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## DESIGN AND TIMING IN BUREAUCRATIC REFORM IN PRESIDENTIAL VS PARLIAMENTARY SYSTEM: A THEORETICAL APPROACH

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### Abstract

While the study of comparative bureaucratic organization within the advanced, industrial democracies has made significant progress in recent years (Moe and Caldwell, 1994), we have a much thinner understanding of the causes and consequences of bureaucratic structure in the developing world. In order to generate hypotheses about both the timing and persistence of bureaucratic reform across different institutional settings, first we maintain that fearing agency's power loss and diminished policy-making flexibility, executives in presidential democracies have incentives to wait until the very end of their term before insulating their policy preferences in an institutional form. In contrast, it can be argued that the inherently unstable nature of multi-party coalitions within most parliamentary systems requires undertaking the insulation task right at the beginning of one's term in office. Second, we argue that due to their extreme concentration of power, Latin America's presidential democracies are highly susceptible to institutional instability, while the multiple veto gates embedded in South Eastern Europe's parliamentary democracies render them inherently more resilient to subsequent tampering by politicians. The paper concludes by noting the implications the analysis has for the current literature on policy reform.

Keywords: Presidential democracy, parliamentary democracy, bureaucratic structure

### Baskanlik Sistemi ve Parlamenter Sistem Karsilastirmasinda Bürokratik Reformların Zamanlamasi ve Tasarimi: Teorik Bir Yaklasim

### Özet

Günümüzde, gelismis-endüstriyel demokrasilerde karsilastirmali bürokratik organizasyonlar konusunda yapılan çalismalarda önemli ilerlemeler saglanmasina ragmen (Moe ve Caldwell, 1994), gelismekte olan ülkelerde bürokratik yapıyı olusturan neden ve sonuç iliskileriyle ilgili kapsamlı bir anlayis gelistirilememistir. Bürokratik reformun zamanlama ve devamlilik özelliklerinin farklı kurumsal düzenlemeler içindeki yansimalari, genel bir hipotezi ortaya

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çıkarmıştır. Çalışmada ilk olarak başkanlık sistemiyle yönetilen demokrasilerde reform çalışmalarını sırasında, kurumların etkinlik kaybetme korkusu ve kamu politikası-üretim esnekliklerinin azalması olgusu incelenmektedir. Başkanlık sisteminde yönetimler hizmet sürelerinin sonuna kadar kamu politikası tercihlerinin kurumsallaştırıcı faaliyetlerden kendini izole etmektedir. Buna karşın parlamenter sistem içindeki çok partili koalisyonların doğal yapısı nedeniyle yönetimler, görev süresinin başlangıcında kamu politikası tercihlerini belirlemek zorundadır. İkincil olarak, özellikle Latin Amerika'daki başkanlık sistemiyle yönetilen demokrasilerde kuvvetlerin aşırı derecede konsantrasyonu, kurumsal devamlılık sürecine zarar vermektedir. Diğer yandan Güney Doğu Avrupa ülkelerinin parlamenter demokrasilerinde çok yönlü veto kapılarının içselleşmesi, politikacıların tahrifatları karşısında sisteminin esnekliğini sağlamaktadır. Sonuç bölümünde, kamu politikaları reform çalışmalarının uygulamalarıyla ilgili güncel literatür taramalarından elde edilen bilgilerin analizi yapılacaktır.

Anahtar Kelimeler: Başkanlık demokrasisi, parlamenter demokrasi, bürokratik yapı

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## Introduction

The last few years have witnessed a veritable outpouring of literature on institutions in developing countries. In particular, the onset of democratization has provided rich new opportunities to study a range of topics heretofore confined to the advanced, industrial world, including political parties (Mainwaring and Scully, 1995), presidentialism (Mainwaring and Shugart, 1997), and the relationship between presidents and legislatures (Shugart and Carey, 1992). Curiously with a few notable exceptions (e.g. Geddes, 1994) absent from this work, however, is another important set of institutions vital to these democratic political systems: Bureaucracy. Thus, there has been little systematic effort devoted to understanding the causes and consequences of bureaucratic structure in the developing world. This lack of attention is puzzling. After all, most policy is actually designed and implemented within public agencies. Indeed, there is now a consensus in the development literature that understanding the role of bureaucracy, particularly how administrative restructuring affects the ongoing process of economic policy reform, constitutes the central theoretical and empirical challenge for the next wave of research in the "post-neoliberal" era (Kaufman, 1999; Pastor and Wise, 1999; Snyder, 1999). Yet, we still have a very thin theoretical understanding of why bureaucratic agencies look and act the way that they do. Therefore, this paper begins to advance this research agenda by examining how bureaucratic organizations may vary across different forms of democratic rule. To date, the most comprehensive framework for analyzing comparative bureaucratic organization has been advanced by Moe and Caldwell (1994). They argue that formalization strategies such as making a central bank independent from political control should be far more effective in a separation of powers, presidential democracy like the United States, than in the sort of Westminster-style parliamentary democracy found in the U.K. In the United States, so the story goes, the multiple checks and balances embedded in the political system mean that any legislation fortunate enough to make it through the process is likely to "stick." In contrast, in Great Britain, the supreme authority of the party in power renders all institutional commitments inherently vulnerable to ex-post manipulation,

inducing other forms of strategic behaviour on the part of politicians in order to safeguard their policy agendas.

While the theory in this paper is consistent with the general thrust of such predictions, our expectations about the precise relationship between democratic “type” and institutional structure are somewhat inverted. Precisely because their extreme concentration of power, Latin America’s presidential democracies would seem to be the most susceptible to institutional instability, whereas it is South Eastern Europe’s parliamentary democracies with their more evenly distributed authority that prove the most resilient. These observations reinforce the conclusions of the emerging literature on structure and policy about the importance of “veto gates,” (Tsebelis, 1997; Heller, Keefer, and McCubbins, 1998; Haggard and McCubbins, 1999), even though we can show how institutions themselves are able to serve as the relevant dependent variable, rather than merely acting as an additional constraint.<sup>1</sup> In particular, we contend that, fearing agency’s power loss and diminished policy-making flexibility, chief executives in presidential democracies have incentives to wait until the very end of their term before delegating authority to an independent authority. In contrast, the inherently unstable nature of multi-party coalitions within most parliamentary systems argues for undertaking the insulation task right at the very beginning of one’s term in office. To begin developing these points in more detail, the next section reviews the literature on bureaucratic insulation in the American politics. Section Three highlights fundamental differences between presidential and parliamentary rule with respect to bureaucratic design, and advances two hypotheses about the timing and effectiveness of insulation strategies within the developing world. The fourth section concludes by noting the implications of the analysis for the current literature on policy reform.

#### Bureaucratic Design: The Politics of Insulation

Contemporary theories of bureaucracy offer powerful insights into the relationship between institutional choice and political change.<sup>2</sup> The basic problem can be cast in terms of the principal/agent literature. This literature refers to a class of problems in which one actor—the principal—considers entering into a contractual relationship with another—the agent—with the expectation that the latter will choose subsequent actions that produce outcomes desired by the principal (Jensen, 1983). Within the scholarship on American politics from which most examples are typically drawn, members of Congress and the president are principals in an agency relationship with an executive bureau, whom they depend upon to execute policies in keeping with

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<sup>1</sup> A “veto gate” refers to the institutional hurdles that must be crossed for a proposal to become legislation. In the United States, relevant examples would be the House of Representatives, the Senate, the Supreme Court, the Presidency, as well as—depending on the issue—state governments and/or independent bodies like the Federal Reserve. Veto players are those actors who control veto gates.

<sup>2</sup> For a more thorough review of the literature on this topic—as well as various critiques that have been levelled against it—see, among others, Mashaw, (1990); Balla, (1998); Huber and Shipan, (1999).

their wishes. In addition to the standard moral hazard and adverse selection problems that typically plague this sort of control relationship;<sup>3</sup> the principals also need to worry about what happens when a new set of principals takes over in the future. For even if the authors of a particular piece of legislation manages to structure incentives and/or employ monitoring techniques so as to ensure that the agency does exactly what they want during the current period, new coalitions may come into power who fail to respect these arrangements.

Thus, politicians currently in the office need to worry about how they can control policy outputs by government agencies in an environment characterized by political uncertainty (Moe, 1990a: 122-125). This problem of “legislative drift” (Horn and Shepsle, 1989) gets resolved in the literature in a variety of ways. Mcnollgast (1987; 1989) focus on various “deck stacking” strategies that politicians can employ to influence the process through which agencies make decisions.<sup>4</sup> They suggest that by incorporating specific procedural arrangements (e.g., public notification and participation requirements), politicians can shape agency decision-making in a way that privileges those interests who were actively involved in the creation of the original legislation and most affected by the resultant policy. The beauty of this approach is that these rules need not dictate specific policy outcomes. Rather, they are intended to make sure that the agency will act on “autopilot,” such that as preferences of the initial constituencies enfranchised in policy-making change, so too should policies reflect such changes, making new legislation unnecessary.

Moe (1990a; 1990b) offers a similar analysis of agency structure. He identifies a variety of means through which incumbent politicians can manipulate diverse features of bureaucratic structure—e.g., introducing sunset provisions, housing an agency in a “safe location,” front-loading the benefits of agency mandates—so as to make it difficult for their opponents to undo their desired policies in the future. In both cases, the basic idea is that politicians can—and do—structure bureaucratic agencies so as to favour both constituent interests and substantive policy outcomes that the legislation’s original framers deemed important, even when this enacting coalition is no longer around.<sup>5</sup>

In addition to exposing the political strategy that underlies such institutional choices, this literature is also explicit about the welfare effects that flow from them. This is particularly true of Moe’s work. For Moe, the defining feature of political office is that it is imbued with a pre-existing authority. Office holders thus enjoy a *de facto* structural advantage over their opponents in the process of institutional creation, as

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<sup>3</sup> “Moral hazard” refers to a problem of hidden action (i.e., principals cannot observe the behaviour of their bureaucratic subordinates), while “adverse selection” concerns hidden information (i.e., bureaucratic agents know more than their political principals do).

<sup>4</sup> While Mcnollgast is more directly concerned with problems of so-called “bureaucratic drift,” their framework is equally applicable to control problems arising from changing legislative coalitions. Horn and Shepsle, (1989).

<sup>5</sup> The delegation literature has been extended to provide more carefully specified empirical propositions about how different features of the political environment influence both the choice and type of control instrument. See especially, Epstein and Ohalloryn (1994), Bawn (1997) and de Figuereido (1998).

while in power, they have a virtual “carte blanche” to design institutions as they see fit.

So, their opponents like it or not, have little choice but to accept what they create.<sup>6</sup> In this way, Moe suggests that politicians have both the incentive—and the ability—to use the power of office to impose their policy preferences on their successors. The main implication of his work is that the resultant institutions—far from benefiting all actors equally—may well leave certain actors worse off. At the very least they are likely to introduce a redistributive bias into the resultant policy (McCollgast, 1989: 443). While varying in their specific emphases, what each of these works has in common is an emphasis on turnover of power as a key motivation behind institutional design. Turnover matters because it signals to politicians that they are vulnerable to a change of policy in the future, and must thus seize the moment to protect their interests, while they still have the institutional wherewithal with which to do so. Though the institutions born of this insulation dynamic will not necessarily lie outside the pareto-frontier, they may well generate winners and losers. With a firmer understanding of the strategic underpinnings of bureaucratic structure within the American political context, we are now in a position to examine how this logic plays itself out within other political settings. In what follows, we briefly review what the literature has had to say about how different institutional environments condition the relationship between politicians and the bureaucracy, before turning to advance some related hypotheses about the democracies of the developing world.

#### Introducing Variation: Institutional Context and Bureaucratic Form

As noted in the introduction, Moe and Caldwell’s 1994 article, “The Institutional Foundations of Democratic Government”, remains the state of the art on comparative institutional design. Moe and Caldwell begin with the very fundamental question of “whether a parliamentary democracy would tend to generate a bureaucracy that is markedly different in terms of structure, performance and accountability from what we would find under presidential rule” [1994: 172]. They then proceed to map out a “politics of structural choice” (Moe, 1990a) for each type of the system.

The authors begin with a presidential democracy rooted in the separation of powers such as that found in the United States. As noted in the previous section, the highly conflictual nature of the political process in such a system—aggravated by political turnover—invariably yields a bureaucracy that is laden down with endless rules and procedures. In addition to whatever procedural constraints may arise from the inevitable disputes between interest groups, there is an added layer of struggle between legislators and presidents, both of whom are competing to control a bureaucracy which is accountable to both and yet “owned” by neither. The net result

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<sup>6</sup> Because he is analyzing agency design within the American political context—where the passage of legislation per force requires negotiation among groups with diverse interests—Moe explicitly incorporates an element of political compromise into his theory. But such compromise serves to only further laden down the bureaucracy with excessive rules, and does not change the essentially coercive nature of the dynamic he describes.

of these myriad battles over institutional structure, they argue, is a bureaucracy that is buried in red tape, designed more for political protection than it is for effective performance. But even while this “jerry-built fusion” (Moe, 1990a) constitutes an administrative monstrosity, it does have the added feature that, once created, these rules are likely to remain. Indeed, that is precisely why all of the relevant parties are willing to haggle incessantly over bureaucratic structure: they know that even while it may be quite difficult to get their much coveted administrative procedures past the multiple veto gates embedded in this system, anything that does manage to find its way into law is likely to be extremely difficult to undo. After all, each of these actors—interest groups, legislators, presidents—can enter into the policy-making process at one of any multiple junctures, and with political authority so divided and checked, their opposition alone may be sufficient to block change.

The same cannot be said for Britain’s Westminster parliamentary system. Here, majoritarian electoral rules and a strong tradition of party discipline render the dominant party in the Lower House of parliament virtually sovereign in determining policy. Moreover, because executive and legislative authority is fused, there is no inherent conflict between the different branches of government over the appropriate role of administrative agencies either. These defining features of British parliamentary rule have important implications for the way bureaucracy looks and behaves. On the one hand, it means that—lacking the sorts of institutional struggles built-into the American system—those in power can enjoy a more top-down and effective bureaucratic organization, one that is less hamstrung by red tape and more able to implement policies in a neutrally competent fashion. On the other hand, the limited number of veto players that characterizes such a system also means that successor governments will benefit from an equally untrammelled ability to pursue their programmatic agenda. Formalization via detailed legislative mandates is therefore not a feasible strategy for politicians seeking to protect their constituent’s interests. The majority party must resort to other, more informal tactics—e.g., reputation, co-optation and the like—in order to secure its policy commitments.

While Moe and Caldwell’s article serves as a useful baseline for generating a number of hypotheses about comparative democratic governance, it is just that: a baseline. The authors were aware that most political systems are far more complex than could possibly be captured by their (admittedly) simplifying framework. For starters, not every presidential democracy looks like the United States. Shugart and Haggard (1999), for example, have suggested that we need to examine how presidentialism interacts with a range of different electoral rules in order to generate more precise predictions about institutional structure. By the same token, not all parliamentary democracies function like Great Britain. We should at a minimum expect to see fundamental differences in agency design between the sorts of majoritarian systems like Great Britain and Canada, where one party is typically in charge, and the multi-party systems found in other parts of the globe where power-sharing is the order of the day.<sup>7</sup> In this respect, Turkish political system presents a nice example of a multi-party system at least since 1970s. A closer look at the newly

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<sup>7</sup> Moe and Caldwell allude to this point but do not develop it.

emergent democracies of Latin America and South Eastern Europe confirms these points. By examining their underlying institutional architecture in more detail, we suggest how we might derive two new hypotheses regarding bureaucratic reform in the developing world.

#### A. Institutional Stability

The first hypothesis has to do with the relationship between institutional structure and reform persistence. As Moe and Caldwell observe, not every political environment is equally conducive to institutional “lock in.” But, whereas in the particular comparison that they undertake it is presidential rule that proves more stable, while parliamentary rule is (at least in principle) more prone to volatility. By contrast, in the regions this paper examined, these predictions would seem to be reversed.<sup>8</sup> Thus, for example, the unusually strong presidencies that tend to characterize Latin American democracies may make it easier for those in power to undertake insulation in the first place. Like majority parties in a Westminster parliamentary system, these rulers appear to benefit from an almost unbridled authority to set policy while in office.<sup>9</sup> Indeed, Guillermo O’Donnell (1994) has coined the phrase “delegative democracy” to refer to the seemingly dictator-like status of contemporary Latin American presidents, in which the legislature is relegated to periphery of policy making process and presidents appear to rule through a series of decrees. To what extent such decree authority is appropriated by presidents and how much they are delegated to them is a matter of current debate (Carey and Shugart, 1998).

All things equal, however, these exaggerated policy making powers render incumbents’ institutional creations more easily compromised by their successors, who are equally free to overturn these administrative rules and replace with their own preferred structures. Conversely, the diffusion of authority that characterizes South Eastern Europe’s recent wave of parliamentary democracies may make initial institutional reforms harder to enact. There is a system rooted in proportional representation, which tends to facilitate the election of numerous small parties to office. The net result is typically a coalition government where no one party may entertain a majority of seats, forcing compromise on legislation and power-sharing across cabinet posts (Laver and Shepsle, 1994).

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<sup>8</sup> We say “at least in principle” because of the various informal strategies that politicians in the U.K. avail themselves of in order to make good on their policy promises. We take up this point below.

<sup>9</sup> There is, of course, one major difference. In a parliamentary system, the Prime Minister can always be ejected if he or she loses the support of parliament through a vote of no confidence. In a presidential system, in contrast, whether or not the president is popular he or she can remain in office through the end of the term. The existence of fixed terms is often presented as one of the main shortcomings of presidential rule in Latin America, as it makes it extremely difficult to change governments when the president has lost political support (c.f., Linz, 1994).

But precisely because of the multiple assurances that are needed in order to secure such a legislative agreement in the first place, these institutions should also, once created, be harder to undo. Like the United States, then, with its multiple actors and points of access, this is not an atmosphere conducive to ex-post institutional change. These observations are perfectly consistent with the logic underlying Moe and Caldwell's article—i.e., that it is really the number of veto gates that matters for explaining bureaucratic design. But in expanding the set of parliamentary regimes to include those that harbour more than one relevant policy-making authority and incorporating presidential systems in which checks and balances are somewhat more unbalanced, the analysis becomes more nuanced, in turn exposing areas for further inquiry.

Take accountability. One of Moe and Caldwell's central conclusions is that precisely because the "winner take all", the nature of British politics renders it vulnerable to high degree of political uncertainty. Politicians must resort to a number of different informal strategies in order to make their policy commitments credible. It is an interesting—if as yet unanswered question—as to whether such proxy commitment devices also exist in the developing world in systems where formalization alone does not seem sufficient to guarantee accountability.

A similar doubt arises with respect to bureaucratic performance. Moe and Caldwell argue that the lack of separation of powers in the Westminster system tends to endanger a less rule-bound administrative apparatus that is ultimately more effective at implementing policy. A cursory glance at Latin American bureaucracies, however, does not readily call to mind the sort of coherent rational hierarchy evidenced in the U.K. If anything, these agencies would appear to be even more mired in red tape, suggesting that some vestiges of presidentialism have, in fact, lingered.

Finally, to the extent that many of these alleged presidential powers actually stem from underlying legislative incentives and majorities—or the even the degree of state intervention in the economy—as Shugart and Haggard (1999) maintain, we should expect to see variation in the ability of incoming presidents to "wipe out" the institutional legacies of their forbears. Given the embryonic nature of this research endeavour, such musings are necessarily tentative and incomplete. Clearly, more research is needed to resolve some of these puzzles. But they do at least serve to begin to stimulate our thinking on this topic.

## B. Reform Timing

A second hypothesis that emerges from this comparison has to do with the timing of insulation across different institutional settings. All things equal, we should expect incumbent elites within presidential systems to rationally delay freezing their preferences in an institutional form until the bitter end, while reformers within parliamentary regimes will have incentives to take such actions right off the bat. To see why this is the case, we must first consider the various costs attached to insulation strategies like delegating authority to an autonomous body.

First, the nature of hierarchy is such that the creation of an independent agency is inevitably characterized by principal-agent problems (Jensen, 1983). Even under the most carefully monitored circumstances, some degree of slippage inevitably occurs. As long as rulers are secure in their hold on power, they should therefore want to structure an agency in the most transparent way possible so as to allow for smooth and easy political oversight down the road. That way, they can make sure that the agency does not get off track and pursue its own objectives, rather than those of the politicians who designed it. Despite of absence of a threat from their political opponents, it is not clear why a government would want to deny itself this important degree of institutional leverage. After all, insulation only comes at the cost of ineffective organization and reducing their own ongoing control over the agency (Moe, 1990a: 132-135).

In addition to these monitoring problems, agency independence also limits flexibility. Committing oneself to follow the dictates of a formal set of rules invariably entails a certain loss of discretion on the part of the government. In particular, those in power lose the ability to use the agency to respond to unforeseen contingencies. This observation is, of course, at the heart of the debate over “rules versus discretion” which first surfaced in the wake of the early credibility literature (Kydland and Prescott, 1977). It is again unclear why a government would want to risk this loss of responsiveness unless it faced a worse alternative—control by someone else.

A third and final reason to expect that the basic incentive for insulation should be absent without the threat of political change has to do with the “expectations effects” that flow from institutional creation. Once established, rules create expectations in the minds of other actors, who come to guide their conduct based on the existence of a certain set of procedures. It thus becomes quite costly for governments to violate such rules without incurring the wrath of their partners in exchange (Milgrom, North and Weingast, 1990; Lohmann, 1998). Power holders are likely to factor in such “expectations effects” before they choose to institutionalize a set of guidelines in the first place (Cukierman, Kiguel, and Leviatan, 1992). Knowing that they may be obliged to respect the rules of whatever they create, they should be reluctant to cede authority to an independent agency unless they have no choice. For all of these reasons—political control problems, the loss of discretion, and the binding nature of rules—a sitting government should not want to risk creating an independent agency prior to realized concerns about political transition. It is only when power holders know that they are likely to lose control of the polity at some point in the future that their willingness to incur these costs should alter, consistent with the insulation logic outlined in Section Two. The question on the table is how the prevailing institutional environment affects this calculation.

Our claim is that reform-minded politicians in presidential democracies like those of Latin America ought to wait until the last possible instant before seeking to entrench their interests. Given the extraordinary powers vested in contemporary Latin American presidents, they presumably enjoy a fair amount of discretion over the administrative apparatus anyway. If they attempt to insulate their policy preferences

too soon before leaving power, it is only they who stand to lose, as they are the ones who will suffer the related slippage effects, loss of flexibility, and the like. It therefore makes sense for them to delay assuming such costs as long as possible, and thus to insulate only at the very end of their terms in office when they can pass these costs along to their successors.<sup>10</sup>

The same is not true for parliamentary regimes. Because the legislature in such a system is effectively free to “fire” the prime minister at a moment’s notice, reform-minded politicians must always be on guard against the possibility that they may be unexpectedly ousted from power. This is especially true in the multi-party parliamentary systems typical of South Eastern Europe and Turkey, which are highly prone to votes of no confidence at the slightest provocation. Because the coalitions in such governments tend to be so fragile, a “carpe diem” mentality is thus likely to prevail amongst reformers, on the principle that if they do not act quickly, they may lose the opportunity for good.

### Conclusion

This paper has begun to formulate some hypotheses about comparative democratic governance in the developing world. Using Moe and Caldwell (1994) as a baseline, we have refashioned their observations about bureaucratic design and performance within presidential and parliamentary regimes in the advanced industrial democracies to accommodate the distinctive political landscape of the developing world. We have argued that lacking the de facto checks and balances characteristic of the United States, the presidential regimes of Latin America are far more prone to institutional reversal than their Northern neighbour. Conversely, the institutional reforms emerging from the parliamentary regimes of South Eastern Europe including Turkey—embedded as they are within a system of multiple veto players—seem most likely to endure. Second, we have also argued that different political environments dictate different incentives for reform timing. While delegating power to an independent agency only subjects leaders in presidential systems to a host of insulation costs prematurely, reformers in parliamentary systems are wise to “bite the bullet” as soon as possible, lest they be ejected from office before having time to institutionalize their agenda.

In closing, it is worth speculating as to what all of this has to say to the contemporary literature on policy reform. Above all, it suggests that we need to pay more heed to the way in which institutional incentives condition policy outcomes. Much of the debate over presidential vs. parliamentary rule has focused on questions of democratic stability (Carey and Shugart, 1992; Linz and Valenzuela, 1994), ignoring or relegating to the sidelines how these larger “systemic” variables impact economic policy making.<sup>11</sup> To the extent that these issues have been examined, authors claim to have found no clear pattern differentiating presidential and parliamentary systems with respect to their capacity to manage the economy or

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<sup>10</sup> Boylan (1999) makes a similar argument for authoritarian regimes.

<sup>11</sup> The volume by McHaggard (1999) is an important exception.

undertake economic reform (Haggard and Kaufman, 1995: Chapter 9). In contrast, this paper argues that democratic political context does matter for understanding policy reform, but that its effect is indirect—through institutions and the sorts of policies these induce.

In this regard, the timing hypothesis provides some interesting grounds for speculation with respect to what is widely referred to as the “honeymoon effect” (c.f. Remmer, 1993; Keeler, 1993; Balcerowicz, 1995). In brief, this concept holds that newly elected leaders may enjoy a short “honeymoon” at the very beginning of their term in office with which to experiment with radical policy reforms. Although the precise theoretical logic at work is not always made explicit, authors tend to invoke a “political capital” sort of argument which combines a suspension of ordinary demands on the part of voters together with risk-seeking behaviour on the part of politicians. While these factors may well be at play, it is also plausible that the larger institutional environment in which the reforms come nested is relevant. Simply put, certain political contexts—such as multi-party parliamentary systems—may dictate an institutional rationale for acting early and decisively lest politicians lose their chance for good.

In turn, this study also has interesting implications for the relationship between economic reform and the rule of law. Developing country polities are frequently assailed for their inability to safeguard market reforms. Among other culprits, this weakness is typically attributed to the lack of adequate institutional underpinnings and/or the unwillingness to enforce these (Clague, Keefer, Knack, and Olson, 1997). But, this study suggests that even where various market-preserving mechanisms are present, the incentives to comply with their rules may in part be dictated by a country’s broader institutional framework. Extrapolating from the cases considered here, we should thus expect—*ceteris paribus*—that lawfulness will be observed more consistently in multi-party parliamentary democracies in the developing world than it is in its presidential ones—as only the former set of countries exhibit sufficient checks on rulers’ authority.<sup>12</sup> Conjectures of this sort are well worth exploring in more detail and they should also be tested across a wider set of cases. For present purposes, however, we are less concerned with providing definitive answers to such questions, than with beginning to uncover certain properties of bureaucratic behaviour across different political environments. As Moe and Caldwell argue, “the basic forces at work are generic” (1994: 176).

The literature has already advanced quite a bit in mapping out the underlying institutional logic governing the polities of the advanced, industrial world. We must now continue to do so for the developing world democracies as well. The institutional variance exhibited both within and between South Eastern Europe and Latin America offers a rich laboratory for further exploration.

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<sup>12</sup> Keefer and Stasavage (1998) make a similar point.

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