

〈Article〉

The Politics of Public Pension Reform in Brazil*

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Since 1995, in the face of a serious financial crisis of the public pension system, the Cardoso Administration has been making continuous efforts to reduce the fiscal deficit by cutting pension benefits and tightening eligibility. Yet, this urgent task has not been accomplished. As life expectancies in Brazil have increased dramatically in the last thirty years, the state-sponsored pay-as-you-go (PAYG) system faces increasing actuarial and fiscal imbalances. At the same time, the increasing cash flow deficit of the pension system exceeded 4.4 % of GDP in 1998, becoming a principal cause of national fiscal deficit expansion, while implementation of austere fiscal policy was needed¹⁾. Despite these demographic and economic pressures, pension reform is politically hazardous because it requires constitutional amendment. At the first stage of reform, the Cardoso Administration was seen as advantageous, not only because it enjoyed well over a three-fifths majority required for adopting the constitutional amendment, but also because weakening labor forces appeared not to exercise an effective veto power against the proposal to curtail their vested right. However, it took no less than three years for the amendment to be passed in the legislature. In addition, several months later, the Supreme Court rejected a part of this political decision, responding to the immediate contestation of the more privileged, vocal public employees. As a consequence, few substantial solutions have been reached so far to reduce the huge pension deficit.

This study aims to explain this intricate process in which public pension

reform under the Cardoso Administration came to a deadlock. I argue that the occupational pension system and fragmented party system are decisive factors in explaining Cardoso's failure to contain pension deficit. The first section highlights characteristic features of public pension reform as a political issue. The second section examines plausible explanatory variables, and describes how old and new institutions of Brazil's political system shape the politics of pension reform: the occupational pension system as an institutional legacy of state corporatism and a fragmented party system under the present democratic regime. The third section examines, in detail, the erosion of the process of reform attempts at the initiative of President Cardoso. Finally, I conclude that institutions matter in determining the outcome of public pension reform in Brazil.

I Public Pension Reform as a Political Issue

Since the beginning of the 1990s public pension reform has been treated as a priority matter in Latin America. Demographic and economic pressures equally have been driving governments throughout the region to embark on the politically difficult task of retrenching social security expenditures²). Despite this commonality, there is a remarkable variation in mode and degree of reforms. Most of the countries privatized, either completely or partially, the state-sponsored measure of social protection. The Brazilian case is exceptional in that policy makers did not take the privatization option. As Korpi and Palme noted, the nature of arguments in social policy debates has varied across countries and time³). Before examining factors that influence the outcome of reforms, it is necessary to understand what is really at stake about Brazil's reform, which would shape the course of reform.

1 Brazil's Pension System: Generous Benefits/Eligibility and Public-Private Divide

In the middle of the 1990s, pension deficit came to light as an unexpected by-product of successful control over three-digit hyperinflation, which had undermined the Brazilian economy since the debt crisis in the 1980s. After the stabilization plan (*O Plano Real*) succeeded in lowering

the inflation rate per year to one digit in 1994, it was revealed that the total cash flow deficit reached nearly 2% of GDP in 1996, and exceeded 4.4% in 1998⁴⁾. The combined effects of demographic and institutional factors are decisive in accounting for this increasing fiscal imbalance.

Changes in the population structure directly affect Brazil's mandatory pay-as-you-go (PAYG) system⁵⁾. Under this system, current resources, composed of workers and employers' contributions and federal transfers, finance current benefits for pensioners. On the one hand, life expectancies in Brazil increased from 42 years in 1940 to 68 years in 1996, corresponding to more than 5 years' increase per decade on the average during this period. It is expected to reach 76 years not later than 2020. On the other hand, the population growth rate declined from 1.9% in 1987 to 1.4% in 1997. These combined trends have resulted in an increase in the dependency ratio (the ratio of working age population to pensioners) from approximately 2.4 in 1991 to 1.7 in 1997. According to this estimation, unless the contribution rate is raised or the real value of provisions is cut, the imbalance between revenues and expenditures will surely continue to worsen⁶⁾.

More importantly, generous benefits and eligibility characterize the Brazilian pension system, and have become a main target for criticism. Brazil's pension system is made up of three pillars: the General Social Security Regime for Private Sector Workers (Regime Geral de Previdência Social-RGPS), the Social Security Regime for Public Sector Workers (Regime de Previdência do Serviço Público-RJU), and the Social Security Complementary Regime (Regime de Previdência Complementar). Prior to a partial reform in 1998, participants in the two main pillars, the RGPS and RJU, were able to attain eligibility for a pension at an early age and with a high replacement ratio⁷⁾. Without a minimum age requirement, the length of the service program allowed male workers who could document 35 years of plan participation, and female workers who could document 30 years to retire with a full pension in both public and private sectors⁸⁾. In fact, since a large number of Brazilians started to work at very early age, plan participants become eligible for the length of service program at the age of 54.9 for men and 53.3 for

women on the average, and continue to receive a full pension for the rest of their lives. A high replacement rate for proportional or early retirement pension also created strong incentives to retire very early⁹⁾. In 1995, the expenditure for the length of service program increased to 68.3% of total spending, thus constituting a substantial part of the social security deficit.

Furthermore, it is worth emphasizing that there are salient differences between the RGPS and RJU with respect to benefits and eligibility. The RJU participants are guaranteed better conditions in both aspects. First of all, before 1998, the public workers were not required to contribute toward their retirement benefits. Still in 1999, the contributions covered only 21.7% of the spending for the benefits. Despite a small amount of contributions, the RJU participants can enjoy an amount of benefits nearly eight times as large on average as the RGPS recipients¹⁰⁾. It should also be noted that, because eligibility is not conditioned by retirement, the RJU participants are allowed to accumulate wage and pension at the same time. Moreover, a full pension is defined as a 40 % addition to the last paycheck. Altogether, in 1998, despite the small coverage, the RJU's expenditure corresponded to about three-fourths of that of the RGPS and accounted for more than three-fourths of the total deficit of the overall pension system¹¹⁾.

As mentioned above, generous benefits and eligibility common to the RGPS and RJU and substantive differences between the two plans characterize the Brazilian pension system, explaining structural problems embodied in the current pension deficit. In fact, the RGPS began to run a deficit in 1995, and the total cash flow deficit of both plans exceeded 4.4% of GDP in 1998. Because the government fills the deficit by transferring the resources from general revenues, the growing pension deficit is considered the principal component of the national budget deficit¹²⁾. It has become widely perceived that if the pension deficit increases with this speed, the pension system would result in bankruptcy in the foreseeable future. Since 1995, reform-minded president Cardoso has elicited growing calls for public pension reform, which is expected to arouse political protests from a wide range of vested interests.

2 The Convoluted Process of Public Pension Reform

A difficulty in public pension reform in Brazil lies in the fact that benefits and eligibility are guaranteed by the Constitution (Art. 201 and 202). This means that pension reform involves complicated legislative procedures for a constitutional amendment. Specifically, amendments should be approved twice in both the upper and lower chambers with over three-fifths of the vote. In other words, reformers must get through multiple veto points to attain the reform objective.

The first vote on the amendment took place in March 21, 1996. The following measures were adopted by 351 votes for the proposal to 139 against it in the Congress. A change for the RGPS was related to the length of service program. Instead of the length of plan participation, both workers and employers would have to document 35 years of contribution for men and 30 years for women under the new arrangements. As for the RJU, revisions were applied only to civil servants. They were deprived not only of the right to receive multiple incomes from pension and wage, but also of a 40% additional part from a full pension. Moreover, a minimum age requirement was introduced into the public pillar. Conversely, politicians and teachers, the most privileged categories within the public pillar, were immune to such alterations. More importantly, a revision of the non-contributory formula, vital to reduce the pension deficit, was untouched. Thus, the overall effects on retrenching the privileges were very limited¹³⁾. Nevertheless, the second vote on May 22 rejected the constitutional amendment, and as a result the reform effort retreated to the starting point.

Two years later, external factors opened the way for resuming the debate on public pension reform. Particularly, Russia's default announcement in August 1998 spurred foreign capital to withdraw from the Brazilian financial market, leading to the devaluation of the *Real* in January 1999. The fiscal deficit, accounting for 6.33% of GDP, was attributed to the loss of credibility with the Brazilian economy. Such financial pressures urged the promulgation of the Constitutional Amendment of December 16, 1998 and the Ordinary Law of January 1999. Three important elements included in the Amend-

ment should be highlighted. The first pertains to the introduction of minimum retirement ages of 53 years for men, and 48 years for women as a transitional rule, which applies to civil servants seeking to retire on either a proportional or a full pension, and to the RGPS participants intending to retire on a full pension. The second stipulates that civil servants, who had not yet become eligible at the time of the Amendment, should document 35 years of contribution for men and 30 years for women. Third, a cap of R\$1,200 was imposed on the RGPS pensions. Furthermore, the Ordinary Law imposed contributions at progressive rates varying from 11 to 25 % on civil service retirees. The important point is that this measure was not phased in, and was immediately applied to both the current and future retirees¹⁴). Apparently, a series of changes would have a positive impact on the finance of the public pension system.

An unexpected event followed and reversed the course of the reform. Responding to the objection raised by civil servants, the Supreme Court suspended, on September 30, 1999, an imposition of contribution on civil service retirees and an additional contribution on active civil servants¹⁵). Soon after, by contrast, a new calculation formula to contain expenditures of the RGPS was smoothly enacted, but its gradualist approach would not address the urgent problem of the fiscal imbalance of the overall public pension system. Moreover, its long-term effects were not grasped accurately due to the complexity of the new calculation formula. In short, nearly five years' effort for reform ended up with preserving expensive privileges of the public sector workers and failing to redress the fiscal imbalance of the public pension system as a whole.

II Theoretical Approaches

In this section, I will examine three plausible variables to elucidate such a puzzling state of affairs regarding Brazil's public pension reform as described above. They are the impacts of international economic pressures, the power resources of relevant actors, and institutions. While each factor has a certain bearing on the subject, I attempt to demonstrate that old and new in-

stitutions in the Brazilian political system are decisive in explaining the deadlock of reform : the occupational pension system as an institutional legacy of state corporatism and a fragmented party system under the present democratic regime.

1 International Economic Pressures

As Oxhorn argues, “[d]evelopment models affect how interests are organized and how representatives of different interests seek to influence policy outcomes”¹⁶⁾. Faced with external vulnerability and economic backwardness, Getúlio Vargas took on the state-led, import-substituting industrialization (ISI) in the 1930 s. By the same token, a state played a central role in organizing societal interests and limiting their policy influence through corporatist institutions. Since then, the ISI had been the dominant development model hand in hand with state corporatism as the dominant mode of interest intermediation¹⁷⁾. When Brazil experienced the worst economic crisis defined by stagnation and hyperinflation in the 1980 s, it was made explicit that a state-led, inward-oriented strategy of development had been exhausted. To reform the fundamental economic structure, international financial organizations such as the International Monetary Fund (IMF), the World Bank, and the Inter-American Development Bank (IDB) have taken an active role in promoting neoliberal, market-oriented economic restructuring through financial and technical assistance. Indeed, the gradual replacement of ISI with neoliberal development strategy has made not only the state but also societal forces vulnerable to international economic pressures, and thus affecting the pattern of political struggle.

In his comparative institutional analysis of social security privatization in Argentina, Brazil and Uruguay, Kay recognizes “the sets of incentives” offered by the pressures of international capital flows and economic openness, which motivated supporters and opponents of social security reforms in the respective countries¹⁸⁾. He argues that the end of protectionism stimulated employers to reduce wages and thus support privatization, whereas organized labor, particularly representing public employees and workers in tradable goods sectors who benefited most from the ISI, became the main oppos-

ing actors in social security privatization. In addition, economic liberalization encouraged by international financial institutions “provided governments with additional incentives to reform their social security systems”¹⁹). Undoubtedly, Kay’s contribution to understanding the politics of social security reform lies in his assessment of the role of external factors in offering distinctive incentives to relevant actors. However, applying his logic to the Brazil’s case seems untenable with regard to the degree and mode of external economic impacts on domestic politics.

First, international economic pressures certainly provide incentives to actors related to the reform, but the degree of external impact on their preferences is not so high as Kay expected. Consider the impact of the financial turbulence in January 1999 on the subsequent enactment of the Ordinary Law, which entails the most delicate part of reform, namely, an imposition of contribution at a progressive rate on active and retired civil servants. As international financial organizations began to attribute the delay of pension reform to self-interested politicians who advocated the privileges of civil servants, such politicians immediately switched their attitude to pro-reform. Their motives were electoral ones, inspired by fear of bearing the blame for the protracted crisis. Only a few months later, however, when Brazil’s financial market passed the worst of the crisis, they set out to prevent the executive from implementing the new arrangements. Therefore, the influence of external factors is limited, and does not seem decisive for the course of public pension reform²⁰).

Second, economic liberalization has, to be sure, structured the cleavage between supporters and opponents of the reform through providing them with distinctive incentives as previously mentioned. Nevertheless, such a cleavage does not necessarily lie between employers and workers in public and tradable sectors. In the case of Brazil’s pension reform, a split *within* workers in different sectors can be seen in the struggle over the content of reform. Workers in the public sector and their private counterparts do not unite their forces even though they have in common a goal of protesting against the retrenchment of their vested interests. On the contrary, they

show hostility to each other, provoking distributional conflict between would-be collaborators in the reform process. Behind this public-private divide could be the fact that, while the demise of protectionism and concomitant wage restrictions have weakened the bargaining power of private workers, these economic pressures do not extend to the public sphere. Even so, the differentiated impact of exogenous factors cannot be automatically translated into a specific pattern of conflict in the reform process.

Such a critique of Kay's analytical framework could derive mainly from his classification of Brazil's pension reform into privatization. Given the centrality of non-privatizing reform in the pension reform debate in Brazil, his interpretation would be misleading. As a matter of fact, faced with the urgent task of retrenching social security policy, Cardoso and his advisors did not take the privatization option seriously because the government could not bear high transition costs in the midst of a fiscal crisis. They then decided to modify the framework of PAYG through containing benefits and tightening eligibility. In this context, employers are committed in the reform as less active supporting actors because non-privatizing reform is unlikely to reduce payroll taxes. They are more interested in tax reform debates under the highly complicated tax system, which imposes multiple taxes on business activity in the name of "social contributions"²¹). Accordingly, employers are not central actors nor at odds with workers in Brazil as far as the debate on public pension reform is concerned.

In sum, it is certain that the end of protectionism followed by economic liberalization had a discernible impact on the direction of public pension reform through providing distinctive incentives for opposing interests and the government in the case of Brazil. However, it proved to be far less helpful in explaining the specific pattern of political struggle and the outcome of reform. Even if international economic pressures gave a significant impetus to the setting of a reform agenda, much still depended on the balance of political forces favoring and resisting a retrenchment of pension benefits. Thus, I shift my attention to the domestic political arena, which would determine consequences of the reform.

2 The Balance of Power Resources

The power resources approach focuses on the role of power in the distributive process²²). This approach presupposes that the political strength of different classes largely relies on the distribution of power resources among them. Experiences of the developed welfare states suggest that strong labor unions and their political representatives, generally left-wing parties, played a pivotal role in developing social policies. In Latin America, economic liberalization has weakened the power of organized labor, and left-wing parties have not proposed potential policy alternatives in the face of deepening socioeconomic inequality²³). According to the power resources approach, this fact might lead one to expect that the reformers would successfully realize cutbacks in pension benefits without facing fierce resistance from the beneficiaries.

Union density has been widely employed as an indicator of a union's political strength. Union density is measured by the portion of unionized employees in the workforce and the concentration of authority within them. As Garrett argues, "[t]he higher is union density and the smaller the number of unions, the greater the propensity for collective action in national labor market institutions"²⁴). In Brazil, the restoration of democracy in 1985, and the 1988 Constitution had significant impact on the corporatist structure of labor relations (*concertação*), characterized by a monopoly of representation and centralization. Here, it is important to examine its impact on unionized employees. On the one hand, the abolition of state control over union activities spurred autonomous labor movements to upheaval, as a result of which the number of unions grew dramatically after 1988²⁵). On the other hand, diffusion promoted by economic restructuring has shifted wage bargaining from the national to the firm level. This has resulted in a decrease in union membership, from 23% in 1979 to 14% in 1995, and the current figure is estimated to be much lower²⁶). As for the level of concentration, democratization allowed several autonomous peak associations to emerge, while the 1988 Constitution maintained unions' monopoly of representation. These arrangements created "a very strange hierarchical structure combining corporatism

at union level and pluralism at the top²⁷⁾. In addition to lack of cohesion among different peak associations, only 18% of unions were affiliated with any of the five peak associations in 1991²⁸⁾. Given this small encompassment and organizational fragmentation, it seems reasonable to suppose that the organized labor alone in Brazil is so politically weak that it cannot effectively exert pressure on the policy-making process.

The political strength of organized labor is also measured by its proximity to left-wing parties. Regarding this point, Kay notes, “[a] labor movement divided along party or ideological lines will wield less political clout than unified organizations²⁹⁾. Besides fragmented labor organizations, a multiplicity of left-wing or center-left parties prevents internal cohesion of leftist power resources in the Brazilian democracy. Under the Brazil’s “extreme multipartism”, four left and two center-left parties won lower-chamber seats in the 1998 election. The left-wing parties are Workers’ Party (PT), Communist Party of Brazil (PC do B), Brazilian Socialist Party (PSB) and Popular Socialist Party (PPS), and the center-left parties are Democratic Labor Party (PDT) and Party of Brazilian Social Democracy (PSDB)³⁰⁾. Moreover, the left wing within Party of the Brazilian Democratic Movement (PMDB), the largest center party, is also sympathetic to labor forces. The CUT, the biggest labor organization, has very close ties to the PT and good relations with the PDT and the small leftist parties. In contrast, the FS, as the major opponent of the CUT, and the CGT largely support the PMDB and the PSDB³¹⁾. Combined power resources of the divided left-wing parties are represented by less than 22% of lower-chamber seats, even if the four left parties and the center-left PDT get together in order to form an opposing coalition.

In sharp contrast to a scarcity of leftist power resources, the Cardoso Administration was regarded as advantageous in that it enjoyed well over the three-fifths majority in the Congress required for adopting the constitutional amendments. Considering such a balance of power, one might speculate that the will of the executive successfully overcame opposing workers in the reform process. In the Brazilian case, however, there appears to be little correlation between declines in leftist power resources and the degree of policy

change. In fact, instead of succeeding in pension benefits cuts, Cardoso's continuous reform effort over five years resulted in a deadlock. Neither do power resources alone explain a distributional conflict along public-private divide *within* opposing interests.

Regarding this point, Korpi identifies the key to seeking factors to form specific pattern of conflicts. He argues that those who can mobilize power resources attempt to decrease "the costs of power" by routinizing distributive processes in formal or informal ways. "These institutions," he adds, "can be expected to differentiate distributive outcomes in ways which reflect the prevailing distribution of power" while decreasing the costs of power³²). More explicitly, in his analysis of the role of the institutional structures of welfare states in the redistributive process, he hypothesizes "while the institutions of the welfare state are to an important extent shaped by different types of interest groups, once institutions are in place they tend to influence the long-term development of definitions of interests and coalition formation among citizens"³³).

In this light, it would be helpful to examine the institutional structures of Brazil's public pension system that would affect the formation of interest groups involved and their policy preferences, and then to explore how these groups shaped the pattern of political struggle in the reform process.

3 Old and New Institutions in the Brazilian Democracy

Institutions establish the rules of the game for political struggle as well as affect government capacities. On the one hand, one can assume that the possible political consequences largely depend on preexisting policy structures since current and future beneficiaries are expected to protest against cutbacks in what they receive. Since a large part of the electorate participates in social security plans, politicians are ready to pay close attention to their concerns³⁴). On the other hand, political institutions determine capacities of veto players to influence policy-making decisions on policy changes. Tsebelis defines a veto player as an individual or collective actor, either institutional or partisan, whose agreement is required for a policy change. He suggests that the potential for policy change decreases with the number of

veto players, the lack of congruence, and the cohesion of these players³⁵). The nature of veto players is determined by institutional structures of political systems. Whether relevant actors become veto players depends on varying opportunities to veto policy, which institutions provide to them³⁶). Thus, institutions will considerably affect both political and decision-making processes in social security reform.

As I will discuss below, in Brazil, while the occupational pension system as an institutional legacy of state corporatism would persuasively explain the formation of distributional coalitions along the public-private cleavage, a highly fragmented party system associated with revitalized clientelism increases the number of veto players who could block the reform effort³⁷). Thus, the combined effects of old and new institutions are decisive factors in determining the consequences of public pension reform.

(1) Occupational Pension System

Brazil's occupational pension system was established in the 1930s, when President Getúlio Vargas embarked on the state-led, import-substituting industrialization (ISI). As is the nature of late and dependent development, populist coalitions uniting a weak national bourgeoisie with a developmental state relied on state corporatist structures in order to control and co-opt the growing working class³⁸). In this context, social security provisions were considered a core institution as a means of labor incorporation, and were gradually extended to embrace more occupational categories³⁹). The pattern of expansion of social protection reflected the economic and political significance of each sector. First, the most organized and most strategically located infrastructural activities crucial to the export sector (railroads, docks, public services, and shipping) were covered, then employees in commerce and banking, and lastly industrial workers. Separate systems were maintained especially for military and civil servants. In the 1970s, the "bureaucratic-authoritarian" regime assumed a more repressive attitude toward urban labor, whereas it included the newly mobilizing rural workforce into its corporatist project by extending social security coverage⁴⁰). Since the democratic transition in 1985, the occupational pension system has been maintained

with its benefits and eligibility guaranteed in the 1988 Constitution.

As Weyland notes, Brazil's public social security system shared basic features with the conservative and corporatist welfare states in the continental European nations in that both of them are characterized as "status-differentiated social-insurance schemes"⁴¹. However, there are two features peculiar to Brazil's occupational pension system. One is related to narrow coverage, which derives from adoption of the principle of social insurance. To put it simply, this principle confines benefit recipients to those who pay the contributions, namely the formal sector workers, accordingly excluding rural and urban poor workers in the non-formal sector who do not have a steady source of income⁴². Unlike continental Europe, the large size of the informal sector confines coverage to an even smaller portion of the economically active population (EAP) in Brazil. In 1970, only 27% of the EAP was covered, and the percentage increased to 49% in 1979–80⁴³. The figures for 1990 and 1999 were unavailable, but as an alternative measure, percentages of the EAP paying contributions were 50.1% and 43.3% respectively. Thus, such limited coverage makes social security rights a privilege conferred on only one-half of the labor force.

The other feature is fragmentation and inequality of entitlements⁴⁴. The degree of differentiation is much more drastic in the case of Brazil. As mentioned above, the pattern of social security expansion followed an order of strategic importance among sectors. This sequence was accompanied by differentiated entitlements. According to Malloy, workers of the most privileged railroads and public services sector were given nearly twice as much in retirement benefits as the least favored industrial sector⁴⁵. This means that the social security system reinforces the preexisting stratified structure of the labor market. Later, the "bureaucratic-authoritarian" regime unified multiple social insurance schemes in the private sector under rigid state control, but the military and civil servants were able to successfully preserve their highly privileged scheme. Up to now, this public-private divide has been persistently embodied in differentiated entitlements between the RGPS and the RJU as discussed in the previous section.

Also as stated earlier, occupational pension schemes with a limited coverage and differentiated entitlements have been developed as a core institution of state corporatism, which controlled social conflicts with the purpose of sustaining ISI. When failure of the ISI strategy accelerated the democratic transition in the middle of the 1980s, the corporatist structure of labor forces gradually gave way to autonomous labor movements and a pluralistic mode of interest intermediation⁴⁶⁾. In contrast to the decline of corporatism, occupational pension schemes, which reflect the past policy orientation, have survived in the democratic context and have even been reconfirmed in the 1988 Constitution although it does not have the original purpose⁴⁷⁾. In this sense, it may not be unreasonable to call occupational pension schemes an institutional legacy of state corporatism. On the basis of such an inheritance, the changing mode of interest intermediation in the democratic framework helped shape the political struggle over the public pension reform in two ways.

First, one of the legacies, stratified schemes along the public-private divide, affect the pattern of coalition formation in the reform process. When the public pension reform ascended to the top of the political agenda at the initiative of President Cardoso, participants of the RGPS and the RJU formed separate coalitions in order to uphold their own vested rights instead of presenting a united front against the retrenchment. On the one hand, the CUT and the PT unified their forces to uphold the vested interests of the RGPS, despite the growing membership of civil servants in the CUT. Other labor organizations like the CGT and the FS took an ambivalent position. This RGPS coalition openly attacked the expensive privilege of the RJU so as not to become a main target for retrenchment. On the other hand, the conservative politicians represent the interests of the RJU for two reasons. The first reason involves a community of interests. Politicians themselves are eligible for the RJU special retirement plan, which promises even more expensive benefits to them than to civil servants. The second reason is related to an electoral impetus. Democratization restored clientelism and the availability of public resources, on which particularly the conservative politicians rely to

win votes⁴⁸). On the basis of this connection, generous benefits of the RJU enhance the value of public employment as patronage resources⁴⁹. For both personal and career objectives, the conservative politicians formed the RJU coalition with their client civil servants, favoring benefit cuts in the RGPS and resisting their own loss. Given such a zero-sum feature of clashes between separate coalitions, it might be appropriate to qualify them as “distributional coalitions”⁵⁰.

Second, a limitation of coverage also has had much bearing on political process. As observed earlier, nearly one-half of the working population is excluded from public social protection. Most of them are the rural poor and the mass of urban marginals, fragmented without any overarching organization⁵¹. Although they are generally indifferent to social security reform debates, they could make the RJU coalition politically advantageous during election time. As Ames notes, workers in small factories, especially in the informal sector, tend to support candidates offering particularistic benefits over candidates promising social reform⁵². In this regard, the conservative politicians have the advantage of widespread resources and clientele networks available for this purpose⁵³. On the basis of the acquiescence of the excluded, conservative politicians, free from constraints imposed by voters, do not hesitate to defend the luxurious privileges of the RJU.

By now, it should be clear that occupational pension schemes as an institutional legacy of state corporatism, associated with the replacement of corporatist interest intermediation with clientelism, shape the distributional conflict between the RGPS and the RJU coalitions. In other words, policy makes politics. Then, specific consequences of the reform should depend on the ability of these opposing coalitions to influence the decision-making process during the reform effort. To confirm the explanatory power of institutions in decision-making process, I will examine below how political institutions, to be exact, how the highly fragmented party system provided relevant actors with opportunities to affect the reform process.

(2) Fragmented Party System

While the 1988 Constitution confirmed the continuation of presidential-

ism, it also strengthened the authority of the legislature in the policy-making process. Under such executive-legislative relations, the likelihood of approval for constitutional amendments depends heavily on a majority party or a coalition of parties, which in turn provides support for the president⁵⁴). Then, the stability of such a coalition should be sustained by both a disciplined party and party system. Under Brazilian democracy, the electoral system based on open-list proportional representation (PR) with no national threshold and a high district magnitude encourages a highly fragmented party system with weak party discipline, thus creating an unstable pattern of party coalition building⁵⁵). In other words, these political institutions generate multiple veto players with whom compromises are needed for a policy change. Let me examine the logic of fragmentation in more detail at both intraparty and interparty level.

Intraparty fragmentation is attributed to the open-list PR system because this electoral formula weakens party discipline by developing a personal vote and weakening party control over the candidates⁵⁶). Under the open-list system, voters can choose one candidate from the party list with no previously determined order. In the first round, seats are distributed to parties according to the total number of votes their candidates get (plus party-label votes), and in the second round, within parties according to the number of individual votes. Electoral success depends on the candidates' ability to obtain individual votes and accordingly causes intraparty competition among candidates. Thus, this electoral system weakens the party leaders' control over candidate selection and other issues, leading to lack of party discipline and cohesion. According to Mainwaring, in roll-call voting during the constitutional assembly of 1987-88, while the left-wing party showed high discipline scores of 95-100 percentage points, governing parties had low scores of 64-76 percentage points⁵⁷). Such weak party discipline fragmented internal party structure, accordingly lowering the likelihood for the executive to build a consensus among individualistic legislators for a policy change.

In addition to weak party discipline and cohesion, no national threshold, a high district magnitude, and frequent party switching equally bring about

fragmentation at the interparty level. First, no national threshold significantly encourages the proliferation of parties. The formal threshold refers to the minimum percentage needed for a party to win a seat. Without this constraint, a party can earn a seat with an extremely low percentage of the vote in a national election⁵⁸). This can motivate autonomous politicians to establish new parties under the loose legal requirements for party building, thus laying the foundation for multipartism. Second, large district magnitudes (the number of seats per district) can place interparty relations in constant mobility. The 26 states and the Federal District constitute the electoral districts for both chambers, and each district can elect at least eight representatives under the 1988 constitution⁵⁹). The PR formula makes ad-hoc interparty alliances at the state level important to win as many seats as possible, which strengthens the role of local dominant figures, *e.g.*, state governors, as intermediators of interests, and thus hinders national party consolidation. This fragments the party system through facilitating frequent changes in party and factional alignment according to particularistic interests, either regional or personal. Finally, under the democratic regime, the abolition of restrictions on party switching furthers politicians' mobility among parties, which prevents party bases from consolidating. With these factors combined, the number of parties constituting the lower chamber has increased considerably every four years: there were 12 parties in 1986, 19 parties in 1990, and 18 parties in 1994⁶⁰). Such multipartism with high mobility gives rise to a highly fragmented party system, thus making it difficult for the president to build a reliable coalition.

In fact, since the regime change in 1985, Brazil's democratic politics have never established a stable pattern of political coalitions under the highly fragmented party system. The Sarney Administration (1985–1990), the first civilian government after 1985, began with a ruling coalition including PMDB, PFL, and PDS out of five constituent parties. Within no more than one year, PTB participated in the government. Since PDS and PTB left the coalition during 1986–1990, only PMDB and PFL remained to the end of the term. The Franco Administration (1992–1994) experienced even more dras-

tic change in coalition member parties. Only two years and two months had passed when the composition of coalition constituents faced the fourth change. Such evidence confirms a lack of stability in political coalitions in the Brazilian party system.

As I have described so far, the electoral system of the open-list PR weakens party discipline, which encourages politicians to articulate and represent interests on the individual base. This electoral formula spurs high fragmentation at the party system level, too. Such a fragmented party system impedes stable coalitions supporting the executive, which are a necessary condition for smooth policy change under presidentialism. In short, because individual interests are presented in an unreserved manner in the legislature, the likelihood of policy change depends much on the personal negotiation skills of the executive with individual politicians. This means that the Brazil's political institutions spawn multiple individual veto players in the face of a change in the status quo. Under these institutional structures, the conservative politicians who are political representatives of the RJU coalition are provided with favorable opportunities to exercise veto power on the basis of individual political resources. On the contrary, highly disciplined left-wing parties cannot effectively defend the interests of the RGPS. Thus, institutions would persuasively explain why the Cardoso Administration could not accomplish the public pension reform despite a broad governing coalition with an overwhelming majority and a weakening of leftist power.

III Fading Process of Public Pension Reform

On the basis of the arguments in the previous sections, I attempt to show how conservative pensioner-cum-politicians representing the RJU coalition exercise veto power to block reform proposals, even though they are members of the governing coalition in Congress. Before proceeding to a detailed analysis, I need to provide quantitative evidence of the large number of pensioner-cum-politicians in Congress in order to illustrate a strong likelihood that reform proposals are rejected on behalf of the RJU. Moreover, I identify most pensioner-cum-politicians as conservative, clientelistic party

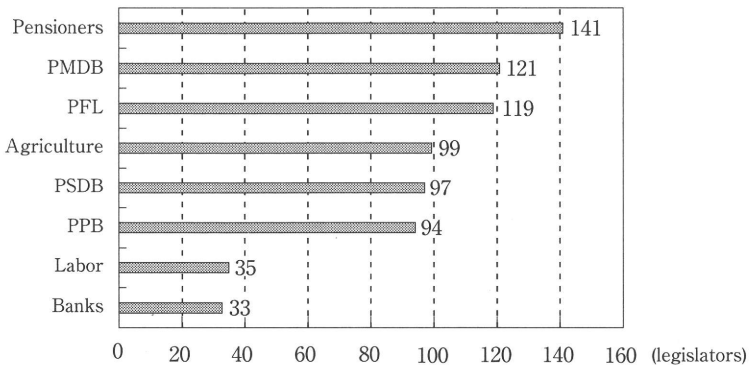
members that constitute the large majority of the governing coalition, which could give rise to an erosion of the *de facto* support base for the President within the governing coalition. Then, I will demonstrate in a qualitative manner how multiple veto players within the ruling coalition led the President's continuous effort for public pension reform to a deadlock.

1 Pensioner-cum-Politicians as Potential Veto Players

Measuring the magnitude of pensioners in Congress is indispensable because the higher the ratio of pensioners to overall Congress members, the more likely reform proposals not beneficial to the RJU coalition are to be rejected. As Figure 1 shows, pensioners are the largest interest represented in Congress according to a survey conducted in March 1996, when the first vote on the constitutional amendment took place. The total number of pensioners exceeds even that of the PMDB, the largest party in both chambers. Given the individualistic pattern of behavior of politicians as mentioned in the previous section, 141 pensioner-cum-legislators, who make up one-fourth of the total representatives, are likely to vote against the reform. Considering that 308 votes out of 513 are needed for the approval of constitutional amendments, such pensioners' votes, if combined with the votes of leftist parties, sufficiently veto the reform proposal.

Examining the dispersion of pensioner-cum-politicians among parties

Figure 1. Magnitude of Interests Represented in Congress (March 1996)

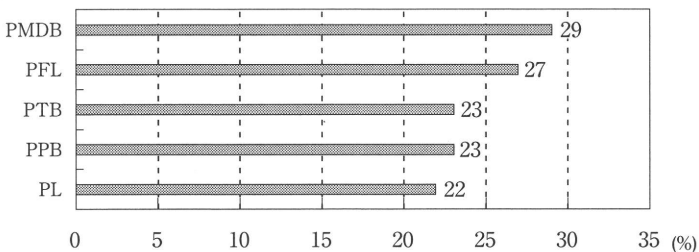


Source : "Eles não usam INSS," *Veja*, March 6, 1996, p.20.

would suggest the erosion of the *de facto* supporting coalition for the President. When the government presented the constitutional amendment proposal to Congress in March 1996, the President was supported by a broad governing coalition: PSDB, his own party, PMDB, PFL, PTB, PPB, and PL out of 18 parties in Congress. Such a coalition parties occupied approximately 77% of the seats in both chambers. Figure 2 reveals that all coalition members except PSDB have a high proportion of pensioners inside. This evidence suggests that pensioners are concentrated within Cardoso's own support base. Moreover, the conservative character of these parties corroborates individualistic tendencies in their electoral and voting behavior on the basis of clientelism. According to the ideological categorization by Mainwaring, PMDB is a center party, PTB is center-right, and PFL, PPB and PL are right-wing parties⁶¹. Given the large magnitude of conservative pensioners within the governing coalition, the President is compelled to negotiate with each of his opponents within his own supporting coalition in order to draw their support for the reform.

The data suggests that pensioner-cum-politicians within the governing coalition are potential veto players against public pension reform. These figures have to be treated with caution, however, because they combine both lower and upper chambers since accurate numbers of pensioners in each chamber were unavailable. Furthermore, the data on voting behavior of each pensioner-cum-legislator was unavailable as well. Under these technical constraints, to get a better understanding of the outcomes that the RJU coa-

Figure 2. Political Parties with a High Proportion of Pensioners (March 1996)



Source: *Ibid.*, p. 22.

lition affects as veto players, a more detailed, qualitative analysis of the reform process will be presented.

2 The Path toward Deadlock

On the first vote on March 21, 1996, the constitutional amendment was adopted by 351 votes for the proposal, 139 against it, and 23 abstentions in the chamber of deputies. Behind this success, various concessions were made with pensioner-cum-politicians both in and outside Congress. Negotiations occurred within the special committee on social security to reformulate the government's original proposal and between dominant figures of each of the coalition parties to obtain their votes in exchange for patronage.

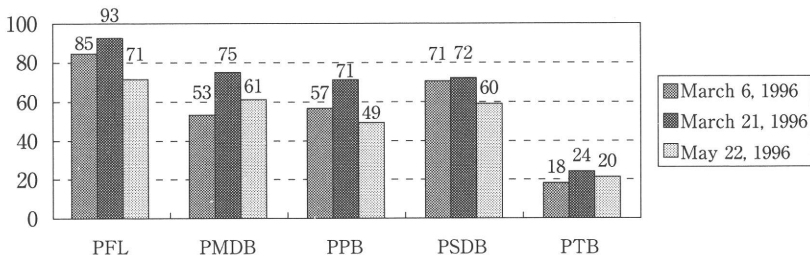
During the deliberation of the original proposal in the special committee in the lower chamber, the committee's rapporteur, Michel Temer (PMDB), was threatened by pensioner-cum-politicians who had indicated that they would make every effort to resist any proposal to retrench their pension benefits⁶²). Noting that reform was becoming politically unfeasible without their consensus, Temer reformulated the original proposal. While a new proposal included items to tighten the eligibility for the RGPS, the privileges of the RJU were mostly preserved. Specifically, accumulation of pension and wage was prohibited, and a minimum age requirement was introduced into the RJU, but politicians and teachers were immune to such alterations. Most importantly, a revision of the non-contributory formula of the RJU was not included in the proposal. Thus, the overall effects on retrenching their privileges were very limited. After numerous concessions with pensioner-cum-politicians, Temer sent the modified proposal to the floor of the lower chamber in the middle of March.

At this stage, Cardoso was devoted to political maneuvering outside Congress to draw support from governing coalition members who had initially rejected reforms, resulting in a previous defeat of the constitutional amendment proposal on March 6. As I mentioned earlier, the PR electoral formula with a high district magnitude makes ad-hoc interparty alliances at the state level important to win as many seats as possible. This has the effect of strengthening the role of local dominant figures, *e.g.*, state governors, as

intermediators of interests, and thus hinders national party consolidation. Considering a strong influence of state governors on national politics, Cardoso made personal concessions with those belonging to coalition member parties, making full use of patronage resources. For example, he promised the Governor of Rio Grande do Sul (PMDB), who was also pensioner, to assume the state's 5 billions *real* debt in exchange for the votes of that state's PMDB legislators. By the same token, he exchanged offerings of subsidies, renegotiation of state debt to the federal government, cabinet posts, *etc.* for votes in favor of the reform⁶³). As a result, Cardoso managed to increase votes of all coalition members, leading to success in attaining approval for the constitutional amendment on March 21 (See Figure 3).

Just two months later, however, the second round vote spoiled Cardoso's efforts accompanied by a huge drain on public resources. Soon after the approval of constitutional amendment on March 21, Cardoso carried out the bargaining points. As he promised, he gave cabinet posts to the PMDB, PPB, and PTB. Cardoso was confident of another victory in the second round voting on May 22. However, the effects of patronage did not last more than two months. As Figure 3 shows, pro-amendment votes among ruling coalition members decreased by 22 votes for PFL, 22 for PPB, 14 for PMDB, 4 for PTB, and 8 for PSDB. Consequently, the constitutional amendment for public pension reform was not accomplished. In other words, pensioner-cum-politicians within the governing coalition effectively exercised veto power to preserve their expensive privileges.

Figure 3. Volatility of Votes of Governing Coalition Parties



Source : "Ministérios não renderam votos," *Veja*, May 29, 1996, p.33.

As I explained in the first section, the financial crisis, which culminated in the devaluation of the *real* in January 1999, became a driving force for the promulgation of the Constitutional Amendment of December 16, 1998 and the Ordinary Law of January 1999. Extending from motives of blame avoidance, pensioner-cum-politicians cast votes for these reform proposals, which included two of the most important parts of the reform. They were an imposition of contributions based on a progressive rate on both active and retired civil servants and an introduction of minimum age requirements. These new arrangements were considered to have significant impacts on reducing the huge pension deficit. However, when the financial market was recovering from the worst, the parties constituting the governing coalition successfully annulled the provision for minimum age requirements⁶⁴). Furthermore, in September 1999, the Supreme Court rejected an imposition of contributions on civil servants, responding to the immediate protest of civil servants⁶⁵). In sharp contrast to preserved privileges of the RJU, a new calculation formula to contain benefits of the RGPS was smoothly enacted. In sum, Cardoso's effort for public pension reform over five years concluded with preserving expensive privileges of the RJU because pensioner-cum-politicians within his supporting coalition exercised veto power under the highly fragmented Brazilian party system.

IV Conclusion

This study has shown that institutions matter in explaining why the Cardoso Administration could not accomplish public pension reform despite a broad governing coalition with an overwhelming majority in Congress and weakened labor forces. Specifically, old and new institutions in the political system of Brazil shaped the politics of public pension reform.

The occupational pension system as an institutional legacy of state corporatism, associated with the replacement of corporatist interest intermediation with clientelism, shaped the distributional conflict between the RGPS and the RJU coalitions. However, this was not the whole story because the consequence of the reform depended on the ability of these opposing coali-

tions to influence decision-making regarding the reform.

In Brazil, the highly fragmented party system provided the RJU coalition with opportunities to veto policy changes unfavorable to them. The electoral system of the open-list PR generates a fragmented party system, which impedes the formation of a stable supporting coalition for the President. Because individualistic interests precede those of the party, the likelihood of policy change depends much on personal negotiation of the executive with individual politicians. Under these institutional structures, the conservative politicians, who were political representatives of the RJU coalition, were provided with favorable opportunities to exercise veto power on the basis of individual political resources such as dense clientele networks. In fact, such conservative, pensioner-cum-politicians constituted the large majority of the governing coalition under the Cardoso Administration, accordingly eroding the *de facto* support base for President Cardoso.

In the reform process, these pensioner-cum-politicians successfully vetoed the reform proposal on behalf of expensive privileges of the RJU, leading Cardoso's reform effort to a deadlock. Thus, it is confirmed that institutions are decisive factors in explaining the failure of public pension reform in Brazil.

Notes

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1) This account is based on "O novo modelo previdenciário brasileiro : Uma fase de transição" by Waldeck Ornélas, available on the website of the Ministério da Previdência e Assistência Social (<http://www.mpas.gov.br>).

2) For details, see María Amparo Cruz-Saco and Carmelo Mesa-Lago (eds.),

- Do Options Exist? The Reform of Pension and Health Care Systems in Latin America* (Pittsburgh : University of Pittsburgh Press, 1998).
- 3) Walter Korpi and Joakim Palme, "The Paradox of Redistribution and Strategies of Equality : Welfare State Institutions, Inequality, and Poverty in the Western Countries," *American Sociological Review*, vol.63 (October 1998), p.662.
 - 4) The figure of 1996 is author's calculation based on Instituto de Pesquisa Econômica Aplicada (IPEA), *Boletim de Finaças Públicas*, no.1 (Brasília : IPEA, 1997). The 1998's data draws on Ornélas, op. cit.
 - 5) The Portuguese word for this is *o modelo de repartição*.
 - 6) Ornélas, op. cit.
 - 7) The main retirement plans include old age, disability, length of service, special retirement, and survivor plans. For details of each program, see Francisco Eduardo Barreto de Oliveira et al., *Reforma da previdência*, Texto para Discussão, no. 508 (Rio de Janeiro : IPEA, 1997), pp.28–38.
 - 8) A full pension is equivalent to the average of the last three years of income in the RGPS, and to the last salary in the RJU. Indexation is adopted to calculate pension benefits.
 - 9) According to the IMF report, a proportional pension allows workers who can document 30 years of service for men and 25 years for women to enjoy pension benefits with a replacement ratio of 70%. This figure is very high by international standards. For details, see International Monetary Fund (IMF), "Selected Issues and Statistical Appendix on Brazil," *IMF Staff Country Report*, no.99/97 (Washington D.C., 1999), p.78.
 - 10) *Veja*, February 18, 1999, p.20.
 - 11) IMF, op. cit., p.74.
 - 12) *Veja*, July 28, 1999, pp.38–40.
 - 13) *O Estado de São Paulo*, March 22, 1996.
 - 14) The accounts of the reform package draw on various articles from *O Estado de São Paulo* and the IMF, op. cit.
 - 15) *O Estado de São Paulo*, October 1, 1999.
 - 16) Philip Oxhorn, "Is the Century of Corporatism Over? Neoliberalism and the Rise of Neopluralism," in Philip Oxhorn and Graciela Ducatenzeiler (eds.), *What Kind of Democracy? What Kind of Market? Latin America in the Age of Neoliberalism* (University Park, PA : The Pennsylvania State University Press, 1998), p.197.
 - 17) *Ibid.*, pp.198–200.

- 18) Stephen J. Kay, "Unexpected Privatizations : Politics and Social Security Reform in the Southern Cone," *Comparative Politics*, vol.31, no.4 (July 1999), p. 406.
- 19) *Ibid.*, p.404.
- 20) To be fair to Kay, he does consider that specific reform outcomes depend more on domestic politics. But I stress that external economic pressures are less influential than he expects. This is a matter of degree.
- 21) Given such confusion between taxes and social contributions, employers' social security contribution is considered instead as a matter of tax reform. For details, see Rui de Britto Alvares Affonso and Pedro Luis Barros Silva et al. (eds.), *Reforma tributária e federação* (São Paulo : FUNDAP, 1995), pp.97-128.
- 22) Walter Korpi, "Power Resources Approach vs Action and Conflict : On Causal and Intentional Explanations in the Study of Power," in Julia S. O'Connor and Gregg M. Olsen (eds.), *Power Resources Theory and the Welfare State* (Toronto : University of Toronto Press, 1998), p.ix.
- 23) Evelyne Huber, "Options for Social Policy in Latin America : Neoliberal versus Social Democratic Models," in Gøsta Esping-Andersen (ed.), *Welfare States in Transition : National Adaptations in Global Economies* (London : Sage, 1996), pp.141-146.
- 24) Geoffrey Garrett, *Partisan Politics in the Global Economy* (New York : Cambridge University Press, 1994), p.13.
- 25) Maria Hermínia Tavares de Almeida, "Unions in Times of Reform," in Maria D'Alva G. Kinzo (ed.), *Reforming the State : Business, Unions and Regions in Brazil* (London : Institute of Latin American Studies, 1997), p.29.
- 26) *Veja*, January 13, 1999, p.102.
- 27) Almeida, loc. cit.
- 28) According to Almeida, the five peak associations that existed in 1991 were CUT (Central Unica dos Trabalhadores), CGT (Central Geral dos Trabalhadores), CGT (Confederação Geral dos Trabalhadores), USI (União Sindical Independente), FS (Força Sindical). However, only CUT, CGT (the latter) and FS existed in 1997. See Almeida, op. cit., p.28.
- 29) Kay, op. cit., P.410.
- 30) I owe this categorization to Mainwaring. See Scott Mainwaring, *Rethinking Party Systems in the Third Wave of Democratization : The Case of Brazil* (Stanford : Stanford University Press, 1999), pp.xvii-xix.
- 31) Almeida, op. cit., pp.29, 33.

- 32) Korpi, loc. cit.
- 33) Korpi and Palme, op. cit., p.665.
- 34) Paul Pierson, "The New Politics of the Welfare State," *World Politics*, vol.48 (January 1996), pp.151–152.
- 35) George Tsebelis, "Decision Making in Political Systems: Veto Players in Presidentialism, Parliamentarism, Multicameralism and Multipartyism," *British Journal of Political Science*, vol.25, no.3 (July 1995), p.293.
- 36) Kay, op. cit., p.406.
- 37) In this study, I use the phrase "distributional coalitions" not as unity formed through formal contracts, but as unofficial unified forces in pursuit of a common goal during the reform process.
- 38) Huber, op. cit., pp.146–148 ; Maria D'Alva G. Kinzo, "Introduction," in Kinzo (ed.), op. cit., p.1 ; Oxhorn, op. cit., pp.197–200.
- 39) James Malloy, *The Politics of Social Security in Brazil* (Pittsburgh : University of Pittsburgh Press, 1979), pp.66–71.
- 40) Huber, op. cit., p.150.
- 41) Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Princeton, NJ : Princeton University Press, 1990), pp.58–61 ; Kurt Weyland, *Democracy without Equity : Failures of Reform in Brazil* (Pittsburgh : University of Pittsburgh Press, 1996), p.89.
- 42) The word "non-formal" here refers to urban informal and rural traditional sectors.
- 43) Huber, op. cit., p.143.
- 44) Ibid.
- 45) Malloy, op. cit., p.108.
- 46) Kinzo, op. cit. ; Oxhorn, op. cit.
- 47) How to assess such a change in state corporatism is a very controversial issue in itself. Kinzo explicitly refers to the fact that "[t]he Brazilian corporatist structures are no longer operative." More implicitly, Diniz uses the phrase "corporatism in transition (*corporativismo em transição*)," pointing to the evolution of a hybrid system in which pluralism and corporatism coexist. Oxhorn considers this phenomenon as gradual demise of state corporatism. Conversely, for example, Wiarda claims, "corporatist structures and ways of doing things still abound." For a detailed discussion, see Eli Diniz, *Crise, reforma do Estado e governabilidade : Brasil, 1985–1995* (Rio de Janeiro : Fundação Getúlio Vargas, 1997), pp.11–39 ; Kinzo, op. cit., p.1 ; Oxhorn, op. cit., pp.200–208 ; Howard J. Wiarda,

- Corporatism and Comparative Politics: The Other Great "Isms"* (Armonk, N. Y. : M.E. Sharpe, 1997), p.174.
- 48) Mainwaring, op. cit., pp.175–218.
- 49) Frances Hagopian, "Traditional Politics against State Transformation in Brazil," in Joel S. Migdal, Atul Kohli and Vivienne Shue (eds.), *State Power and Social Forces: Domination and Transformation in the Third World* (New York : Cambridge University Press, 1994), P.43.
- 50) Mancur Olson originally proposed the idea of distributional coalitions. For its definition, refer to Mancur Olson, *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities* (New Haven : Yale University Press, 1982), pp.43–47.
- 51) Weyland, op. cit., pp.56–57.
- 52) Barry Ames, "Electoral Strategy under Open-List Proportional Representation," *American Journal of Political Science*, vol. 39, no.2 (May 1995), p.413.
- 53) However, the PT has made progress especially in mayoral elections since 1992. Further empirical research is needed on changes in voting behavior in more recent elections. For the increasing number of the PT mayors elected since 1982, see the official website of the PT (<http://www.informes.org.br>).
- 54) Scott Mainwaring and Matthew Soberg Shugart, "Conclusion: Presidentialism and the Party System," in Scott Mainwaring and Matthew Soberg Shugart (eds.), *Presidentialism and Democracy in Latin America* (New York : Cambridge University Press, 1997), p.396.
- 55) Ibid. ; Ames, op. cit.
- 56) Mainwaring, op. cit., p.249.
- 57) Ibid., pp.139–140. However, a recent study shows an improvement in party discipline during the first term of the Cardoso Administration (1995–1998). See "Fidelidade do PFL e do PSDB foram fundamentais na aprovação de projetos," *O Estado de São Paulo*, December 31, 1999.
- 58) Scott Mainwaring, "Multipartism, Robust Federalism, and Presidentialism in Brazil," in Mainwaring and Shugart (eds.), op. cit., p.68.
- 59) Ibid.
- 60) Jairo Marconi Nicolau, *Multipartidarismo e democracia* (Rio de Janeiro : Fundação Getúlio Vargas, 1996), p.34.
- 61) Although Mainwaring classifies PMDB as ideologically center, it is reasonable to suppose that this party is close to conservative in that traditional political elites with dense clientelistic networks hold a predominant position within the

- party. See Hagopian, op. cit. ; Mainwaring, *Rethinking Party Systems*.
- 62) *Veja*, April 3, 1996, pp.21–22.
 - 63) *Veja*, March 27, 1996, pp.30–32.
 - 64) *O Estado de São Paulo*, May 19, 1999.
 - 65) *O Estado de São Paulo*, October 1, 1999.