Policy differences among parliamentary and presidential systems*

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Abstract

This chapter examines how the organization of power and authority affects the following policy outcomes. I place my focus on: (1) statutory law; (2) public spending; and (3) policy reversals. The empirical evidence suggests that, compared to Prime Ministers, presidents enjoy lower levels of legislative success. Yet, situations of "deadlock," or "stalemate" are rare events, even in the case of single-party minority governments under presidential democracies. Regarding public spending, the results suggest that one should look at governments' partisan composition rather than constitutional structures. Government spending over GDP is lower in countries with single-minority governments. This is a very common situation under presidentialism. As such, the negative relationship between presidentialism and public spending previously documented in the literature might be spurious. Finally, in terms of the connection between constitutional structures and policy reversals, I study a concrete policy choice: sovereign debt repayment. The analysis reveals that parliamentary democracies are less likely to reschedule their sovereign debts than presidential regimes.

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Introduction

The notion that the organization of power and authority affects democratic stability has been one of the most discussed issues among advocates of parliamentarism and presidentialism. Of central importance in this debate was the Linzian concern with concentration of executive authority under presidentialism (Linz 1990, 1994; Valenzuela 1994; Stepan and Skach 1993). Indeed, as Cheibub and Limongi (2011) note, by establishing a connection between separation of powers and the crises that led to democratic breakdowns in Latin America, Linz set out the agenda and the tone for comparative studies of constitutional structures.

More recently, however, the debate over the relative merits of presidentialism and parliamentarism shifted its focus to the policy and economic consequences of different forms of government (Rockman and Weaver 1993; Cowhey and McCubbins 1995; Eaton 2000; Persson, Roland, and Tabellini 2000; Haggard and McCubbins 2001; Persson and Tabellini 2003). Does the policymaking process in parliamentary democracies differ in significant ways from the policy process in presidential regimes? Do these different constitutional forms have an effect on the amount and the composition of government spending? How do these alternative institutional arrangements affect policy reversals? In this chapter, I examine these questions. In particular, I focus on the effect of parliamentary and presidential government on the following policy outcomes: (1) statutory law; (2) public spending; and (3) sovereign debt repayment.

I present new evidence for comparative research into democratic governance. In particular, I document the patterns of chief executives' statutory achievements in more than 50 countries in Western/Eastern Europe, North and Latin America, Asia, and the Middle East for the period between 1946 and 2012. The empirical evidence suggests that, compared to primer ministers, presidents enjoy lower levels of legislative success. Nonetheless, things like “legislative impasse," “deadlock,” or “stalemate” are rare events, even in the case of single-party minority governments under presidential democracies.

The empirical findings presented in this chapter also reveal that government spending depends on governments’ partisan composition rather than constitutional structures. When the government status (i.e. multi-party coalition or single-party government) is taken into account, the effects of presidential systems on fiscal policies largely vanish. Moreover, the results suggest that fiscal spending tends to be lower in countries where governments lack sufficient legislative support. Single-minority governments are quite prevalent under presidentialism. As such, the relationship between presidentialism and public spending might be spurious.

Finally, in terms of the connection between the form of government and policy reversals, the analysis presented in this chapter reveals that parliamentary democracies are less likely to reschedule their sovereign debts than presidential regimes. These findings indicate that, under parliamentarism, the confidence vote requirement may provide small, but powerful minorities the opportunity to prevent policy reversals.

The reminder of this chapter proceeds as follows. In the next section, I briefly discuss how presidentialism and parliamentarism can be conceptualized. In section 2, I document how these different ways of organizing power and authority affect statutory policymaking. I examine the effect of the two constitutional structures on government spending in section 3. In the following section, I examine the relationship between government coalitions, confidence requirements, and sovereign debt crises. A final section concludes.

1. Presidentialism and Parliamentarism

Before examining how the organization of power and authority affects policy outcomes, it seems appropriate to define each of the constitutional structures under consideration. Following Przeworski et al. (2000), presidentialism is understood here as a form of government in which (1) the president is both the Head of State and the chief executive, and he/she is elected by voters (or an electoral college chosen by them for that sole purpose); (2) the terms of office for the president and the assembly are fixed, and are not contingent on mutual confidence. By contrast, parliamentarism is defined as a form of government in which: (1) there is a Head of State and a Head of government. While the former plays merely a protocolary role, the latter is the country's chief executive and is elected by, and responsible to, the legislature; (2) the terms of office for the executive and the assembly are not fixed, and are contingent on mutual confidence (Przeworski et al. 2000).

These definitions capture the essence of separate origin and survival of government (executive) and assembly. While parliamentarism is a system of “mutual dependence,” presidentialism is one of “mutual independence” between the executive and the legislature. Under parliamentarism, the government (executive) must resign if it no longer enjoys the confidence of the legislative assembly. A defeat on a confidence motion or an “important” bill is typically enough to bring a government down. This relationship is by no means one-sided. The executive typically has the power to recommend the dissolution of the legislature, and may in practice do this for no better reason than expected gains for the government parties at the ensuing election (Strøm 1990). In contrast, under presidentialism, the president cannot dissolve the legislature to call new elections and the legislature cannot replace the government by exercising a no-confidence vote.

These criteria also clarify the constitutional relationship between the legislative and executive branches of government, distinguishing between fused and separation-of-powers forms of government. The efficient secret of the English Constitution, as Bagheot put it, is “the close union, the nearly complete fusion of the executive and legislative powers”. In terms of their membership, the executive and legislative branches often overlap almost completely under parliamentarism. Members of the executive usually are drawn from the legislature and very often continue to sit there. In fact, a cabinet post is one of the main career goals of most ambitious legislators. In contrast, under presidentialism, cabinet members are usually banned from serving simultaneously as ministers and legislators. The president may ask members of political parties other than his/her own to serve in the cabinet, but they are selected as individuals, not as members of a legislative delegation.

Note that whether powers are fused (parliamentarism) or separated (presidentialism) is an important consideration in understanding the systematic impact of constitutional structures on policy outcomes. However, it is not determinative. For example, in presidential systems, when different parties control the executive and legislative branches, either branch may veto policy changes initiated in the other. In this case, each party constitutes what Tsebelis (1995) calls a veto player. Presidentialism appears to create more veto players than parliamentarism when the United States and the United Kingdom are compared. Widening the focus to include other types of parliamentary and presidential systems, however, suggest that the simple distinction between parliamentarism and presidentialism does not determine the number of veto players. Two examples are parliamentary systems governed by multiparty coalitions and presidential systems where a single party controls the two branches of government.

Presidential and parliamentary regimes may both have devices that favor majoritarian decision-making, and others that give protection to the rights of minority parties and individual legislators. To fully characterize the different types of presidentialism and parliamentarism we must thus take into account the relationship among constitutional structure, party systems and electoral rules. A well-established literature in political science stresses the relationship between electoral rules and party systems. Hence, roughly speaking, we can focus on two fundamental features of political institutions: the electoral rule, contrasting majoritarian and proportional electoral systems, and the regime type, contrasting presidential and parliamentary regimes. This gives us four different types of regimes: majoritarian presidentialism, majoritarian parliamentarism, proportional representation presidentialism, and proportional representation parliamentarism. In the discussion that follows I will refer to presidentialism and parliamentarism in general when such distinction within them is not relevant and I will characterize the different sub-types when needed.

2. Ruling by Statute

It is clear from the discussion presented above that parliamentarism and presidentialism are different. But, how do these differences in institutional rules affect statutory policymaking? What combination of institutional and partisan considerations determines whether or not legislators will support a chief executive's agenda? The purpose of this section is to address these issues by documenting patterns of statutory policy-making around the world.[1]

[1] This section draws on Saiegh (2011).

2.1 Statutory Policymaking

Chief executives can create policy in a variety of ways. For example, they can act without the explicit consent of the legislative branch, and "legislate" on their own through executive orders, decrees and regulatory ordinances. Yet, the use of executive prerogatives as a source of law has important limitations. Decrees, for example, are usually seen as an exceptional policy-making instrument, and thus are particularly sensitive to judicial review. And, in some countries they can be overturned by legislature. In contrast, the legislative approval of statutes often allows chief executives to better insulate their policy choices from legal review (Remington et al. 1998; Amorim Neto 2006).

Statutory implementation of policy, though, is often complex, as it depends on the interactions between the executive and the legislature Hence, it is in the realm of lawmaking that we should examine the various combinations of institutional and partisan considerations that determine whether or not legislators will support a chief executive's legislative agenda. Scholars of comparative politics have traditionally argued that chief executives, both under presidentialism and parliamentarism, require adequate partisan support in the legislature to govern (in the case of the former), as well as to survive in office (in the case of the latter). In addition, arrangements determining the distribution of power among the branches of government are usually regarded as structural factors that shape the policy-makers' incentives, and in turn, affect statutory policy-making. George Tsebelis' work on veto players is a case in point. It spawned a plethora of studies on the capacity of different political systems to produce policy change (Tsebelis 1995; 2002).

Most of these studies, however, fail to explain why and when chief executives are unable to successfully enact policy changes through statutes. In the case of parliamentary regimes, the theoretical literature often assumes that the potential for policy immobilism only exists when multiple and polarized veto players have representation in the government (see Tsebelis 1995). In the case of presidentialism, most models are extensions of the theory of voting in legislatures and focus mostly on ways in which presidents can successfully pass their policy proposals. In particular, they assume that a chief executive will likely only send a bill to the legislature if the median legislator prefers a policy change to the status quo. Otherwise, assuming that suffering a legislative defeat will entail a political cost for the chief executive, he/she may be better off by not sending any legislation to the legislature at all. Following this logic, many scholars have developed models of statutory policy-making where proposers are never defeated (Shepsle and Weingast 1987; Alesina and Rosenthal 1995; Groseclose and Snyder 1996; Heller 2001).[2]

[2] Some scholars argue that chief executives may sometimes choose to be defeated in order to send a particular signal to the general public (Matthews 1989; Ingberman and Yao 1991; Groseclose and McCarty 2001). According to this view, a chief executive may occasionally adopt a strategy of "triangulation," positioning herself between her own party and the opposition forces in the legislature to build popularity. If there are

The main problem with the aforementioned accounts is the well-known "Hicks paradox," which holds that bargaining failures such as strikes, wars, vetoes, or legislative defeats are irrational in a setting of complete and perfect information (Kennan 1986; Gartzke 1999; Cameron 2000). If a chief executive has complete information, then for every possible bill, he or she could be able to strategically tailor the legislative agenda to his/her degree of legislative support. And, per the law of anticipated reactions, legislative passage rates should always be 100 percent.

Expectations would change if one believes that legislators' preferred policies couldn't be fully predicted in advance. Suppose that a chief executive has to propose to a legislature composed of legislators who belong to political parties, but who must respond to various pressures. In particular, assume that in deciding how to vote, legislators consider a variety of influences, including their personal values, announced positions, the views of their constituents, and the preferences of party activists as well as their party leadership. If these pressures are not aligned, then legislators are cross-pressured (Fiorina 1974; Fenno 1978; King and Zeckhauser 2003).

The fact that legislators account for different sets of interests when deciding how to vote is well documented in the literature (Covington 1988; Kalt and Zupan 1990; Jackson and Kingdon 1992; Levitt 1996; Londregan 2000). Most of the theoretical models mentioned above, however, do not incorporate these constraints in legislators' voting decisions. An exception is Denzau et al. (1985); they examine the idea that principals (supporters) not only induce preferences in agents (legislators) but also constrain their mode of behavior. As they note, lawmakers vote in the legislature, but they secure support, resources, and electoral rewards outside the legislative arena. Thus, legislators are judged not only by the collective choices made by themselves and their colleagues, but also by their own individual actions (Fiorina and Noll 1978; Denzau et al. 1985; Rasmusen and Ramseyer 1994; Groseclose and Milyo 2010).

From the chief executive's perspective, the fact that a group of legislators may face conflicting influences implies that in order to behave strategically he or she needs to assess how these legislators would cast their votes. Legislators are usually elected as members of organized parties, and their partisan affiliations are public information. In addition, a legislator's membership in a given political party/legislative bloc is often stable over time. In other words, a legislator's partisan affiliation does not vary across issues; and certainly not in conjunction with a bill's content. In contrast, a legislator's position regarding a specific bill will depend on the proposal's content. Therefore, although the partisan composition of the legislature is a priori observable, legislators' induced preferences are not. Here, then, lies the main difficulty that even the most strategic chief executives must confront.

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opposition forces in the legislature that need to be exposed in front of the general public, then this strategy may be palatable for a chief executive. Yet, if the public views the legislature as a natural extension of the chief executive's authority, it may not be a good idea for her to force defeats too frequently.

2.2. Empirical Patterns

From an empirical standpoint, the greatest empirical challenge to evaluate chief executive's statutory performance was the lack of truly cross-national research on this topic. While the study of presidential legislative success in the United States has a long and fruitful tradition, these analyses seldom provide systematic comparisons with other countries. Likewise, most comparative research on this topic relies on either case studies of particular acts of government or from country studies. Another substantial impediment to conducting research on statutory policy making at the cross-national level is the lack of a clear definition of legislative success. Students of executive-legislative relations use several measures and various units of analysis. In fact, passage, success, productivity, support, concurrence, dominance, control, and influence all appear in the scholarly literature (Edwards 1980; Shull 1983; Bond and Fleisher 1990; Peterson 1990) and sometimes are used interchangeably.

A commonly used indicator is legislative output. This measure, however, is not a good indicator of a chief executive's capacity to pass his/her agenda. Another frequently used measure calculates the percentage of all bills approved by the legislature that are of executive origin. This indicator speaks to the question of who initiates laws. It does not reveal, however, anything regarding the ability of a chief executive to win approval for his or her legislative initiatives. Other measures are constructed using legislative roll-call votes. The party roll rate is a case in point. This indicator typically seeks to reflect the government's control of the agenda; but it does not count the failure to pass a bill that the government likes as a roll (Cox and McCubbins 2005).

It is safe to assume that in most if not all cases, chief executives are not only concerned with whether their initiatives are considered by the legislature, voted upon, or almost pass, but also if the proposed legislation is enacted into law. Moreover, statutes are the definite measure of legislative output, whereas votes and positions on issues are merely means to an end of an uncertain consequence. Therefore, if the primary aim is to investigate how successful chief executives are in promoting their policy agendas in the legislature, it is most appropriate to use a box score. This indicator is calculated as the percentage of executive initiatives approved by the legislature. It is analogous to a batting average (i.e. number of hits as a proportion of times at bat). As such, it summarizes a chief executive's record of wins and losses (Bond et al. 1996). Despite some of its limitations, the box score is a tangible indicator that makes it possible to compare different chief executives and to assess their relative performance under varying circumstances. Indeed, as Rivers and Rose (1995) and King and Ragsale (1988) note, this is an ideal measure from a conceptual standpoint.

Figure 1 presents the distribution of box scores in a sample of 52 countries in Western/Eastern Europe, North and Latin America, Asia, and the Middle East for the period between 1946 and 2012. The data reveal that chief executives' passage rates vary considerably across as well as within constitutional structures.

< Figure 1 Here >

It is clear from Figure 1 that the passage rates of chief executives under parliamentarism are higher than presidential ones. The box scores from these two forms of government are indeed statistically distinct; a simple two-sample t-test indicates that one can safely reject the null hypothesis that no difference between the two systems exist at the 99 percent confidence level. One can also reject the hypothesis that box scores are higher under presidential regimes.

Another way to examine the variation in chief executives' legislative performance is to classify the observations according to the partisan distribution of seats in the legislature. Regardless of constitutional structures, the average box score of democratically elected leaders with majority governments is 78.5 percent, relative to an average passage rate of 72.7 percent in the case of chief executives under minority governments. When accounting for constitutional structures, some interesting patterns emerge. Under parliamentarism, majority and minority chief executives possess very similar box scores (roughly 83 percent), but the average box score for majoritarian presidents (67.5 percent) is higher than those in the minority (62.6 percent). One important consideration is that chief executives under both types of regimes may try to boost their legislative base of support by crafting government coalitions. Therefore, the legislative performance of chief executives under minority/majority governments could potentially be affected by the coalition status of their administrations.

To analyze this possibility, I examine whether a chief executive's government is (1) a single-party majority; (2) a single party minority; (3) a majority coalition; or (4) a minority coalition. The results are presented in Figure 2.

< Figure 2 Here >

Prime ministers who lead single-party majority governments enjoy the highest average legislative passage rates (88 percent), followed by those who rule under minority coalitions (84 percent). Prime ministers who rule under a majority coalition are the least effective ones (with an average box score of 76 percent), followed by those leading single-party minority governments (with an average box score of 82 percent). Still, as the data indicate, even under parliamentarism, single majority governments do suffer legislative defeats (including Westminster-type governments). In the case of presidentialism, single-party minority governments exhibit higher passage rates (an average of 70 percent) than do coalition majority (66 percent) and coalition minority (62 percent) administrations. As Cheibub et al. (2004) note, government coalitions tend to form when the policy distance between a minority party in government and the rest of the parties in the legislature is large. Therefore coalition governments are typically quite heterogeneous and have more players who could potentially veto a change.

Notice also that single-party minority presidents do not fare much worse than coalition governments. On average, 62 percent of single-party minority presidents' bills are approved by the legislature. Hence, it is clear that legislative paralysis is a relatively rare phenomenon, even under presidentialism. Moreover, it is apparent from these data that Prime Ministers posses higher legislative passage rates than presidents: the percentage of government bills approved in the legislature is higher under parliamentarism than under presidentialism, regardless of government coalition or majority status.

One possible explanation for the patterns presented in Figures 1-2, though, is that the box score data are subject to a form of self-selection bias that favors chief executives under parliamentary systems. As Cheibub et al. (2004) note, prime ministers risk losing the confidence of the legislature when they are defeated. Therefore, they must be careful in proposing legislation. Presidents, as the argument goes, can be more reckless: if they are indifferent to the status quo, they can initiate bills expecting to be defeated to embarrass the opposition.

According to the data, in a given year, the representative prime minister introduces 131 pieces of legislation, while the average president initiates 109 pieces of legislation. Statistically, however, there is no difference between the number of bills initiated by the two types of chief executives: a difference of means test indicates that the null hypothesis cannot be rejected at conventional levels. Therefore, at least with regard to the amount of legislation introduced by the executive to the legislature every year, the evidence indicates that presidents are not necessarily more reckless than prime ministers.

It might be argued that a chief executive's carefulness is reflected in the content rather than the amount of legislation. Unfortunately the argument cannot be put to a test using the available data. Nonetheless, it is still possible to gauge how "strategic" chief executives are when it comes to bill initiation. In particular, the data can be used to address the following questions: (1) is it true that some chief executives can manage to fatten their "batting average" by withholding legislation?; and (2) what is the relationship between bill initiation and statutory achievements?

Figure 3 shows the number of executive-initiated bills approved by the legislature as a function of the total number of proposals introduced by the chief executive in a given year (i.e. the box score's numerator and denominator, respectively). The dashed line in Figure 3 represents the predicted number of executive-initiated laws obtained from a linear regression, where the number of executive-initiated laws is regressed on the number of executive bills. The shaded areas are the 95 percent confidence intervals around these estimates.

< Figure 3 Here >

The evidence clearly rejects the notion that chief executives can obtain higher passage rates by initiating less legislation. The data on Figure 3 also indicate that the difference between presidentialism and parliamentarism regarding passage rates is unrelated to bill initiation. Finally, even though the data are not rich enough to test the claim directly, the patterns in Figure 3 suggest that chief executives under different constitutional structures do not necessarily successfully adjust the content of their bills all the time either.

3. Constitutions and Government Spending

The literature on constitutional political economy has a long tradition of studying how the different forms of government affect policies (Mueller 1996, 2003; Voigt 1997, 1999).[3] The work by Persson, Tabellini and coauthors, however, provides the most rigorous and comprehensive effort in linking characteristics of presidential and parliamentary systems to fiscal outcomes (Persson, Roland and Tabellini 1997, 2000; Persson and Tabellini 2000, 2003; 2004). From an empirical standpoint, one of their main results is that government spending over GDP is substantially lower in countries with presidential rather than parliamentary regimes. In this section, I critically review this finding, and emphasize some factors that may account for their proposed relationship between constitutional structures and government spending.

3.1. Politicians' Incentives to Tax and Spend

As noted in section 1, parliamentarism is a system of "mutual dependence" between the executive and the legislature, while presidentialism is one of "mutual independence." This crucial distinction, according to Persson, Roland and Tabellini (1997, 2000), creates important incentives for economic policy. In particular, they argue that it is easier for legislators to collude with the executive in parliamentary democracies than in presidential ones.

On the revenue side, Persson, Roland and Tabellini (1997, 2000) argue that by keeping the benefits of spending within the majority, legislators can behave as "residual claimants" on additional tax receipts in parliamentary regimes. In contrast, because presidents cannot make credible commitments to legislators about how money would be spent, legislators should be reluctant to approve high taxes. With regard to spending, they posit that stable majorities (of both voters and legislators) in parliamentary regimes can pass broad spending programs. The legislative process, however, should pit different minorities against each other under presidentialism. Therefore, Persson, Roland and Tabellini (1997, 2000) unambiguously predict larger governments (higher taxes and overall spending) in parliamentary democracies than in presidential ones.

The work of Persson, Roland and Tabellini provides a simple analytical framework to examine the causal effect of constitutions on policy outcomes. However, as Keefer (2004) notes, they make assumptions and emphasize institutional characteristics that scholars in the comparative politics literature do not. Therefore, their conclusions may be sensitive to changes in these assumptions or by driven by ancillary institutional features to which they give less emphasis (Keefer 2004).[4]

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[3] For example, political economy research in the 1990s focused on the role of budget institutions as determinants of fiscal outcomes, such as deficits and debt (von Hagen and Harden 1995; Alesina et al. 1999).
[4] Indeed, as Wehner (2014) points out, there is little evidence that the budgetary authority of legislatures differs systematically across parliamentary and presidential democracies.

3.2. Empirical Findings

In their book *The Economic Effects of Constitutions*, Persson and Tabellini confront their predictions with data (Persson and Tabellini 2003). Using different econometric strategies, and drawing on data from 85 countries over a period of almost four decades (1960–1998), they find that presidential democracies have smaller governments than parliamentary regimes (where government size is measured as government spending as a fraction of GDP). The result is robust regardless of whether linear regression or matching and propensity score methods are employed. In addition, they also show that similar estimates can be produced using instrumental variables or parametric selection correction strategies (Persson and Tabellini 2003).

The empirical analysis of Persson and Tabellini, however, presents a series of shortcomings. Blume et al. (2009) replicate and extend their analysis, finding that the effects of presidential systems on fiscal policies largely vanish when observations from 31 additional countries are incorporated into the original dataset. Likewise, Caruso, Scartascini and Tommasi (2015) show that the policy effects of constitutions postulated by Persson and Tabellini do not hold for countries with low levels of institutionalization. Acemoglu (2005) also criticizes the empirical analysis of Persson and Tabellini. He emphasizes the endogeneity of constitutional rules as well as the inadequacy of their instruments. Rockey (2012) addresses the concerns of Acemoglu, making some measurement and methodological refinements to the identification strategy of the causal effects of constitutional rules. His findings indicate that presidentialism has a negative effect on the size of government. This result, however, does not hold when countries that became democratic in the 1990s contained in the dataset of Blume et al. (2009) are included in the analysis.

A critical assumption made by Persson and Tabellini is that once a government is formed in a parliamentary democracy, a majority will always be able to implement its preferred policies. The presence of a confidence requirement does imply that all governments must enjoy legislative majority. As conclusively demonstrated by Strøm (1990), however, it is not true that parliamentary systems will necessarily produce majority governments. In fact, minority governments are not uncommon under parliamentarism. These governments are composed by political parties or parliamentary groups that collectively control less that one half of all the seats in the chamber of the legislature to which the cabinet is constitutionally responsible (Strøm 1990: 6). In the case of presidential systems, minority governments can be defined as those situations in which the party of the president does not control a majority of seats in the legislature. These include both the cases where no party – including the president's – controls a majority of legislative seats, and those where a party different from the president's holds a legislative majority. The latter is associated with majoritarian two-party systems and corresponds to the situation of "divided government" in the U.S. sense, whereas the former is typical of proportional representation multiparty systems.

So how do these two different forms of government fare in practice? The frequency of majority and minority governments under both parliamentarism and presidentialism can be calculated using the 2012 release of the Database of Political Institutions. The sample includes 3063 annual observations on 140 democratic countries between 1975 and 2012.[5] The data reveal that a situation where no party controls a majority of seats in the legislature exists 62.4 percent of the time under parliamentarism and in 54.4 percent of the time under presidentialism. And, when this is the case, minority governments occur during 30.4 per cent of the time under parliamentarism and 51.5 per cent, under presidentialism. [6]

Whenever any single party controls a majority of parliamentary seats or the president's party controls a majority of congressional seats, coalitions are not necessary to govern. As the empirical evidence indicates, however, it is often the case that no party possesses an overall majority of legislative seats. This leads to the distinction between single-party and coalition governments. Government coalitions can be of two kinds. A portfolio coalition is a set of legislators belonging to parties that hold cabinet posts, while a legislative coalition is a set of legislators from different parties who vote together.[7]

Portfolio coalitions were traditionally considered by the literature to be rare and unstable in presidential regimes and frequent and stable in parliamentary regimes. The assumption being that the institutional differences between the two regimes was sufficient to create divergent incentives for coalition formation (Mainwaring 1993; Linz 1994). This view, however, is at odds with the empirical evidence. The DPI data indicate that coalitions are less frequent but far from exceptional under presidentialism (they occur 49% of the time compared to 62% of the time in parliamentary democracies). They also demonstrate that single-party minority governments are more frequent under presidentialism than under parliamentarism (19.3% versus 7.1%).

As the results presented in section 2 indicate, legislative passage rates of single-party and coalition governments are statistically distinct regardless of constitutional structures. This differential ability to enact policy changes through statutes raises the possibility that the analysis in Persson and Tabellini (2003) may suffer from omitted variable bias. It is thus

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[5] The Database of Political Institutions (DPI) is compiled by the Development Research Group of the World Bank for research in comparative political economy and comparative political institutions. Beck et al. (2001) present the database; the coding rules and sources are described in detail in the codebook (Keefer 2005).

[6] In a study of 132 governments in 12 parliamentary democracies, Taylor and Laver (1973) find that 34.1% constitute minority governments. Arend Lijphart (1984) reports the proportion as 67 of 218 (30.7%) governments in 20 countries over the period from 1945 to 1980. Cheibub (1998) finds a similar proportion of cases using data for 21 industrialized parliamentary regimes between 1946 and 1995.

[7] If parties are disciplined, then every portfolio coalition is a legislative coalition. Legislative coalitions may vary from one issue to another. Such variations may arise from the fact that parties may vote together on some but not all issues or from lack of party discipline among members

necessary to examine if their main result regarding the relationship between presidentialism and the size of government is robust to including measures of government status.

Table 1 presents the results of a replication of the empirical exercises in Persson and Tabellini (2003) on the overall size of government using the same data and the same estimation procedures, but including government status among the independent variables. For simplicity, I restrict myself to OLS estimates and only report the results for the form of government variables. Following Persson and Tabellini, I employ Huber-White Robust standard errors to address heteroskedasticity in all models.[8]

< Table 1 Here >

Models 1 and 2 are a replication of Persson and Tabellini (2003, Table 6.1, Models 2 and 5, p. 159) yielding exactly the same results. The first specification relies on their 1990s cross-section and includes indicator variables for geographical location and colonial origin. In Model 2, weak democracies (with a GASTIL score larger than 3.5) are excluded from the analysis. There are three countries for which data on government status is missing (Botswana, Cyprus and Estonia). Model 3 contains the same specification as Model 2, without these observations. The results indicate that the presidential democracy variable is robust to the exclusion of these three countries.

When measures of government status are included as independent variables the picture changes substantially. In Model 4, I include an indicator of the share of years in which a country was governed by a multi-party coalition between 1960-1998. The sample average for this variable is 46.8%, or roughly 18 years during the period. In parliamentary democracies, multi-party coalitions occurred 55% of the time, while presidential democracies were governed by multiparty coalitions less frequently (some 11 years, on average). With regard to the effect of presidentialism on government spending, the inclusion of the multi-party coalition control variable reduces both its coefficient size as well as its level of statistical significance (z-score of -1.47). The effect of the government coalition variable on government spending is also statistically indistinguishable from zero.

Model 5 includes an alternative measure of government status: *Single-Party Minority Government*. This variable is an indicator of the share of years between 1960-1998 in which a country was governed by a single party lacking control of a majority of seats in the legislature. As such, its complement is the share of years a country was ruled by both coalition governments as well as single-party majority governments. The sample average is 19.1%, or approximately 7 years during the 1960-1998 period. In presidential democracies, single-party minority governments occurred 35.9% of the time, while parliamentary democracies were governed by this type of government less often (about 4

[8] All specifications include the following controls: LYP, GASTIL, AGE, TRADE, PROP65, PROP1564, FEDERAL, OECD, AFRICA, ASIAE, LAAM, COL_UKA, COL_ESPA, COL_OTHA.

years, on average). The results indicate that once this measure of government status is included in the model, presidentialism has no effect on government spending. It is worth noting, though, that countries governed by single-party minority governments display lower levels of central government expenditure: a one-standard deviation increase in the share of years with single-party minority governments (which roughly corresponds to 8 years), would imply a 2.6% decrease in government spending.

Overall, the results presented in Table are consistent with some of the previous findings in the literature (cf. Blume et al. 2009; Caruso, Scartascini and Tommasi 2015). Once additional control variables are included, the effects of presidential systems on fiscal policies largely vanish. The results presented here, however, point in the direction of a distinct mechanism linking forms of government and public spending. In particular, the findings suggest that governments lacking sufficient legislative support tend to be held at bay more often when it comes to spending public revenues. And, this effect holds, irrespective of the countries' type of constitutional structures.

4. Policy Reversals: Sovereign Debt Repayment

As Stein and Tommasi (2008) point out, some countries are able to implement public policies that are stable over time, yet flexible enough to adapt to changing economic conditions. Other countries, though, tend to change policies whenever the balance of political forces changes, or must resort to highly inflexible rules to give policies some stability and credibility. From an institutional standpoint, Cox and McCubbins (2001) argue that arrangements that facilitate greater "resoluteness" (the ability to commit to long-term policies) may erode policymakers' "decisiveness" (the ability to modify policies when necessary). In this section, I examine how the distinction between parliamentary and presidential government affects this trade-off focusing on a concrete policy choice: sovereign debt repayment.

4.1. The Redistributive Consequences of Default.

Both the popular press and the scholarly literature reflect the idea that sovereign debt repayment depends not only on economic but also on political conditions. Recent studies suggest that sovereign debt crises take place after a country's economy has gone through a serious downturn and when other measures have failed (Levy Yeyati 2006, Inter-American Development Bank 2007). On the other hand, Tomz and Wright (2007) find that, between 1820-2004, countries suspended payments on loans from private creditors not only during "bad times," but also when the domestic economy was favorable. The also demonstrate that throughout this period, some countries maintained debt service in the face of adverse shocks.

As these studies note, the precise timing of default responds to both economic and political considerations rather than to a deliberate opportunistic decision to repudiate previous obligations. Therefore, under bad macroeconomic conditions (after a prolonged recession, and/or when external financing has dried up) the temptation to repudiate the country's sovereign debt may become particularly attractive to the authorities. However, the government can also do the opposite: force the country's macroeconomic conditions to meet its foreign obligations. The authorities can make an effort to service the country's debt by cutting public spending and/or raising taxes.

Political conditions determine the range of policy options available to the government. For instance, budget cuts required for debt repayment certainly affect public sector employees, the unemployed and poor citizens. In some cases it may be politically feasible reduce public spending. Active opposition, however, may reverse this strategy. Whether the domestic economy is forced into conformity with the external conditions or vice versa depends on how intensely the government's constituents feel about the issue and the power of the relevant groups in society.

4.2. Forms of Government and Debt Repayment

A lively debate exists in the literature with regards to the link between constitutional checks and balances, access to credit, and debt repayment. The notion that governments bound by the rule of law will be more likely to repay debts without rescheduling or defaulting has been a prominent idea since the publication of North and Weingast's seminal article on public borrowing in seventeenth century England (North and Weingast 1989). According to this argument, electoral accountability makes democracies more likely to honor their debts than nondemocratic countries (Schultz and Weingast 2003). A number of scholars, however, have challenged this view arguing that the role played by domestic political institutions in a government’s decision to repay its sovereign debt is more complex (Stasavage 2003; Saiegh 2005; Archer, Biglaiser, and DeRouen 2007).

For example, Stasavage (2003) makes a compelling argument linking the ability of governments to credibly commit to debt repayment to the existence of cross-issue coalitions. He notes that the experience of post-1688 England suggests that interests opposed to default may gain influence even in the absence of checks and balances. In particular, he argues that in societies where there are multiple dimensions of political conflict, even if government creditors are a small minority, other groups have incentives to support timely repayment of debts. The reason is that by doing so, they can gain the support of government creditors on issues such as religion, or foreign policy (Stasavage 2003).

According to Stasavage, cross-issue bargains should be more durable if members of a common political party make them. His argument is based on the idea of “long coalitions;” the notion that the expected gains from multiple-issue log-rolls should lead to the formation of legislative parties (Schwartz 1989). Yet, as Bawn and Rosenbluth (2006) note, a government of many parties may behave differently than a single-party coalition of many interests, even when the same interests are represented. This difference, according to them, resides in electoral accountability: a single party in government is electorally accountable for all policy decisions it makes; but parties in multiparty coalition governments, are held responsible only for policy decisions in the areas in which they have their biggest stake. Therefore, parties that participate in coalition governments may have incentives to externalize those costs not borne by their support groups. These incentives imply that, regardless of their electoral size, coalition partners may enjoy a disproportional amount of political power, as they can potentially “make or break” governments.

This is precisely the line of reasoning pursued in Kohlscheen (2010). He presents a game theoretic model of an executive's decision to reschedule external debt. His model predicts that if there is some heterogeneity over debt policy preferences and some of the politicians oppose default, then proposing a default entails a risk for the chief executive. The reason is that, even if the senior coalition member is a pro-default politician, a junior member holding a different view on the desirability of default may want to replace him/her by a politician that will seek normalization of international flows when a new government is formed. Therefore, his main theoretical finding is that the confidence vote requirement makes default a less likely equilibrium outcome in parliamentary democracies (Kohlscheen 2010).

4.3. Empirical Evidence

Several studies explicitly examine the effect of forms of government on sovereign debt crises from an empirical standpoint. Kraay and Nehru (2006) find a negative relationship between measures of the quality of policies and institutions (the World Bank's CPIA index) and the incidence of “debt distress” episodes. Using the same measure, Gelos at al. (2011) report that the quality of institutions influences countries’ ability to tap the markets.

With respect to the form of government, Van Rijckeghem and Weder (2009) and Kohlscheen (2010) show that the probability of debt rescheduling is lower in parliamentary democracies than in non-parliamentary regimes. Both studies also examine default propensities conditional on whether or not government parties hold a majority of seats in the legislature and whether the majority status is achieved alone or through the formation of a multi-party coalition. Likewise, the results in Saiegh (2009) indicate that countries that are governed by a coalition of parties are less likely to reschedule their debts than those under single-party governments.[9]

To evaluate the effect of domestic politics on sovereign default, I use an original dataset introduced in Saiegh (2009). The sample consists of 502 observations on 48 developing countries for the 1971-1997 period. It includes 324 debt-rescheduling cases that cover 43

[9] Kohlscheen (2006) considers the effect of coalition governments on debt rescheduling, but restricts his attention to parliamentary democracies. This is problematic because government coalitions are less frequent, but not exceptional under presidentialism. Cheibub et. al. (2004) calculate the number of cabinets that include members of opposition parties to be one of every four under presidentialism, or more than half excluding majority presidents.

countries.[10] Default is defined as an event when the scheduled debt service is not paid on the due date or the sovereign makes a restructuring offer which contains terms less favorable than the original debt, as opposed to an outright repudiation of debts or a unilateral suspension of payments. This conceptualization is consistent with the technical definition applied by credit-rating agencies (Beers and Chambers 2007, Inter-American Development Bank 2007) and with existing empirical studies (Kraay and Nehru 2006, Van Rijckeghem and Weder 2009, Kohlscheen 2010, Tomz and Wright 2007). Therefore, my dependent variable is defined broadly to include rescheduling or restructuring of debt, including arrears on either principal or interests.

The unconditional probability of a parliamentary democracy rescheduling its sovereign debt in any given year between 1971 and 1997 was 47%, compared to 83% for presidential regimes. A comparison of means test allows us to reject the hypothesis that the average rescheduling for the two types of constitutional structures are equal (t= 8.5435).

Moving onto the multivariate analyses, my main independent variable of interest is the form of government, defined as either presidential of parliamentary democracy.[11] In line with the analyses presented in previous sections, I also take into account other political factors such as the government status and the electoral rules. Finally, I also control for a number of macroeconomic factors that influence the likelihood of sovereign debt servicing difficulties and default.[12] A probit specification is used to model the probability of default. Table 2 reports my main findings.

The first model provides a baseline, and thus excludes political factors from its specification. In the second model, I introduce an indicator of a country's constitutional form of government. The variable takes a value of 1 if the country is a parliamentary democracy, and 0 otherwise (i.e., this residual category includes both presidential as well as mixed systems).[13] The third column presents the results of the model that includes an

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[10] The coverage depends on the World Bank's classification of less developed countryis. This is why, for example, Malta --a European country-- is included in the sample. Appendix I provides a list of countries included in the analysis.

[11] I thus exclude from the analysis countries with mixed-systems (i.e. semi-presidential democracies).

[12] The variable *Debt/Output* captures the degree of solvency of a particular country; *Debt/Service* measures possible liquidity (as opposed to solvency) problems faced by a particular country; *Current Account/GNP* measures the quantity of investment financed through borrowing from abroad; *International reserves/Total Debt* measures the level of international liquidity held by a country; *Growth Rate* is an indicator of the economy's overall performance; *Short-Term/Total Debt* captures the fact that many countries are able to avoid a rescheduling of their sovereign debt by borrowing short-term funds in the international markets; *Sum of past Reschedulings* measures how countries' rescheduling probabilities are affected by their past behavior.

[13] What distinguishes parliamentary from mixed systems is that the government's existence in the latter depends both on the legislature (through the vote of no confidence)

indicator for *Proportional Representation*. This indicator takes the value of 1 if the electoral system in place employs proportional formulas, and 0 otherwise (i.e. majoritarian, multi-tier, or mixed type). These formulas include both quota systems (Hare, Droop, Imperiali, and Reinforced Imperiali), and highest average systems (d'Hondt, series, Sainte-Lague series, and Modified Sainte-Lague series). The data were obtained from Golder (2005). The fourth and fifth columns report models including both the type of government and electoral rules among the independent variables. Models 1-4 include region fixed effects, while the remaining one includes both region as well as year fixed effects.

< Table 2 Here >

The results indicate the countries with a parliamentary form of government are less likely to reschedule their debts than those with a different constitutional structure. This finding is robust across the different specifications. Indeed, Models 4 and 5 reveal that having a multi-party coalition government diminishes the probability of debt rescheduling. This finding should not be surprising. As Cheibub et al. (2004) note, parties are usually concerned with both cabinet positions and policies. Therefore, coalition partners can also make credible threats under presidentialism because they can withdraw support for policies that the government wishes to pass (Cheibub et al. 2004). The effects of having a vote of confidence procedure, however, remain strong both in statistical and substantive terms regardless of the coalition status of the government.

The group of individuals who have an incentive to demand from the government that sovereign debt be honored is often reduced to a small segment of the population in less developed countries. Therefore, the findings presented in Table 2 support the view that, by giving these privileged groups the ability to use the confidence vote requirement to potentially “make or break” governments, parliamentarism may effectively provide a useful mechanism to prevent sudden policy reversals.

Conclusions

In this chapter, I examined whether the policymaking process differs in significant ways under parliamentary versus presidential democracies. The empirical evidence indicates that chief executives possess higher legislative passage rates in parliamentary regimes compared to presidential ones. In addition, the statistical analyses suggest that sudden policy reversals with distributional consequences – such as sovereign debt rescheduling – are less likely to occur in countries with parliamentary rather than a presidential form of government. Taken together, these findings seem to indicate that parliamentarism may enhance policymakers’ “decisiveness” (the ability to modify policies when necessary) as well as facilitate greater “resoluteness” (the ability to commit to long-term policies).

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and on a directly elected president, who can remove the government unilaterally or by dissolving the legislature (Cheibub et al. 2004). According to this criterion, 16 of the 48 countries in the sample are parliamentary.

The analysis presented in this chapter, however, reveal that no significant relationship exists between constitutional structures and government spending. Instead, it suggests that fiscal spending tends to be lower in countries where governments lack sufficient legislative support. And, while it is true that single-minority governments are quite prevalent under presidentialism, they also tend to occur under parliamentarism. Therefore, this finding obscures the argument that presidential systems pursue different policies than parliamentary democracies.

Taking everything into account, one can constructively conclude that while forms of government are important, there is still ample room for alternative explanations for policy variation. As both Keefer (2004) as well as Blume et al. (2009) note, given the heterogeneity of presidential and parliamentary systems over important institutional dimensions further research needs to be more specific in trying to identify possible transmission channels between constitutional structures and policy outcomes. In addition, it will also need to pay particular attention to the potential far-reaching effects of small differences in institutional details.

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Tables and Figures

Table 1. Constitutions and Size of Government

	(1)	(2)	(3)	(4)	(5)
Presidential Democracy	-5.291***	-8.294***	-7.139**	-5.488	-4.482
	(1.922)	(2.725)	(3.323)	(3.729)	(3.860)
Majoritarian	-5.736***	-5.593**	-5.185*	-4.448*	-7.187**
	(1.945)	(2.679)	(2.777)	(2.547)	(2.796)
Government Coalition				3.793	
				(2.899)	
Single-Party Minority Gov.					-11.458**
					(4.546)
Constant	52.891***	54.342**	51.966**	55.918**	52.516**
	(16.464)	(22.138)	(21.938)	(21.758)	(21.397)
Observations	80	62	59	59	59
R-squared	0.705	0.704	0.721	0.733	0.756
Replication	Yes	Yes	Yes	No	No
Same Sample	Yes	Yes	No	No	No
rmse	6.375	6.783	6.786	6.712	6.419

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 2. Constitutions and Sovereign Debt Repayment.

	(1)	(2)	(3)	(4)	(5)
Parliamentarism		-1.094***	-1.090***	-0.976***	-1.928***
		(0.339)	(0.353)	(0.369)	(0.406)
Proportional Representation			0.042	0.246	0.333
			(0.415)	(0.412)	(0.457)
Coalition Government				-0.685***	-0.640***
				(0.236)	(0.247)
Debt/GDP	0.008	0.009	0.010	0.010	0.018
	(0.009)	(0.009)	(0.009)	(0.010)	(0.011)
Debt/Service	0.004*	0.004*	0.004*	0.004	0.004*
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
Current Account	-2.205	-2.528	-2.483	-2.727	-1.742
	(2.387)	(2.482)	(2.457)	(2.487)	(3.026)
Reserves	0.000	0.000	0.000	0.001	0.000
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Growth	-1.214**	-1.246**	-1.246**	-1.349**	-1.431*
	(0.575)	(0.591)	(0.591)	(0.624)	(0.768)
Short-Term Debt	-0.007	-0.009	-0.008	-0.003	-0.014
	(0.013)	(0.013)	(0.015)	(0.014)	(0.013)
Sum Past Defaults	0.108***	0.099***	0.099***	0.105***	
	(0.031)	(0.032)	(0.032)	(0.029)	
Constant	-0.811	0.146	0.133	0.565	1.673**
	(0.536)	(0.709)	(0.760)	(0.775)	(0.654)
Observations	427	427	427	427	425
Year FE	No	No	No	No	Yes
Region FE	Yes	Yes	Yes	Yes	Yes

Robust standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Figure 1. Distribution of chief executives' box scores

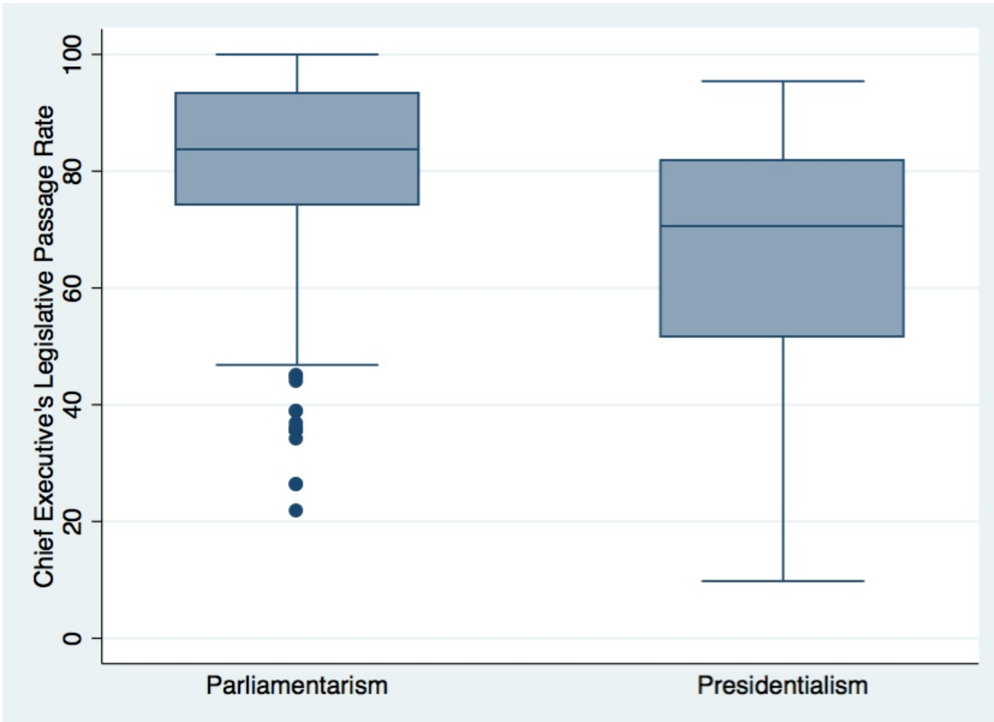

Figure 2. Box scores by government status

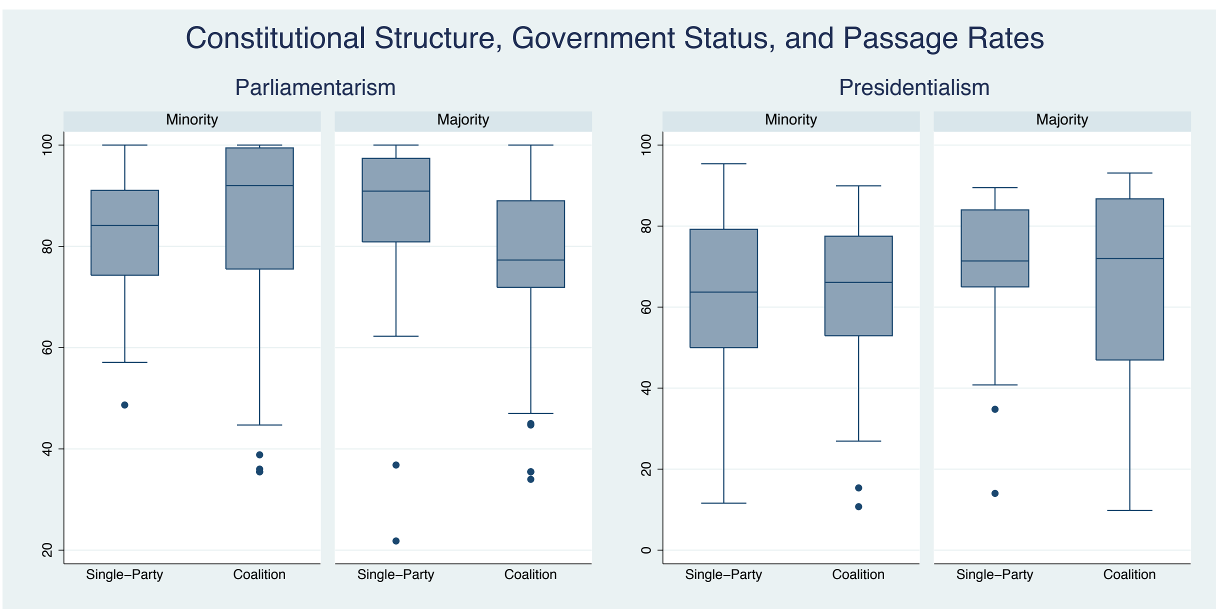

Figure 3. Bill Initiation and Statutory Achievements.