another. Given the President's broad

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<sup>6</sup> Believe it or not, Brazil's legislature has actually improved its institutional position vis-A-vis the executive branch in terms of budgetary affairs since the demise of the military regime in 1985. Congress now can revise and vote down the Executive's budget proposal; it can now convoke members of the executive to testify before Congress; and can require the Executive branch to produce information on the execution of budget during the fiscal year. The members of the 1987-88 Constitutional Congress also created a permanent joint budget committee, where MCs could submit pork-barrel budget amendments (Samuels 1998).



budgetary authority, Sanches argues that "The selectivity of the president in executing the budget neutralizes the oversight efforts of Congressional committees...[and] the latitude given to the president facilitates retaliatory actions against MCs not aligned with his preferences" (1995, 130). Rocha concludes that expenditures "are dictated by the preferences of the Executive" (27).<sup>7</sup>

In contrast, Mexico's president ranks near the bottom in terms of institutional powers. As Weldon notes, "The Constitution grants the Mexican Chamber of Deputies near extraordinary powers over the budget" (Weldon, 1); Diaz-Cayeros and Magaloni agree that "in formal terms the Mexican legislature has far greater influence than the president over the budget" (DiazCayeros and Magaloni, 510). The legislature has the power to amend the president's proposal, and the president cannot technically "impound" spending unless revenues are lower than expected. Moreover, the reversion point is not the president's proposal but a government shutdown, and a strict interpretation of the Mexican constitution implies that the president has no budgetary veto at all (*ibid.*, 507n; see also Weldon, 12-13). Nevertheless, "budget outcomes in Mexico do not reflect this institutional bias. Echoing the conventional wisdom, Weldon states that "no one in Mexico doubts that the only actor who has had any real influence over the budget is the executive" (1).<sup>8</sup> Likewise, Diaz-Cayeros and Magaloni conclude that until very recently, the Mexican legislature had "totally abdicated" budgetary authority to the president (504).<sup>9</sup>

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<sup>7</sup> Brazil's Congress has had several opportunities to more radically redress these institutional imbalances over the last fifteen years, yet its members have chosen not to. Not only have members of Congress not moved to endow their institution with more budgetary power, they have chosen to deliberately give the president additional authority: the Plano Real, which has stabilized Brazil's currency and ended rampant inflation, is based on a constitutional amendment (as opposed to a set of decrees, which would not have required congressional passage) that allows the president to manipulate billions of dollars more than under "normal" conditions. Thus, since 1994 the legislature has delegated additional budgetary authority to the president.

<sup>8</sup> The Mexican president cannot legally veto the budget (see Weldon 12-13 for a discussion), but in practice he does.

<sup>9</sup> For example, we see similar empirical patterns in the post-approval manipulation of the budget in Mexico as in Brazil (Samuels 1998, 206; Diaz-Cayeros and Magaloni, *passim*). Weldon notes that "the [1976] law permits the president to transfer funds more or less as he sees fit" (21). Diaz-Cayeros and Magaloni note that "the discrepancy between authorized expenditures and what was actually spent in Mexico has always been very large ...some *secretarias* spend much more than they are authorized, while others do not even spend all they are allocated that, same year" (521). The authors conclude that this variation implies bureaucratic discretion as opposed to presidential latitude. This is a distinct possibility, but I will leave the discussion of whether the different secretaries/ministries  
(continued...)

Mexico and Brazil may look very different in terms of the rank-ordering system, but scholars concur that the president truly dominates the process in both countries. There are two possibilities here: the composite rank-ordering system may be misleading, in that one institutional rule may be doing all the work, or, some other political variable may be important. Before assessing these possibilities, I will illustrate the problems with institutional analysis more generally, by attempting to correlate institutional rankings with a country's level of budget deficits.

### **2.3) Institutional Variation and Budget Deficits**

Several scholars (e.g. Baldez and Carey 1999; Alesina et al. 1999) have argued that , presidents with strong institutional budgetary powers ought to be able to constrain budget deficits, all else equal. I am skeptical about this proposition, and so I gathered information on budget deficits for all the countries in the sample (see Table 1) from the Inter-American Development Bank (2000) and conducted some rudimentary analysis. At first glance, the "item veto" variable, which I have called Condition 4 (Impoundment power) appears associated with reduced deficits, as one might suppose. Those countries where the president has either condition 4a or 4b have on average an average deficit (as % of GDP) of -1.59%, whereas those countries where the president has either condition 4c or 4d have an average budget deficit of -2.47%. None of the other variables correlates with deficits.

This finding would appear to validate the "institutional" hypothesis. However, the relationship may be spurious. If one regresses these four institutional variables against deficits, and includes the average GDP growth rate as a control, none of the institutional variables has any effect, as Table 2 shows (I used OLS, corrected for heteroskedasticity. No problems of collinearity were present). Only GDP growth was associated with budget deficits, in the expected direction. In another regression (not show.), the composite institutional score was not associated with budget deficits.

Table 2 Here

Given time constraints I was unable to gather data for a better model specification that would include several other variables called for by a tax-smoothing hypothesis. More importantly, I

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<sup>9</sup> (...continued)  
spend with or without presidential authority for another time.

also did not have time to address the likely estimation problems given these time-series data. However, Alesina *et al.*'s results prove fairly shaky when they employ a two-step regression technique. Given my results here I am skeptical that the problem is in the estimation technique, but this is of course no excuse and I plan to address this in future work. Regardless, when we conduct an impressionistic comparison of Mexico and Brazil, and we also compare all countries in the sample in a simple regression, we gain no confidence in the validity of the hypothesis relating executive "institutional strength" with budget outcomes (for space reasons I will not explore additional doubts that I have about this hypothesis).

### **3) Partisan Politics and Budget Politics**

What might explain the lack of correlation between institutions and budget deficits? What explains the similarity in outcomes between Brazil's institutionally powerful president and Mexico's institutionally weak president? For the moment let us focus on this latter question. The Mexican president's strength emanates from his "meta-constitutional" or partisan powers. Three factors make the difference between what the formal rules dictate and what actually happens: unified government, tight party discipline, and recognition of President as party leader, i.e. presidential control of nominations (Weldon NA). These conditions result in an extraordinary degree of spending discretion for and delegation to the president, making delegation of institutional authority unnecessary.

In contrast, while Brazil's president is institutionally very strong, he possesses comparatively few partisan powers (he is not president of his party, he does not control nomination to his or other offices, he cannot expel people from the party for disobedience, he does not control access to resources such as campaign finance). In Mexico, the institutions are irrelevant as long as the president is delegated power through; the partisan and extraconstitutional institutions. In Brazil on the other hand, legislators must delegate institutional authority, over the budget to the president because the president cannot derive such powers through the party system. The need to "get the job done" in both systems generates different institutional balances but similar political dynamics.

In one way, however, Mexico and Brazil are similar: unified government. Brazil's party system is extremely fragmented, but it would be a mistake to code Brazil as having "divided"

government as commonly understood. The concept comes from the US case, and means that neither of the two parties controls both the executive and legislative branches at once. In cross-national perspective, where coalition presidential government is fairly common, if a president whose particular party does not obtain a majority in (both houses of) the legislature but who is able to construct maintain a multiparty majority coalition in both houses of the legislature, we should not code that system as divided government. The president's coalition might be more or less fragmented, but that is conceptually distinct from divided government, where one party is decidedly not in the president's coalition at all. Only if the parties in the legislature actively refuse to enter a governing coalition should the system, be called divided government.<sup>10</sup>

In the current legislature in Brazil, even though his party has only about 20% of the seats, President Cardoso is supported by about 75% of the members of the lower chamber (and an even greater percentage in the upper chamber) (Power et al., 2000). Several leftist parties that: consistently oppose Cardoso's coalition hold the remaining seats. There are differences among the parties that support the president, but these differences are not sufficient for any of these parties to actually enter the leftist opposition coalition. Some parties may end up "on the fence," but this is more a strategic move to extract additional concessions from the president than a principled move based on ideological differences. This is *not* divided government, it is extremely fragmented coalition government.

In Mexico, the president does not need institutional sources of authority because the partisan structure provides it. In Brazil, legislators have delegated institutional authority because - for different historical reasons - they are unwilling and/or unable (for space reasons I won't go into this here) to delegate authority through partisan institutions. Why are Mexican politicians willing to work within a hierarchical party system and Brazilian legislators not, but willing to delegate institutional authority instead? Delegation implies is that the principals believe that they can continue to achieve their desired goals by giving authority to one or more agents. The basis for this belief lies in politicians' career goals. Elsewhere (Samuels 1998), I have argued that Brazilian legislators serve one or two terms in the legislature and then return to state and/or municipal politics to continue their careers. This career path discourages

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<sup>10</sup> This implies that we should measure the president's support by degrees - by percent, by the number of veto players, or something else - as opposed to coding administrations or years as seeing divided government or not.

deputies from taking collective action that would build up or ensure the long-term "strength" of the legislature, and instead pushes them to favor subnational political interests and institutions (ibid.).- This implies that in policy areas that do not affect their career prospects the median legislator will be willing to delegate extensively to the executive branch. I explain how budget delegation works in Brazil in greater detail elsewhere (Samuels 1998).

Brazilian legislators' careers do not depend on "taking care" of the legislature as an institution. In addition, their careers do not depend on national party leaders. Consequently, although Brazilian legislators are willing to delegate to the president, they are unwilling to delegate to party leaders. In contrast, Mexican politicians' careers depend entirely on party leaders. They are only willing to delegate to the president in his position as party leader. That is, I would bet that if the PAN or PRD wins the presidency but the PRI retains/regains control over the legislature, the institutional balance of executive-legislative relations in Mexico would change dramatically. If Lavin had won the recent presidential election in Chile, we might have expected similar changes - the lower chamber might have attempted to limit the president's powerful institutional prerogatives.

In Brazil, the same would hold if the left were ever to gain hold of the legislature but a non-leftist retained hold of the presidency: I would bet that the legislature would rapidly pass measures reducing the president's institutional authority over the budget. However, this is far less likely to happen than the Mexican scenario. The balance of partisan powers in Brazil is likely to remain largely constant, and the lack of action in defense of "the legislature's interests" over the last fifteen years indicates that the electoral connection in Brazil does not generate incentives for deputies to increase legislative influence over the budget. The electoral connection in contemporary Brazil does not provide much hope for significant redress of the lack of "horizontal accountability" in budgetary affairs.

### **3.1) Partisan Conflict and Budgetary Politics**

The above discussion implies that the partisan balance, of forces, as opposed to the institutional balance of power, may hold the key to explaining budget outcomes. Americanists would say that this is obvious, but that is because their case-study approach to theory-building holds the institutions constant. Comparativists who look at institutional variation, in turn, hold all other potentially important causal variables constant. As implied above, however, changes

in the partisan balance of power would alter budgetary outcomes. Obviously, in any system, if the legislature can override a presidential veto, then the institutional details become largely irrelevant. The research on fiscal horizontal accountability must also include the partisan composition of the legislature.

There are two strands of the "partisan" hypothesis: the first explores the implications of the *size* of the executive's support base, and the second explores the degree of *fragmentation or cohesiveness* of the executive's coalition, regardless of its size. In the US, the focus is on the size of the coalition: the "divided government" literature holds that when the executive does not have a majority, budget deficits will be greater (see e.g. McCubbins 1991; Poterba 1994; Alt and Lowry 1994). Divided government is a situation of "bilateral vetoes," where each party can veto the other's proposal. To avoid either deadlock or the (sub-optimal for all parties) reversion point, the easiest compromise is to increase spending on all projects (McCubbins, 138-142). Because taxes are not typically also increased, deficits result.

In terms of fragmentation (mainly explored in western European parliamentary systems), the argument is similar. For example, Roubini and Sachs (1989a, 1989b), after controlling for several economic factors, found that the higher the number of parties in a coalition government, the higher was public debt and the slower the response to fiscal crises.<sup>11</sup> To my knowledge no research exists on the relationship between the degree of cohesion in a coalition or party and deficits (but see Cox and Morgenstern, N.d.).

The above discussion leads to the following question: which is more important, the size of the president's support coalition, or the degree to which the president can control his support in the legislature? Which would be a worse case for a president: having a strongly unified but small majority, or having a weakly unified large majority? With a weakly unified large majority, the president may face members or coalition partners who demand higher rents for cooperation than if the president can simply enforce unity by threatening. expulsion or denial of a space on the next election's ballot, as in England. Thus, a president might prefer a strongly unified but small majority to a weakly unified larger majority. A similar dynamic holds true under divided government: a president would prefer to face a large-majority, weakly unified

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<sup>11</sup> Coalition governments in general are found to be less important than coalition governments faced by an external shock - the latter are the truly poor performers.

opposition - where he might be able to coopt "opposition" MCs on an *ad hoc* basis - rather than a tightly cohesive and intransigent but small majority opposition. The implication is clear: in contrast to Cox and Morgenstern's (N.d.) classification scheme, the size of the support base and the president's influence over his support base must be kept conceptually and operationally distinct in order to analyze the politics of fiscal policy.

In very simple terms, the following three hypotheses can be combined, refined, and tested:

- The president's ability to dominate the budget process is a function of the size of his support coalition in the legislature.
- The president's ability to dominate the budget process is a function of the president's degree of control over his legislative support coalition.
- The president's ability to dominate the budget process is a function of the degree to which he possesses strong institutional budgetary powers.

This approach to fiscal horizontal accountability can generate numerous empirically testable hypotheses. The dependent variable need not be budget deficits - other potential objects of study employing this approach might include<sup>12</sup>

- The degree of correspondence between the president's proposal and the proposal of the majority coalition in the legislature, both in terms of overall spending and in terms of spending across rubrics.
- The degree of correspondence between the president's proposed budget and the approved budget.
- The degree of correspondence between the approved budget and the executed budget.
- The frequency and type of presidential vetoes.
- The degree to which president attempts to rely on "budgeting by decree" or through supplemental bills (holding economic conditions constant) rather than through the normal legislative process
- The degree to which the president submits the proposal on time. If he is certain that the legislature will pass the proposed budget, there are fewer reasons to play games. If the

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<sup>12</sup> I owe inspiration for several of these to Weldon (N.d.).

legislature is likely to be hostile, he will want to give them less time to examine the budget, especially if the reversion point is his proposal.

- Whether the legislature approves the budget or not.
- The speed with which the legislature approves the budget
- The degree to which the legislature attempts to and succeeds in amending the budget.
- The extent of post-approval presidential manipulation of the budget contrary to the expressed preferences of the legislature.

Although systematic evidence is nonexistent, we already have some reason to believe that the partisan hypothesis holds water. For example, in Mexico, observers have already noted that with the onset of divided government in 1997 (the PRI lost control of the lower house of Congress), conflict over the budget has increased (Weldon, N.d.). Weldon expects the legislature to gain budgetary influence if divided government continues. Of course, these are not wholesale changes, but some progress is better than none.

Additional evidence confirming the partisan hypothesis comes from Argentina, which resembles Mexico in that the president has relatively "low" institutional power compared to other countries (see Table 1). Jones (N.d.), arguing against the conventional wisdom in Argentina, found that the president's ability to influence the budget process varies as a function of the partisan distribution of power in the legislature.

A final example comes from the Dominican Republic, a country not well-known for legislative activism. Following the 1996 elections, the president's party held less than 10% of the seats in the legislature. Soon after the legislature began, Congress "savaged" the president's budget proposal and approved its own substitute version, which the president then vetoed (Latin American Weekly Report, 2/18/97, 85). The article noted without irony that Dominican president Leonel Fernandez took the "unprecedented step (for the Dominican Republic) of submitting a proper draft budget bill." Clearly, the president's position of partisan weakness altered his governing strategy and strengthened the legislature's position. It is not clear whether such a situation is positive or will result in deadlock, but the implication is clear: horizontal accountability is a function of the partisan distribution of forces between executive and



legislative branches.<sup>13</sup> The research frontier in the politics of budgeting ought to attempt to bring together the institutional and partisan lines of thought.<sup>14</sup>

#### **4) A Final Note: Comparing Recent vs. Established Democracies on Budget Politics**

Are we correct in assuming that little horizontal accountability exists in budgeting in new democracies compared to established democracies? To what extent can we observe "fiscal horizontal accountability" in budgeting around the world? In fact, in most countries, the executive largely dominates the budget process. In parliamentary systems, the executive and legislative branches are not elected separately, and as such the executive can use the threat of new elections to influence the legislative branch. Yet the apparent dominance of the executive in parliamentary systems does not make these systems undemocratic; parliamentary legislatures do not merely rubber-stamp executive proposals. For example, Ramseyer and Rosenbluth (1993, 1996) conclude that in Japan, where some argue that the Diet is weak, the appearance of legislative abdication on many issues masks significant legislative involvement in the policy process, through a process of delegation to party leaders, who then delegate authority to executive-branch bureaucrats.

If legislators delegate authority to execute policy, then the process is not necessarily undemocratic. If changes in popular preferences translate into policy change, then even systems that involve extensive delegation - and the appearance of abdication - would qualify as democratic. We should hesitate before concluding that the appearance of executive domination means that the executive does in fact dominate. Around the world, it is likely that executives will dominate the budget process - whether for efficiency and coordination reasons or because legislators' electoral and partisan incentives push them to delegate budget authority to the executive. In Latin America, a simple observation of executive prominence ought not necessarily result in a conclusion of that presidents are "budget dictators" and the process

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<sup>13</sup> Another way to investigate the emergence of budgetary fiscal accountability would be to look at state-level outcomes in Mexico, Argentina, or Brazil.

<sup>14</sup> Actually, the research frontier ought to move beyond this comparative-statics approach I have outlined here, to provide a dynamic explanation of the emergence of checks and balances. I hope to discuss some thoughts on this approach at the conference.

undemocratic.

Some scholars may reach the conclusions they do because their explicit point of comparison is the United States. For many, the US Constitution provides the model for what a "good" system of checks and balances looks like: the legislature is, especially in comparative perspective, quite powerful. This may make comparisons with the US less than ideal, because compared to other established democracies, the US is an outlier. We should keep this in mind when exploring the sources of horizontal accountability, and the potential for horizontal accountability to be embodied informally, in patterns of delegation rather than detailed in formal institutional procedures. By using the degree of "horizontal accountability" in the US as our yardstick, we may make invalid inferences about accountability elsewhere.<sup>15</sup>

## **5) Conclusion**

Budget institutions in many countries in Latin America are set up so that the president enjoys significant discretionary authority. However, this does not make the president a budget dictator. In situations of unified government, horizontal accountability is likely to suffer because legislators in the majority party may prefer to delegate substantial authority - whether institutionally or otherwise - to the executive. If this situation persists, as it has in Mexico and Brazil in different ways, then we may obtain the impression that the president is indeed a

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<sup>15</sup> And it should be noted that the president is by no means "weak" in the US. In fact, as any scholar of U.S. politics will confirm, the de facto balance-of-powers between executive and legislative branches has shifted back and forth over time. Periods of "congressional dominance" alter with periods of "presidential dominance." In the 20<sup>th</sup> century, scholars generally agree that the executive branch has been in constant ascendance (see e.g. Stewart 1989). Executive dominance of the budget process in the U.S. was codified with the 1921 Budget and Accounting Act, which created the Bureau of the Budget (now the Office of Management and Budget). Under this law, each year the president must submit a comprehensive budget proposal for the upcoming fiscal year. Congress can ignore the president's proposal, but in practice the effect of this law has been to solidify presidential agenda-setting power in budgetary policy (Kiewiet and McCubbins, 15; Stewart 215). In some scholars' view, this delegation of authority to the president became perilously close to "abdication" of Congressional responsibility, as "the greater efficiency of the executive branch and the inability of members of Congress to overcome their diversity of interests" led to a further shifts in budgetary responsibilities to the president (McCubbins, 115). Despite several episodes of Congressional "resurgence," most notably with the passage of the Budget Impoundment and Control Act in 1974," even scholars with a congress-centric view still generally agree that the president is the dominant player in the construction and implementation of the federal budget (Kiewiet and McCubbins, 16; Stewart, 235).

budget dictator.

However, in every country, there are clear limits to the president's power. These limitations will only emerge, however, when there are clear divergences between the preferences of the executive and legislative branches - more commonly understood as situations of divided government. When presidents face cohesively hostile legislatures, their policies can be constrained and/or overturned. This argument is not new. It echoes the longstanding question of "how much" partisan competition is a good thing. Too much competition brings to mind the problems Sartori and Huntington (among others) feared: polarization, deadlock, and potentially even regime collapse. Too little competition leads to no real alteration in power at the top, collusion, and an absence of democratic "vertical" accountability. Yet there must be a middle ground, as the key to establishing horizontal accountability was stated over two centuries ago by Madison in *Federalist 51*: one must "set ambition against ambition" and ensure that elections are competitive and unpredictable "enough" over time so that one party or coalition is not likely to always hold power in both branches of government. Only when we alter situations of divided government can we adequately assess the capacity of legislatures to hold the executive branch accountable. Research on questions of horizontal accountability in budget politics should combine the insights of the institutional and partisan approaches and explore more deeply their potential for informing us about the emergence and persistence of budgetary horizontal accountability.

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**Table 1: Presidential Budgetary Powers in Latin America**

Country	C2	C3	C4	C5	Total	Avg. Deficit
Brazil (1988-98)	3	2	2	3	10	-6.32
El Salvador (1990-98)	3	1	3	2	9	-1.82
Chile (1989-98)	2	2	2	2	8	+2.45
Ecuador (1981-98)	2	2	1	3	8	-1.46
Nicaragua (1990-98)	3	2	1	2	8	-3.15
Peru (1981-92)	3	2	0	3	8	-4.71
Colombia (1983-98)	2	2	1	2	7	-1.89
Costa Rica (1983-98)	1	2	2	2	7	-3.75
Dom. Rep. (1990-98)	3	1	1	2	7	+1.13
Paraguay (1990-98)	0	2	3	2	7	+1.36
Uruguay (1986-98)	3	1	2	1	7	-1.45
Venezuela (1981-98)	3	1	1	2	7	-1.57
Panama (1990-98)	2	2	0	2	6	-2.03
Argentina (1983-98)	1	1	1	2	5	-2.42
Honduras (1982-97)	0	1	1	2	4	-6.98
Mexico (1989-98)	0	0	1	3	4	-0.51
Bolivia (1982-97)	0	2	1	0	3	-4.95
Guatemala (1991-98)	0	1	1	0	2	-1.07

Sources: Georgetown Political Database of the Americas ([www.georgetown.edu/pdba](http://www.georgetown.edu/pdba)); Alesina et al. 1999; personal conversation with Jose Molina, Universidad del Zulia.

**Table 2: Institutions and Budget Deficits**

	Coefficient (s.e.)	t
Constant	-5.33 (2.12)	2.52
Condition 2	.11 (.62)	0.17
Condition 3	-.51 (.82)	0.62
Condition 4	.38 (.92)	0.42
Condition 5	.25 (.52)	0.48
GDP growth	.83 (.27)	3.02

N= 18

R-sq. = .35