Political Institutions, Policymaking Processes and Policy Outcomes: The Case of Uruguay

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Abstract
Uruguay generates different kinds of policy outcomes. First, relatively stable policies, such as the commercial and financial openness of the country. Second, inflexible and low quality policies, such as those related to social policies, some areas of the State reform (civil servants’ wages and hiring mechanisms), the bankruptcy regime, and so on. Third, volatile outcomes across economic shocks, such as the discretionary public spending side. In the cases in which history or the availability of external enforcement devices do not lead to relatively stable policies, the main outer feature of Uruguayan policies is rigidity. The source of rigidity appears to be a mixture of institutional factors (multiple veto points, factionalized parties and direct democracy mechanisms) and political conflict (divergent policy preferences), in which it is very costly to move from the status quo, due to the credible threat of policy reversal. Political institutions in Uruguay are conducive to political compromise with a short run perspective, but not to effective cooperation about stable and flexible policies in the long run. The difficulty to achieve intertemporal political exchanges is consistent with the main characteristics of the political environment: large number of key political actors and veto points, a relevant amount of unobservable political moves, poor enforcement technologies in the economic arena, politically influenced bureaucracy, political exchanges occurring outside the legislative arena, a particular constellation of parties and preferences, and costly policymaking and institutional change.
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Introduction

Uruguay is the most enduring democracy in Latin America. To a large extent, its long-lasting democratic process has been sustained by an institutionalized party system, where only two parties (PC and PN) have been dominating the political scene since the country’s origins. In the long run, therefore, the Uruguayan political system shows an important level of stability and continuity that makes it almost an outlier in the regional context. Since the return to democracy in 1985, Uruguay has shown a high degree of political inclusion, and political and social participation. Intensive negotiations took place between political parties and social organizations, each holding a significant degree of power. Nevertheless, it has not been easy to arrive at agreements in a number of important policy areas.

Uruguay can be considered as a pluralistic system with strong parties, with a highly participative democracy. Indeed, the pluralism in the political institutions and party system is at the same time nourished by the participation of citizens and social groups, especially through certain procedures of “direct” democracy (plebiscites, referendums) on constitutional matters, human rights issues and privatizations. The key role of the State is the result of political leadership and the performance of parties, through a long historic process, which has had long lasting effects on citizenship and civic culture.

Some data about the Uruguayan public opinion profile (Latinobarómetro poll series 1995-2002) show the importance of democratic culture and attachment to the State among the citizens/voters: (i) Uruguay and Costa Rica show the greatest support for democracy and the lowest tolerance towards non-democratic regimes. (ii) Uruguay has the highest level of interpersonal trust and Uruguayans are the most confident in political parties. Trust in government is above average, but a long way from the top. (iii) Uruguay’s endorsement of the free market economy is by far the lowest in Latin America. (iv) Only Argentina has a more negative view of privatization than Uruguay.

The Uruguayan public opinion exhibits high levels of Statism. Uruguayans’ preferences of State over market were explicitly shown in two referenda carried out in 1992 (against the privatization of the State-owned telephone company) and in 2003 (against a law which would have allowed the State-owned oil company to associate with a private partner). In the first occasion, 72% of the electorate vote against the law and in the latter 62% did the same. There also were other situations when just the threat of a referendum blocked market oriented reforms, such as the parliamentary revocation of the articles which would have allowed the partial privatization of the State-owned cell phone company in 2002, as soon as the signatures to call a referendum against them were collected. But this preference for State goes further, because it implies not only that resources must be concentrated in the State apparatus, but also that the State should have the capacity to satisfy every kind of “social” demands. In the same way that market-oriented reformers think that privatization serves to tie their hands related to resource allocation, State-oriented supporters vindicates its discretion because it is the only way to have different “weak” interest group needs (the pensioned, unions, debtors, etc.) fulfilled. Therefore, people tend to oppose not only to market-oriented reforms, but also to any kind of reform that pretend to define rules precisely and to provide rationality to the administration. This last feature of Uruguayan
political culture is functional with constituency-oriented politicians that prefer to manage resources in a discretional way rather than in a more institutionalized one.

In 2000, around 80% of Uruguayans thought that the State should hold most public companies under its control. This opinion was shared by 90% of those who consider themselves as left wing supporters, 82% centrists, and 71% of those who consider themselves to be located on the right side of the ideological spectrum. More recently, “de-monopolization” is seen as a better option by the public opinion; 50% of the surveyed people see it as a positive option, and 44% of those who think of themselves as being on the left. Moreover, 48% of the people surveyed believe that it is a good thing for private capital to be involved in the development of public companies, while 35% think that de-monopolization is inconvenient. (Cifra and Raga Survey, 2000).

The democratic values of the Uruguayan people are associated with the centrality that politics has maintained in daily life. However, a declining interest in politics has been observed in recent years, although it tends to peak during elections. This process is rooted in the state of continued discontentment of Uruguay public opinion that could be traced back to the mid-1950s, when the import substitution model of development entered into crisis. From that moment on, the notion of a country in crisis and in constant deterioration has become an idiosyncratic trait of Uruguayan culture. It can be argued that the recent electoral growth of the left has been fed by the Uruguayan voters' political disenchantment that began long before the left's success in the electoral arena and the impact of which does not consist exclusively of widening its electoral base but also is expressed in a process of electoral circulation between and within the traditional parties.

The Uruguayan democracy shows some distinctive features in its institutions (parties and party system), and the preferences of the public opinion that makes it almost an outlier in the Latin American context. In those contexts where the party system is highly institutionalized, parties and their leaders contribute to shape the preferences of voters, but they also follow public opinion. For this reason, the preferences of the public opinion is, as such, indiscernible from the policy preferences of the leadership and the Uruguayan parties in general. In other words, Uruguayan parties strongly support the democratic process and its institutions, and the party system reveals a certain level of polarization regarding some policy issues such as the State participation in the economy.

Uruguay has a political pattern of implementing policies and reforms that permits progress in an incremental fashion. This incremental feature of the Uruguayan PMP is the result of the prevailing institutional engineering (electoral and regime rules) and the transformation of the party system in recent years (electoral realignment and substantive changes in party functions and strategies).

The Uruguayan political parties are the main actors both in government and opposition, shaping the processes and contents of major public policies. Particular attention shall be paid to the

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1 Even though this fact could be seen as politicians following public opinion preferences, at direct democracy events, like plebiscites and referenda, the party guidelines has been proved to be the decisive factor over the outcome. As suggested by Altman: “When Uruguayans go to the polls to decide a popular initiative, they mainly take into consideration their political fraction’s suggestion” (2002:618)
switch from a politics of “triangle” to a politics of blocs. In fact, to the extent that the leftist front (FA) grows, “blancos” and “colorados” - who have been rivals throughout Uruguayan history and have been competing against each other in the new democratic period - are nevertheless going through a process of “convergence”.\(^2\)

Even when they are still competitive partners, they contrive compromises and coalitions, and thus form a political pole and an ideological family. On the other side, the leftist FA is developing as the dominating opposition force, putting forward its positions against liberal initiatives and privatization. These patterns of competition and cooperation are central factors in order to explain the different chapters of the politics of reform and their outcomes.

Uruguay is able to generate different kinds of results. First, relatively stable policies, such as the commercial and financial openness of the country. Second, policies featured by a low volatility, but inflexible and low quality, such as those related to social policies, some areas of the State reform (civil servants’ wages and hiring mechanisms), the bankruptcy regime, and so on. Third, volatile outcomes across economic shocks, such as the discretionary public spending side.

Consistent with the analytic framework, the resulting political decisions do not depend solely on the political institutions but also on the transaction-cost characteristics of the different arenas, such as political and social preferences, demands of intertemporal exchanges, different sets of political and social actors and the availability of enforcement mechanisms. This constellation of policies can emerge from an institutional environment that does not facilitates intertemporal exchanges and cooperation, due to the relevant ingredients contained in the description of political institutions.

In the cases in which the policies are relatively stable, political preferences tend to be convergent and the expected gains from political conflict not significant. Additionally, external enforcement mechanisms could be available through strategies such as “tying one’s hands”. The commitment technology was not provided by the working of the political system itself, but external “enforcers” were needed. Here history dependence could also play a key role, which makes very costly to reverse policies in several areas. In the cases in which the policies are rigid and low quality, political preferences tend to diverge but the cost of implementing safeguards is relatively low. The rigidity emerges from the need of political safeguards and the low volatility is consistent with the fact that institutional change is very costly in Uruguay. These areas can be featured by the presence of political threats and the perception of politicians that the probability and costs of having their policies reversed are high. In the cases of volatile outcomes, this result is determined by the absence of stable and adaptable policies across economic shocks. The decisions here are delegated essentially in the Executive, particularly in the implementation stage. This is not the result of political conflict but of the inability to set rules with a long term perspective.

Political institutions in Uruguay are conducive to political compromise with a short run perspective, but not to effective cooperation about stable and flexible policies in the long run. With the new constellation of parties and political preferences, there is a greater uncertainty about the ability to cooperate in the future.

\(^2\) The supporters of the Partido Nacional are called blancos or nacionalistas, while the followers of the Partido Colorado are named colorados.
The difficulty to achieve inter temporal political exchanges is consistent with some characteristics of the political environment. The number of key political actors and veto points in several areas is relatively large and this does not facilitate cooperation, even if the political leaders have some inter temporal linkages. A relevant amount of political moves is not openly observable, although some transparency emerged in recent administrations. Despite the tradition of a relatively independent Judiciary, the enforcement technologies are poor in the economic arena; the bureaucracy is crucially influenced by political considerations, relevant and actual delegation has not took place and the Courts are not well prepared to handle complex economic issues. The key political exchanges take place outside the legislature and their certainty, visibility and enforcement are less obvious, in a framework of political fragmentation, a particular constellation of parties and preferences, and costly policymaking and institutional change. Additionally, the workings of the policymaking process suggest that the intra-period payoffs from non-cooperation are high.

Those areas in which the Executive has broader discretion and, therefore, require less bargaining and cooperation, tend to show more volatile outcomes, since the Executive has some freedom to accommodate them to economic shocks. Again, this is not the result of political conflict but of the inability to set rules with a long term perspective, in an environment featured by mostly rigid policies. An example of this case is related to discretionary public spending. Those areas in which more participation of the legislature is required and the interaction between the Executive and the Legislative is more intense, policies tend to be rigid. Social policies are typical examples of this case.

In sum, in the cases in which history or the availability of external enforcement devices do not lead to relatively stable policies, the main outer feature of Uruguayan policies is rigidity. The source of rigidity appears to be a mixture of institutional factors (multiple veto points, factionalized parties and direct democracy mechanisms) and political conflict (divergent policy preferences), in which it is very costly to move from the status quo, due to the credible threat of policy reversal.

1 Characterization of Public Policies in Uruguay

In order to develop a tentative characterization of policies in Uruguay along the dimensions suggested in Spiller, Stein and Tommasi (2003) and Scartascini and Olivera (2003), we include two parts in this section. The first one submits different accounts of specific policy areas and specific policy cases, providing valuable information regarding the trend and the specific features of Uruguayan public policies. Finally, the third part summarizes the tentative description of the country’s policies in terms of their stability, their flexibility to adapt to changing socioeconomic conditions, their rigidity, and so on.
1.1. Description of Some Specific Policies

In this Section, we summarize the description of a wide range of public policies, including some main economic issues and the measures embedded in the State reform program.

Trade policies. The policy of trade opening, understood as the process of systematically lowering tariffs, was first implemented in 1974, and it brought to an end several decades of the import substitution model of trade policy. This change was a consequence of the fact that the deficit in the balance of trade, which came about following the first oil crisis in 1974, could not be sustained (see Vaillant, 2003). The process of market opening continued throughout the period of the dictatorship, and it was not to any great extent reversed when the country returned to democracy in 1985. Uruguay joined the MERCOSUR, the tariff structure of the bloc was adopted in 1995, and this was consistent with the process of a general reduction in tariffs. In the early phase of trade liberalization that lasted until the early nineties, a relatively stable group of industries was isolated from foreign competition. In this framework, the exceptions list improves the chances of a trade reform because it makes it more palatable in political terms. In the second half of the 90’s, reciprocal trade agreements (preferential or multilateral non-discriminatory) changed the political equilibrium of the previous unilateral trade policy. The number of Uruguayan industries isolated from the liberalization process was drastically reduced. Indeed, joining the MERCOSUR was to a large extent imposed by geographical reasons, although policy-makers around the region acknowledge the value of the agreement as a "commitment technology" that increased their autonomy vis à vis domestic interest groups (Vaillant, 2003). This process of tariff reduction and trade opening can be characterized as a steady movement without reversal, what can be considered as an outer feature of this policy.

It must be stressed that Uruguay returned to democracy there was no reversal of the policy of openness, although there was pressure for a move in that direction. This pressure was handled using non-tariff instruments which gave the levels of effective protection desired. In some cases this policy of “contingent protection” was applied to specific sectors (e.g. the automotive and sugar industries), and in other cases to sub-sectors or even to particular firms. This operated as an escape valve, and it meant that the general policy of reducing tariffs was not reversed. Additionally, in 1995, the country adopted the tariff structure agreed in the MERCOSUR. From then on, discretionary activity in trade policy lessened, and it was expressed through managing the so-called lists of exceptions to the common regime of the common external tariff, and exceptions to the free movement of merchandise within the bloc. This was called the adjustment regime. In this sense, policies in the trade area became more public-regarding. Thus the MERCOSUR operates as a mechanism of external enforcement of the policy of openness, limiting the possibility for particular sectors to lobby. It was relatively obvious for all relevant actors that a small country like Uruguay has to be open to the world in trade terms. What it was not that obvious was the fact that opening to imports is the price to pay in order to get into international markets. The signature of the Asuncion Treaty is the cornerstone in terms of accepting the need to effectively open the economy, additionally tying the government hand’s to avoid keeping sectorial privileges, making the policy less private-regarding.

Financial openness. Uruguay started the process of opening the capital account of the balance of payments during the seventies. The motivation behind this policy was the same as that behind
trade opening, namely the 1974 oil crisis and the need to finance the large deficit in the balance of trade which followed. The aims of the financial reform were to de-regulate internal capital markets and also to liberalize financial operations between the country and the rest of the world. The most important measures taken for liberalizing the financial sector were (i) that residents were authorized to maintain bank accounts in dollars in the country without having to account for the source of those funds, (ii) they were authorized to maintain any kind of assets abroad, (iii) that the profits and capital of foreign agents were authorized to leave the country freely, (iv) that non-financial enterprises were allowed unrestricted access to foreign credit, (v) that the commercial banks were authorized to accede to foreign credit, and (vi) controls on the interest rates were removed in a gradual process until the late seventies. As in the trade case, this policy was managed by the Executive, through the Ministry of Finance. The Congress did not intervene except insofar as it passed certain laws which gave powers to the Executive to handle it. However, as long as the policy consisted in almost total freedom for capital movements, there was no room for much discretion in its implementation. Following the reform which led to financial opening, there have not been any changes towards hindering the movement of capital between Uruguay and the rest of the world. The economic and financial openness was part of systematic negotiations with multilateral organizations in the early eighties. During the nineties, an important wave of capital inflows occurred, which, in addition to a visible technological progress in the financial sector, endorsed the global policy. The whole process was consolidated and even during the recent financial crisis in 2002, no calls for capital movements control measures appeared, showing a high level of consensus on preferences related to this issue and stressing the stability of this policy.

**Pension system policy.** In the early nineties, Uruguay had a social security system with a single pay-as-you-go pillar. It was not in imminent danger of collapse, but it did have serious problems connected to (i) a population structure in which pensioners accounted for a very high percentage compared to the economically active population,\(^3\) and (ii) the fact that for decades, the social security system had been used as an instrument for political favors. In 1989, after a plebiscite initiated by various pensioners’ and workers’ organizations, rules for the adjustment of pensions were incorporated into the Constitution. The introduction of this rule is probably the reaction to a tendency of the government to use pension adjustments in an opportunistic way, leading to rigidity and reducing the ability to adapt to macroeconomic conditions. This worsened the economic problems of the social security system, and played a part in the political system’s decision to take measures to counteract its slide towards insolvency. In 1995, Congress passed the Social Security Reform Law which set up a mixed system. It combined an individual capitalization pillar with a pay-as-you-go pillar. The reform was moderate insofar as it is estimated that when the system matures, 75% of the contributions will be made in the public pay-as-you-go pillar. This pillar is administered by the *Banco de Previsión Social* (BPS), while the individual savings pillar is administered by organizations which were created through the reform, the Pension Fund Administrators (called AFAPs for their acronym in Spanish). The reform passed in 1995 reduced the politicians’ ability to manipulate the sector, using pensions as typical clientelistic resource. In

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\(^3\) An illustrative indicator is the Potential Dependency Rate (*PDR*), which is the ratio between the number of persons who could potentially depend (younger than 13 years old + retired and potential retired people) and the number of persons who could potentially integrate the labor force (persons between 13 and the retiring age). The *PDR* was approximately 75% at the time of the reform implementation and is estimated in 65% for the next 20 years. Just to have an order of reference, the *PDR* in Chile was 55% in 2000.
particular, the implementation of work history as part of the reform reduced the capacity of politicians to grant benefits on a discretionary basis. As in the case of trade issues, policies here also seem to be getting more less private-regarding. The new stakeholders created by law, the administrators of the pension funds, can contribute to the formalization of the pension system (see Forteza, 2003).

The social security reform temporarily raises the deficit of the system because of the implicit debt of the downsized pay-as-you-go pillar. One of the consequences of this process refers to the fact that the government induces or even forces the administrators of the pension funds to invest a sizeable part of the fund in public bonds. In essence, the reform was characterized by intense negotiations, involving parties, factions and a large number of interest groups and associations, both at the executive and legislative process. The result is a rigid scheme which tries to avoid the opportunistic behavior from politicians, by making more costly to grant pensions on a clientelistic basis. The crisis of 2002 casted doubt on the capacity of the State to meet its payments for government bonds. An eventual failure to meet these obligations would have meant expropriations from the individual savings system, since this is a big holder of Uruguayan bonds.

Utility markets. Utility services have been traditionally provided by public enterprises which enjoyed monopolies in their respective spheres of activity. In the 1990s, moderate market-oriented reforms were promoted mainly in the electrical energy, communications and fuel sectors. These reforms were aimed at increasing competition in the markets for public services and partially privatizing the public enterprises. The reforms were carried out through laws which modified the definition of the monopolies of the public enterprises and the possibility of bringing private capital into them. In general, they have been challenged through referendums. (i) The 1992 Public Enterprises Law, which partially privatized the State-owned telecommunications enterprise ANTEL, was overturned in 1993 in a referendum that was initiated by the union of ANTEL’s employees. (ii) The 1997 law concerning the new regulatory framework for electrical energy, was challenged by the union of UTE’s employees, but this attempt failed. (iii) Legislation that dealt with changes in ANTEL’s Charter and the opening of the international telephony was challenged, and the government brought about its abolition in 2002 when a referendum on that was imminent. (iv) The law for opening the market for refined petroleum products, which eliminated ANCAP’s monopoly in refining and the distribution of these products, and which made it possible for private capital to come into the public enterprise, was recently overturned by a referendum that was initiated by ANCAP’s employees. This process is indicative of the lack of basic agreement about these subjects among the main political groups. What is more consensual is the use of these monopolies as strong contributors of resources to the treasury. This promoted some efficiency improvements in the State-owned companies, but implies an obstacle in the process of liberalization in the utility markets.

In cases where the reforms went through (electricity, and partially in communications), the pace of the implementation of the policies has depended on the importance that they had at the time: (i) the objectives of the sectoral reforms, (ii) fiscal objectives, which are much more important during the crisis, and (iii) external constraints, which have spurred on the process of electrical interconnection with Argentina or the MERCOSUR. The reform of the electricity sector seems to be a paradigmatic case here, since it is a reform carried through by a law which was not overturned, but the implementation has not been completed seven years after.
Interest groups also play a relevant role in resisting some reforms. While unions do it by promoting referenda, other groups defend their interest in a more subtle way in the policy implementation stage, through their interactions with the Executive and the political parties.

Broad policies in utility markets tend to be relatively rigid, when emerging from the interaction between the Legislative and the Executive. Examples of rigidity are: (i) the very existence of the State-owned companies are set in the Constitution, (ii) the mechanisms of appointing and firing their board members are also in the Constitution, and (iii) several laws are very specific in operative aspects, eliminating some discretion in terms of business strategies, association with private firms, and so on.

**Fiscal policies.** Since 1990 the tax burden increased considerably, growing from 25% to more than 30% of GDP (which was the highest possible when we consider regional comparisons). The structure of this income remained basically unchanged: taxes on consumption (IVA (value added tax) and IMESI (sales tax)) accounted for 65% of income at the start of the period and stood at the same level at the end. Total income increased because of rises in the rates charged and a widening of the base where the tax was levied.

The tax administration system presents serious drawbacks, showing relatively high levels of evasion. Although there were a number of projects to reform this system, they were not passed in Congress. During the period, there was a continual process of creating, abolishing and modifying taxes, and this allowed discretionary management of fiscal income policy. In particular, tax exemptions were used as a mechanism for discretion in the management of fiscal policy in order to give attention to private interests. However, this feature was in operation in a relatively small group of taxes, and the taxation structure that accounted for the greater part of fiscal income remained unchanged.

Expenditure also increased over the decade, but by a smaller proportion than the increase in income. In 1989 there was a plebiscite which index-linked pensions to the past rate of inflation, and this generated the biggest fiscal problem on the spending side. In the five years immediately following the plebiscite, the deficit in the social security administration (Banco de Previsión Social) jumped from 2.5% to 6.3% of GDP. The plebiscite had the effect of making social security expenditure a non-discretionary one for the government. In response to this problem, there was a reform to the social security system, which was passed by Congress in 1995. This reform did not change the fact that expenditure on social security was outside government control, but it did establish actuarial bases for the system that would be sustainable in the middle and long term.

The amount of salaries paid by the public sector also remained constant (in terms of GDP) throughout the period. The outstanding policy move in this area was the rendering of accounts by a single article.⁴ Starting in 1996, this was applied so as to avoid having to submit the revised annual budget to Congress (through voting on a single article, and this maintained the five-year budget without any modifications). This had the effect of avoiding discussion and negotiations

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⁴ The Uruguayan budget bill is a five-year program (*Presupuesto Quinquenal*) with yearly revision bills (*Rendición de Cuentas*), all of them proposed by the Executive branch and approved by the Legislature.
with the public employee unions, and thus removed the possibility to increase expenditure on this item. The price the government paid for this strategy was that it made the budget process very inflexible.

Public sector investment remained stable over the period until 2002, when there was an abrupt fall due to the generalized economic crisis. Fluctuations in the management of this variable has a negative effect and generates a harmful cycle in public investment, which is well documented for the case of road infrastructure. Investment in public enterprises also fell as a response to fiscal requirements; investment decisions in State-owned enterprises are negotiated with the Planning and Budget Office and the Ministry of Finance when they bargain about the transfer of profits.

Almost all of the items on the spending side are essentially rigid and non-discretionary. Broadly speaking, half of public expenditures goes to social security and one fourth goes to wages. Interests and debt repayment are also outside the government control. Therefore, the “adjustment variable” of spending to the evolution of fiscal income (which is very pro-cyclical) is the public sector investment. The volatility in this item is the result of the absence of anti-cyclical mechanisms in the remaining items of public spending, in a context in which tax burden had reached a point where it is difficult to impose any new increase.\(^5\)

State reform. The design and implementation of State Reform programs in Uruguay were traditionally split up in diverse public offices with overlapping functions and deficient coordination, and with an important lack of human, technical and financial resources to implement it. In addition, legal measures related to the State reform resulting of the dealings between the Executive and the Legislative branch used to be quite inflexible due to political safeguards, as a result of the divergences in political and social preferences and the expected gains of the political actors, while the implementation of the policy needs of room for adjustments. This configuration of the policymaking process affected the quality and coherence of the measures finally implemented. The strategy was modified in 1996, when an articulated proposal on State Reform of the Central Administration was designed. The strategy was to pass in Congress the essential legal framework to implement the programmed measures and to establish the institution responsible to implement the program. This framework allowed the Executive to define some regulations by decree, increasing its capability to get more flexibility in policy implementation, but also increasing the effectiveness of lobby groups to influence the final outcome. Three aspects deserve to be stressed. First, the measures related to the State reform which emerge from the interaction between the Executive and the legislature tend to be rigid due to political safeguards. This is the case of hiring civil servants, setting public wages scales firing employees, and so on. Second, the policy tends to be more volatile at the implementation stage due to a larger Executive discretion and the poor visibility of them. This process is influenced by the action of interest groups which affect specific decisions at that stage. Third, the measures that could be implemented in the terms it was expected were those related to the conditionality of financial disbursements by the IADB, \(i.e.\) when an external enforcement mechanism was set. In these cases, the IADB’s conditionality played a role when it is aligned with the government’s goals, by providing ammunition for the government to weaken those who oppose reform. Nevertheless, combined with the two previous aspects, they do not conform a coherent and predictable State reform as a whole and the main aspects of rigidity remain.

\(^5\) Besides of having a very low investment rate, the volatility of public investment makes it even more inefficient.
A rough view about the main characteristics of economic policies in Uruguay suggests that the country is able to generate diverse kinds of results. First, some policies seem to be relatively stable and emerged from a long-term perspective, such as the commercial and financial openness of the country. After some debate until the early eighties, it is unusual to find voices in the political arena claiming for “closing” the economy in the commercial or the financial sector. History dependence also plays a role, since it is very difficult to conceive to move back from MERCOSUR or to close the financial sector of the economy after the respective processes in both arenas. Second, there are some areas in which policies are featured by low volatility, but they tend to have low quality and show important signs of inflexibility. These are policies areas in which there are very large institutional costs of making and changing policy decisions and rigidity is the price to pay for political protection against future reversals, such as pension policies, some areas of the State reform (civil servants’ wages and hiring mechanisms), and the fiscal policies, among other examples. Third, some outcomes show some volatility, since they are not subject to specific policies with a long run perspective and they are affected by the result of other rigid policies. For example, the public sector investments are the “adjustment variable” of the global fiscal performance, which is plagued with inflexibilities in the rest of the items. Therefore, the variable that accompanies the evolution of the business cycle is the investment expenditure of the Central Administration and the State-owned Enterprises.

Therefore, it would not be accurate to describe policies in Uruguay in only one generic fashion, since we describe different types of outcomes. In the first case, the absence of a commitment mechanism would make the policy outcome highly volatile (as suggested by the history of trade protection and financial opening and closing). External commitment devices associated to international agreements, together with the role of time dependence, tend to limit the power of the domestic interest groups. The second group includes policies which are highly rigid and are sustained in that fashion by the blocking power of interest groups combined with voting interests. Thus, what we have is a) moving up in the equilibrium by commitment devices in policies that otherwise would be highly volatile, and b) huge inflexibilities in areas that also in the absence of rigidities, would be highly volatile. Related to the third kind of outcomes, it must be noted that the volatility does not emerge from the alternation of political actors with opposite preferences, but it is the result of the inability of the political system to set any fiscal responsibility rule to generate an anti cyclical spending behavior.

Additionally, the fact that the country generates different types of policies is consistent with the analytic framework, since the resulting political decisions do not depend solely on the political institutions but also on the transaction-cost characteristics of the different arenas. Not all the policy areas imply the same policy preferences, identical demands in terms of inter temporal exchanges, the play of the same set of political and social actors and the same need for external enforcement. Several attributes distinguish policies in terms of their transaction-cost characteristics, in particular, those related to the requirements and the ability to develop inter temporal political exchanges: (i) the constellation of political preferences, how close they are, how salient the specific issue is and, in general, what are the expected gains from the political
conflict; (ii) the availability of external enforcement mechanisms, (iii) the subset of political actors and veto players, (iv) the relationship between policy design and policy implementation in each arena and, consequently, the role of the Legislature and the Executive in the actual implementation of the specific policy, (v) the cost of implementing safeguards, and so on.

The description suggested above can be consistent with the Spiller and Tommasi (2003) analytical model. This constellation of policies can emerge from an institutional environment that does not facilitate intertemporal exchanges and cooperation. In the cases in which the political preferences are convergent, the expected gains from political conflict are not significant. Two examples of this situation are related to the financial and commercial openness of the Uruguayan economy, particularly since the late eighties and early nineties. First, most of the actors are convinced that a small country like Uruguay has to be open to international financial markets, since it needs loans and foreign direct investment in the development process. Second, after Argentina and Brazil decided to engage in an integration process (the conformation of the MERCOSUR), Uruguay had no choice but to join them, since they are its two main trade partners and significantly affect exports, financial markets, tourism, and so on. Cooperation over these issues had to be feasible even under a relatively “weak” institutional framework, because of the convergence of political preferences. Additionally, external enforcement mechanisms could be available (conditionality with multilateral financial organizations, like the IMF and the World Bank, and the MERCOSUR agreement contained in the Asuncion Treaty of 1991). In the latter process, the strategy of “tying one’s hands” was very clear and the political system could advance in the commercial openness with a depth that not even the dictatorship could. Therefore, the result of close political preferences and the ability of generating external enforcement mechanisms is relatively stable policies, even under a political framework which does not encourage cooperation in the long run.

In cases in which preferences diverge but the cost of implementing safeguards is relatively low, the emerging policies are rigid and low quality. One example of this situation refers to the policies related to the enrolment, hiring and waging of civil servants. Instead of having a flexible strategy to adjust the size of the bureaucracy, to incorporate civil servants in the budget payroll with an economic criterion, to hire according to the needs of the State and their professional background and to remunerate them according to their opportunity costs, the policy is featured essentially by the prohibition of enrolling new civil servants in the budget, the virtual impossibility of firing them, and a rigid and incoherent wage scaling, complemented with the fact that every new contract is suspicious because of some political abuse of this hiring mechanism. These rigidities emerge from the need of political safeguards. A second example refers to bankruptcy procedures. The main law governing them has not been significantly changed in the last seven decades. However, the results in this policy area are very poor, since the mechanisms are very tough and inflexible and the weakness of the institutional framework encourages agents to solve the resolution of failed firms outside the courts or formal procedures.

In the case of volatile outcomes, such as the public sector investment process, this is the logical result determined by the absence of stable and adaptable policies in the fiscal arena. Since almost all the rest of the items in the public spending side are basically rigid (social security, wages, debt repayment, and so on), the procyclically of fiscal income and the variations in the access to financial markets have to be compensated by the evolution of an “adjustment variable”: the
public investment. The only expected outcome is volatility. The decisions in this case are essentially in the Executive’s hands. Nevertheless, it worth noting again that this volatility is not the result of political conflict but of the inability to set long term rules for the public spending management.

In general, these policies show a visible lack of coordination and consistency, with very negative effects on the investment in domestic markets. The low quality of the policies is clear in these cases when negative economic shocks occur. This is the case for most of the arenas dealing with the rules of the game related to property rights and contracts. This is also the result of a weak institutional environment in which the interest groups encourages the myopia of the political system. In fact, in several areas the rules of the game are blurred and in other areas the rules are well defined but poorly enforced.

2. A Description of the Uruguayan Political Process

2.1. Formal Political Institutions

The Uruguayan constitutional design sets a presidential regime, with notorious differences regarding the U.S. case. Indeed, the central feature that characterizes the Uruguayan presidentialism deals with the strong influence that the Executive exerts on the policy making process through different legal prerogatives to control the legislative process. Like many other cases in the region, presidents have important legislative powers such as total or item vetoes, the exclusive authority to initiate bills in strategic areas (budget or tax policy), the possibility of sending urgent consideration laws, as well as non-legislative powers such as ministerial appointments and other key bureaucratic spots. In the long run, at least since 1930, the Executive branch has gained substantive power vis-à-vis the legislative branch in successive constitutional reform, including the last amendment endorsed in 1996.

Despite its institutional powers, most Uruguayan presidents since 1985 have been politically weak. This political weakness is the result of two different features associated to the party system and the partisan organization. On the one hand, the party system shows an increasing level of fragmentation since 1971, and particularly since 1989, with three parties and a half. On the other hand, and perhaps more importantly, the organizational structure of Uruguayan political parties shows factionalized parties which implies that the number of actors and hypothetical agents at the bargaining process will be higher than the one set by the system.

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6 Although the Executive does not directly decide the amount to invest in the cases of State-owned Enterprises, it crucially affects their decisions through the negotiations about the amount of transfers of profits from these companies to the Ministry of Finance.

7 The Effective Number of Parliamentary Parties (on average) for the period 1942-1966 was of 2.27, and 3.07 for the period 1971-1999.

8 Like the cases of Italy, Japan and Colombia, Uruguayan parties are factionalized. However, unlike those cases, Uruguayan factions are institutionalized agents within parties and the whole political system. Both Italian and Japanese factions are “informal” actors within parties, since the electoral system does not promote or legally legitimate those agents. Uruguayan factions are the direct consequence of the electoral rules, and for that reason they tend to be stable agents within parties, with their own leaders and organizations (see 4.2).

9 It is important to note that Uruguayan political parties are one (if not the most) institutionalized parties in the region (Mainwaring and Scully, 1995). However, because of its factionalized structure, presidents are only factional
The transition from a bipartisan system towards a multiparty system has implied that most Uruguayan presidents since 1989 have been forced to negotiate coalition governments with opposition parties and factions. In other words, the multiparty system is the causal factor that explains the minority condition of most Uruguayan presidents, and for that reason has facilitated the emergence of coalition governments since the nineties onward (Chasquetti and Moraes, 2000). Given the combination of the presidential regime and the multiparty system with factionalized parties, presidents have to negotiate inter and intra-party agreements in order to build coalitions or legislative majorities to pass their agenda.

The electoral rules are one of the key factors to understand the political dynamics described above. Presidents are elected for a five-year term with no reelection. Before 1994, presidents were elected by plurality system and Double Simultaneous Vote (DSV). This electoral feature allowed parties to present multiple candidates for the presidential race, given that voters cast their ballots primarily for a party and then for a presidential candidate. In this context, given that candidates within parties were able to sum up their votes (for the party), elected presidents became the most voted candidacy within the most voted party. A constitutional reform in 1996 changed these electoral rules. The reform eliminated the controversial DSV for the presidential election, and set the new election by majority runoff. Additionally, it was constitutionally established that all parties have to perform primaries in order to select their single presidential candidates. The reform process that took place during the Sanguinetti’s second administration was promoted and sustained due to the threat posed by a possible electoral victory by the left wing party (FA). The new electoral rules, and specifically the majority run-off for the presidential election, favored the tenure of the reformist coalition in office (between colorados and blancos).

Uruguay has a bicameral Congress. Senators and Representatives are elected by proportional representation with closed lists, under Double Simultaneous Vote. Until 1996 all elections were held simultaneously. Currently, legislative elections take place simultaneously with the first round of the presidential election. Citizens cast their votes with the lists of candidates for the legislature (Senate and Representatives) and the presidency in the same ballot. The Senate has 30 members elected in a single national district plus by the vice-president. The chamber of Representatives has 99 members elected in 19 multimember electoral districts. In a first step,
seats are assigned among parties applying the D’Hondt formula on a national basis. Secondly, the distribution takes place within parties (among factions), also under proportional representation, and within districts with a minimum of two representatives for each district. In this way, proportional representation is preserved in a perfect fashion among parties, even though some disproportionality could appear among factions. The PR system, in a multipartisan context create minority governments, and the combination of single candidates and the majority run-off system—which the electoral reform set up—could contribute to worsening the parliamentary position of the elected President. Under the current rules, the legislative representation of the party in government does not have to be the biggest in parliament because there is nothing to stop the election of the candidate of the second party, whose representation would be second in number of legislators, as happened in the 1999 election. In addition, there is no disposition in the new constitution which guarantees legislative weight to the President’s faction. The elected President is the single candidate from his party, and he can be voted for together with any of the parliamentary lists of that party. The votes which the President’s faction obtains are relatively independent of the electoral potential that he has, and consequently he/she may be in a minority in his/her party.

The closed and blocked list increases the faction’s leadership power, especially over those representatives elected in large districts. In those cases, the leader has an important discretion in selecting candidates, since he/she has the ability to influence (if not elaborate) the list of candidates of his/her faction. On the one hand, this power implies an important disciplinary element for the faction and, by extension, for the party. But on the other, the fact that the system or the partisan structure admit competition among factions, allows legislators to move from their faction and to run in further elections under a different presidential candidate (until the 1996 reform) or faction. In addition to those incentives to avoid the discipline imposed by faction leaders, representatives elected in small districts have some incentives to cultivate their personal reputations. Nevertheless, the constitutional reform imposed that each faction had to present only one list of candidates per district, enhancing the faction leader’s authority to coordinate the provision of candidates. The elimination of the accumulation of sublemas (electoral alliances among lists) in the election of Representatives has made for a very big reduction in the number of lists presented in 1999, which amounted to less than a half of those presented in 1994. As long as different house lists can not accumulate their votes, the smaller ones have either to join one of the biggest or to build a single list among several of them. On the other hand, the reduction in the legislative supply is associated with the predomination of the main national factions with respect to local political groups, because the new rules enforce a rigid connection between the supply for the Senate and the supply for Representatives. Consequently, we can expect more disciplined legislative conduct from the factional representatives. In sum, faction leaders and particularly presidential candidates have control over the nomination process in both large and small districts. These property rights over factions allow them to control not only the nomination of candidates for legislative elections but also and perhaps more importantly the faction discipline.14

 districts, there is one medium size district (Canelones), and seventeen small binominal and trinominal districts (corresponding to the countryside departments).

14 There is no compelling evidence showing that small-district legislators are more prone to perform particularistic behaviors. Indeed, legislators elected in the capital (M = 44) are more prone to provide constituency service than those elected in binominal districts.
Like presidents, legislators are elected for a five-year term. However, unlike the former who cannot be immediately reelected for a second term, legislators can be reelected without restrictions. This difference yields specific incentives for the system. Being unable to run for the reelection, the President’s power becomes weaker, losing authority and control over legislators from his own party. At the same time, his or her legislators start to build new partisan loyalties (within the party) with presidential candidates who have the chance to be elected. Additionally, legislators who seek reelection in small districts will start to meet their voters’ preferences, be or not those of the main party leaders. In this way, the combination of legislative reelection with presidents unable to be immediately reelected creates centrifugal tendencies in the political system which is expressed through an extreme weakening of the President’s power towards the end of each mandate. During this period parties are less prone to cooperate in order to pass relevant bills for the President’s agenda.

The Uruguayan institutional design has also diverse mechanisms of direct democracy. Among the several existing mechanisms there are two remarkable constitutional devices. On the one hand, the referendum against laws passed by the Parliament. In this case, a 25% of registered voters have the option to express their support to the referendum in order to revoke the law. Approved laws dealing with taxes or those in which the Executive Power has exclusive initiative cannot be revoked through this mechanism. During the last fifteen years the opposition has used very frequently this constitutional device. Indeed, with the support of different pressure groups in addition to parties and factions opposing some governmental policies, the use or threat of using referendums has operated as an important veto to revert relevant laws passed by government.\(^\text{15}\)

On the other hand, the Constitution enables the use of direct democracy to reform the own Constitution. In this case, reformers must introduce the amendment with the support of a 10% of the citizens registered to vote. During the period 1985-2003, this mechanism has been frequently used by different interest groups, sometimes supported by opposition parties interested in reverting the interpretation given by the executive to some constitutional prerogatives (pensions), or to fix at the constitutional level the amount of public spending dedicated to public education. Although the technical nature of this institution is different to that of the referendum, it has also worked as a reactive device against the reforms carried out by all governments since the democratic restoration in 1985.\(^\text{16}\)

\(^{15}\) Promoters have been successful in two occasions: “Privatization of major public firms” in 1992 and the “Association of the state oil company with private firms” in 2003. They did not achieve their goal to revoke the “Amnesty to military involved in human rights violations during the authoritarian regime” in 1989. In three occasions the popular support failed in obtaining 25% of the electorate to make use the referendum: “Deregulation of transmission, transformation, and distribution of electricity” in 1998; The “Reduction of the available period to workers to make claims against employers” in 1998, and; the “Improvement of Public and Private Services, Public Security and Promotion of Productive Activities” as an emergency law passed in 2001. Additionally, in only one occasion a law was revoked by the own parliament to avoid the use of a referendum that surely was going to revoked by voters. This was the case for the “partial privatization of the mobile State-owned company”.

\(^{16}\) Two popular initiatives were successful: “Adjustment of pensions based on wage fluctuations (1989), and pension regulations via budgetary amendments” (1994). Retirees and pension holders promoted both plebiscites in 1988 and 1993 respectively. Two popular initiatives were unsuccessful: a constitutionally fixed budget amount for public education (1994), and financial independence of the Judiciary (1999). Both plebiscites were promoted by labor organizations associated with public education and the judiciary and in the latter case the Judiciary supported in totum the referendum, including Supreme Court justices. Currently, there is an initiative to be considered by a
2.2. Parties and Party System

Uruguay has one of the few institutionalized party systems in Latin America (Mainwaring, 1999; Mainwaring and Scully, 1995). First, part of this characterization deals with the fact that two of the Uruguayan parties are the oldest in the world. While the Partido Colorado (PC) and the Partido Nacional (PN) have 168 years, the left wing FA (FA) has 33 years. This longevity reveals stability across time and there are no presages that the current system with three parties will suffer a major transformation in the short run\(^\text{17}\).

Until 1971, the Uruguayan party system was a robust bipartidism. Since then, the emergence of the left wing party (FA) transformed this format into a multiparty system with three parties and a half, if we considered the systematic presence of a small fourth actor (Nuevo Espacio). In any case, the system reveals stability and party system change in a slow fashion, unlike non-institutionalized party systems (see Table 1).

Table 1: Effective Number of Parties. 1946-2004

A second relevant feature that contributes with the level of institutionalization identifies Uruguayan parties as agents with deep roots in society. Both the traditional parties and the left wing FA have been the central mechanisms of representation and expression of political interests. Uruguayan voters have been identified with blancos and colorados for decades and the same has been true for the growing electorate of the FA. These deep roots in society have at least two broad implications. On the one hand, it leaves no room for the advent of populist leaders that have been characterizing many inchoate Latin American party systems. On the other hand and more importantly, the deep roots in society are associated to very low levels of electoral volatility (see Table 2).\(^\text{18}\)

Table 2: Electoral Volatility and Vote Distribution. 1946-2004.

plebiscite during the next election of 2004, dealing with the state management of water resources and its contracts with private firms.

\(^{17}\) There are good reasons to believe that the Uruguayan party system will remain stable in the short run. Part of this observation comes from recent polls carried out by different sources where despite some important changes in the distribution of votes there is no reason to believe that none of the two traditional parties will disappear. The transition from a bipartisan towards the current multiparty system has been gradual and the same is expected for any further changes in a highly institutionalized party system like the one we are observing. Furthermore, the electoral system does not give incentives for a deep transformation of the party system. The new electoral formula with runoff elections (ballotagge) eliminates the reduction effect produced by the old simple majority or plurality system for the presidential election (see: Shugart and Carey, 1992). Thus, neither voter preferences nor the new institutions regulating elections anticipate a dramatic change in the Uruguay party system in the short run.

\(^{18}\) For twelve elections held during 1946-2004, Uruguay had an electoral volatility of 11,8. Electoral volatility is measured by using the widespread used Pedersen index, which measures the percentage of votes that change between elections, indicating the amount of voters that switch their preferences among parties. Comparatively, the Uruguayan case shows very low scores compared to other Latin American countries. According to Mainwaring and Scully (1995), considering four elections held during 1970-1990 in Costa Rica, the electoral volatility was 18,2; also considering four elections in Venezuela during 1973-1993 the index was of about 17,7; Chile, for three elections during 1973-1993 showed an 18,4 percent of electoral volatility.
A third factor deals with the acceptance of elections and parties as the only or best mechanisms to express popular demands. As we have seen before, Uruguay has been consistently located among those countries in which the overwhelming population prefers democracy to any other type of political regime. However, it is also true that parties have lost part its legitimacy in recent years, as a part of the economic crisis and also other more general trends of discredit that politicians have here and around the world. Despite those increasing levels of discredit, no outsider and new parties have been able to challenge the party system as has been observed in other institutionalized party systems like in Venezuela.

Fourth, Uruguayan parties are factionalized. As we said before, this type of internal organization is the direct consequence of electoral rules that facilitate the existence of these agents within parties. These factions are institutionalized and/or stable groups within parties, generally lead by presidential candidates or national senators. As can be seen in Table 6, the number of factions has remained stable over time. Although the total level of factionalization can be large since 1971 and particularly since 1999, the increase in the total level of factionalization is due to an increase in the Effective Number of Parties (see Table 3). That is, the Effective Number of Factions within “traditional parties” remain relatively stable over time (before and after 1971), but the emergence of the FA increases the total level of factionalization given its large number of factions).

Table 3: Effective Number of Legislative Factions in the Senate. 1946-2004

Paradoxically, although the FA has the largest number of factions, it has the higher level of routinization in its internal decision making process (see: Levitski, 2002). Compared to the PN and PC, the FA has solid mechanisms for making decisions beyond factions, with a unique leader and national committees and partisan structures with effective functioning. Blancos and colorados show a similar pattern routinization only when one of those parties remain in the opposition.

The existence of factions within parties does not imply that parties are weak. Parties are organized around factions, but they are still relevant agents in the political system, since there are rules and procedures for making joint decisions beyond factional divisions or policy preferences. In any case, Uruguayan parties cannot be considered as unitary actors, but both factions and parties are stable agents in the political system. A faction is a national group leaded by senators or national leaders outside the legislature. Within the same ballot, senate lists are followed by deputy lists revealing the hierarchical structure of factions.

Until 1996, faction leaders where able to make deals with local leaders running for the lower chamber which allowed these politicians to be associated to different national senate lists or

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19 There are no legal impediments to create new factions within parties. However, beyond the interest of politicians and voters, its relevance in the political system will depend on its ability to remain stable and gain parliamentary representation on a permanent basis.

20 Since 1985 the “Mesa Política” (or literally “political bureau”) has been conducting the FA, with the exception of programmatic issues and the selection of candidates. Something similar happened during the governments in which traditional parties switched in the presidency. In this case, the Blanco and PC where conducted by the “Honorable Directory” and the “National Executive Committee” respectively.
factions. The reform prohibited the accumulation of votes among lists for lower chamber seats. More specifically, the reform reduced the number of factions because the supply of lists had to be associated to only one national senate list. Thus, faction leaders have to coordinate the selection of candidates among different individuals. Before 1996, potential candidates could make deals with different senate lists and gain election or reelection. After 1996, the restriction of a single list per faction at the district level reduces the proliferation of factions, since major factions have more chances to make deals with local leaders.

Party leaders have a strong power not only to control the nomination process but also—and by implication— the party discipline. Since the nomination control rests to a large extent on the leaders discretion, legislators have strong incentives to follow the faction leader and his policy preferences. This is guaranteed by the fact that the own electoral system of close list and PR guarantees that that leaders have the control or strong leverage in the nomination process. It follows from this type of nomination control that legislators follow the faction or party discipline. Since faction leaders have control over the nominations, undisciplined legislators will not be endorsed for reelection and their chances for gaining endorsement for other career paths are fairly low.

Several studies suggest that Uruguayan parties are strongly disciplined in congress (Buquet, Chasquetti and Moraes, 1998; Lanzaro, Buquet, Chasquetti, et al. 2000; Koolhas, 2003). Using the standard Rice Index\(^{21}\), Table 4 shows the level of party discipline for the period 1985-2003. As can be observed, at least since 1985, Uruguayan parties are highly disciplined when voting in parliament. In addition to those mechanisms of faction-leader over legislators, other political factors are also influencing the level of party discipline. For instance, specific agreements and governmental coalitions carried out by blancos and colorados during the last fifteen years have had a strong influence, in the sense that they have forced faction leaders to fulfill their commitments within those political arrangements. In other words, those agreements and coalitions have not only served as binding conditions to enforce party discipline but also to facilitate the policy-making process. According to Table 4, in 86 out of 125 relevant laws passed by parliament during the period under consideration, legislators from the three parties voted completely united within their parties.

Table 4: Party Discipline in Parliament (Rice Index). 1985-2003

Finally, the party system has shown a centripetal mode of political competition with stable levels of ideological polarization since the democratic restoration in 1985 (see Table 5). This particular feature of a polity (ideological polarization) has a relevant impact on the way a political system is able to handle not only the policy process but also the interaction among actors regarding the political regime. Indeed, low levels of ideological polarization are more conducive to achieve agreements among political actors and the democratic process is less likely to suffer the policy differences among actors. Inversely, a high level of ideological polarization inhibits the ability of

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\(^{21}\) The Rice Index is calculated by using the difference between affirmative and negative votes among members of the same party or faction for a particular bill. The index varies between 100 and 0, for values of perfect discipline and complete indiscipline, respectively. For instance, if a party has ten members and for a certain bill six vote in favor and four against the bill, the Rice index will take a value of 20. Similarly, if the party votes completely united, it will take a value of 100 and 0 if it is completely divided between two groups.
agents to achieve agreements and threatens the democratic process. More concretely, the level of ideological polarization is a key factor to understand executive-legislative relations, since low levels of this dimension facilitates the extent to which presidents are able to achieve agreements with the parliament.

In recent years, authors like Gonzalez (1993) have pointed out that the ideological distance between the extremes of the ideological spectrum in 1986 was 25 percent less than the value shown for the year of the military coup in 1973. More recent measurements (EPI-EIP-CIS, 1998; EPE-ICP 2003) show that the level of ideological polarization remains fairly stable.

Table 5: Legislators Ideological Identification. 1985-2005

As can be observed in Table 5, there has been a meaningful change in the overall system. Basically, the whole system performed a clear movement towards the right remaining constant the distances between the extreme parties. Over time, the Partido Colorado and Partido Nacional have become more rightists and the FA has made a similar move towards the centre-left of the ideological spectrum. This evidence is consistent with the steps taken by the FA to go beyond its original core constituency of labor movements, blue-collar workers and young voters of the capital, moving towards capturing a broader spectrum of the electorate. Overall, these variations observed for earlier periods are small enough to continue perceiving the system as having relatively moderate levels of ideological polarization.

2.3. Coparticipation

The coparticipation system has been a key “informal institution” that paralleled not only the evolution of Uruguayan political parties but also the democratic process itself. This institutional arrangement was the guarantee that no party would prevail in controlling the whole political process and the bureaucratic apparatus (“winners did not take all”). Indeed, the coparticipation system comes from a long series of conflicts between the traditional parties since the nineteenth century (1872), long before the emergence of the modern democratic process in 1910. This system facilitated a form of interaction between Blancos and colorados and created forms of proportional access to public goods and the decision making process. Until 1990, the system was conceived as a political practice where the winning party was supposed to be controlled by the minority party in all major state offices.

Traditionally, the coparticipation system did not imply any form of political support for those who won the presidency. Before 1990, political support to elected governments by opposition parties was neither a necessary nor a sufficient condition to gain access to public offices and some important state goods. However, since the Lacalle administration (1990-1994) the president linked this access to political support and particularly the presence of opposition members in the executive cabinet. In other words, this form of linkage implied that the old coparticipation system suffered a major change by being intertwined with the notion of coalition governments observed since 1990. Formally, the constitutional reform enacted in 1996 imposed some forms of transaction by which losers will only have access to cabinet portfolios and other public appointments if they are to cooperate with parliamentary support. Otherwise, the
Executive would have the authority to remove those parties or factions without the intention to support the policies promoted by the president.

### 2.4. Bureaucracy and Administrative Capabilities

In the Uruguayan State apparatus, political rationale strongly prevails over administrative and technical considerations. The current Uruguayan State is comparatively large but administratively inefficient, if we are to compare with other neighboring countries, such as Chile or Brazil. The basis of this characterization must be understood in the context of its own evolution. Two broad periods must be considered. The first one reveals a substantive process of State expansion in the economy and the provision of public services. This process begins at the early twentieth century and unlike most Latin American countries it shows the emergence of an important Welfare State. During this period, the Uruguayan State created an impressive set of economic regulations and policies in which political parties were responsive to the citizens and interest groups’ demands. Essentially, Uruguayan parties were the key actors in the delivery of public goods and benefits on a particularistic basis such as rents and clientelism practices. This long standing process was facilitated by the fact that parties preceded the State formation in Uruguay, and for this reason they were also able to expand its own basis. This process involved a substantial growth of the number of civil servants and an increasing amount of social services, such as education and social security. In such a context, the behavior of the bureaucracy was not ascribed to a Weberian structure but to an environment of political patronage and nepotism. The bureaucratic and the political spheres were both parts of a complex link. The influence of the clientelism involved the lack of the State’s technical capacity. The second period began at the mid fifties after a deep economic crisis that affected the country. The Uruguayan State began a very slow period of retrenchment in most economic areas and the delivery of public goods. This retrenchment in the State performance did not imply the lack of bureaucratic strengthening and technical improvement in some strategic areas. Since the mid sixties onward, the State has been able to implement several reforms regarding its informational systems in various policy areas, administrative reforms in public offices, as well as the rationalization of the budgetary process. In the long run, these reforms at the State level have been slow, but certainly real.

Needless to say that compared to the mid sixties, the current Uruguayan State reveals smaller levels of economic intervention. In particular, since the mid nineties, the State apparatus verified an important set of reforms undertaken by political parties that produced a drastic decrease in the old patronage practices. Those reforms can be observed in the social security system, telecommunications, electricity, water supply and other set of monopolistic public services. These improvements within the administration of the State apparatus implied declining levels of political manipulation and intervention in the State performance. Nevertheless, the State remains as the most important agent in the economy representing a 35% of the Uruguayan GDP. Currently, large areas of the State remain politically controlled with low levels of technical efficiency.

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22 In 1960, 7% of the labour force was employed by the State (see Table 7) and 30% of the population depended on pensions (Alonso and Demasi, 1986).

23 Both main political parties were the creators and the beneficiaries of a system in which they delivered public posts according to voting performances (Zurbriggen, 1999).
As highlighted by Spiller et al. (2003) a high quality bureaucracy, adequately supervised by Congress, could contribute to an environment conducive to inter temporal enforcement of political agreements. Scartacini and Olivera (2003) sustain that an organized Civil Service can reduce the capacity of politicians to reverse their decisions in response to short-term considerations. While the former emphasizes on the incentives generated by the institutional framework, the latter insist on the importance of preventing the short term public interests from influencing the public policy dynamics. Following Evans and Rauch (1999), Uruguay is one of the Latin-American countries with worse performance in the “weberianness scale”. The authors give Uruguay 4,50 points. At this level, Uruguay beats countries like Guatemala, Argentina and Ecuador, but it is under Chile, Brazil, Colombia, Mexico and Costa Rica. The low level of professionalism of the Uruguayan bureaucracy is even more evident when it is compared to countries of other regions such as Spain, India, Malaysia or Singapore.

Table 6: Ranked Score on the Weberianness Scale

These authors’ view of Uruguayan bureaucracy is, in general terms, certain. However, it is necessary to make an important distinction. In fact, inside the structures of the State in Uruguay there are different levels of professionalism. More specifically, from this point of view, it is necessary to distinguish between the central government agencies (the different Ministries), that have low levels of professionalism, and the bureaucracies of Public Enterprises (ANTEL, UTE, ANCAP, etc), that are better organized.

State-owned Enterprises have managed to preserve and reproduce acceptable levels of professionalism, fundamentally due to their greater levels of autonomy regarding the Executive. They can dismiss their employees with greater discretion than a Ministry in the Central Administration. They also have more autonomy to elaborate their budgets. This makes it easier for them to escape from restrictions to salary increases for the public sector that the Ministry of Economy has been imposing in the aim of controlling fiscal deficit. The obvious result is that wages (and therefore the technical capacity) at the State-owned Enterprises are considerably higher than in the Central Administration.

However, the boards of these enterprises have been integrated by politicians from different parties since 1931. The coparticipation in the management of Public Enterprises was a consequence of a pact made between some sectors of the two main traditional parties. Even though the set of rules that regulates the appointment for the boards of Public Enterprises has been changing, the institutional design has always assured that the two parties are represented in them. The rule for representation of the major minority in the boards of these enterprises determines that the rotation of parties in government does not imply an abrupt change in the policies of Public Enterprises. The fact that politicians are appointed to manage public agencies

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24 This index measures the public bureaucracy level of professionalism and influence in the PMP. The country data is gathered by sending a questionnaire to selected national experts, which deals with issues such as bureaucrats’ recruitment, career patterns, wages and social status.

25 The civil servants in the Central Administration have the privilege of “immobility”, rule that requires an authorization from the Senate to remove them. An employee of the State-owned Enterprises can be dismissed only by a pronouncement of the Directory.
and State-owned enterprises implies that they are seldom adequately professionally handled. (Rivarola, 2003). This problem could be compensated if politicians count with technical support at the party levels. However, this is not the usual practice in Uruguayan politics. When appointing their support and advisory teams, they choose to reward political loyalty rather than technical and professional suitability.

Policies designed and implemented at Ministries level have been, in general, more unstable and lower quality than those related to Public Enterprises. In general, Ministers does not have the obligation to choose collaborators from other parties, and appoint a great number of “officials for responsible posts” that carry out the most important duties. Additionally, Ministers receive an administrative machine of low professional level and very little motivation. Within this framework, the bureaucrat will not try to get involved in the implementation of public policies, since there are little chances that his knowledge is taken into account. In the long run, this goes against investment in developing bureaucratic technical capacities. Thus, it can not be expected that the bureaucrat feels himself involved in the orientation of the public policy and actively cooperates in policy implementation.

At the beginning of the 1950s, the problems in bureaucratic structures of the central government started to be incorporated in the political agenda. The Hall (1954) and the CIDE (1965) reports offered organized views of the main problems that Uruguayan bureaucracy faced. Among other aspects, these studies showed the need to change from a system structured on the basis of political patronage to another that privileged merits in the appointment for Civil Service and in the administrative career. The understanding of the need for an administrative reform to take place led to the creation, in 1968, of the National Office of Civil Service (ONSC).

Even though during the military regime the patronage diminished, no great changes were made in terms of an administrative reform. Once democracy was restored, and especially during the nineties, new trials for reform inspired on the New Public Management theories were made. At first, Parliament prohibited the inclusion in the budget of new civil servants (this rule has existed for more than 15 years). Secondly, both, Lacalle (1990 – 1994) and the second presidency of Sanguinetti (1995 – 1999) set the problem of bureaucracy modernization among the priorities of their agendas. Lacalle implemented a National Program for Debureaucratization (PRONADE) that, among other things, strongly modernized some functioning rules, in particular those related to State purchasing (TOCAF) and the Administrative Process (Decree 500/91). Sanguinetti created an Executive Committee for the State Reform (CEPRE) attached to the Presidency. The CEPRE impulsed the decrease in number of ministry officials, the concentration of their activities on those defined by each public office as “substantive” and the implementation of a system of management evaluation and, taking into account its results, the incorporation in the budget (Ramos, 2003).

The PRONADE and CEPRE reached partial goals. The number of civil servants has been reduced but the quality of bureaucracy in the central government is still insufficient.

Table 7: Civil Servants in Uruguay during the XX Century
2.5 Specialized Knowledge

Uruguay shows a comparatively low rate of incorporation of specialized knowledge in public policies (De Armas and Garcé 2000). This characteristic of the political process also conspires against the quality of public policies. The supply of social research that could be potentially useful in public policies is still comparatively weak. Social sciences in Uruguay have had a late development. In Brazil, Argentina, Mexico and Chile they were thriving during the 30s and 40s, whereas we had to wait until the 60s to find significant advance on this area in Uruguay. Even though in the last 20 years it is possible to find a tendency to strengthen social sciences, they are still notoriously far behind. In particular, there are very few human resources specialized in public policy analysis. There is some accumulation of specialized knowledge in areas such as education, poverty and income distribution, but there is less research in industrial policies, farming, technology, etc. In fact, the only policy studies available are made almost exclusively from an economic perspective. Consistent with the politicians’ incentives and actions, the demand for specialized knowledge from them is still negligible. Political parties did not develop cadre formation policies and the State does not have government schools.

The interface between social research and policymaking is narrow and unstable and there are no institutions to facilitate the encounter of demand and supply. The characteristics of public administration do not contribute to the incorporation of specialized knowledge. Bureaucracy is weak from a technical perspective. In the cases in which it is not, it is insufficiently taken into consideration, because it has been excessively subordinated to political dynamics (Filgueira, Garcé, Ramos and Yaffé, 2003). Congress has not built a system of assessment and advising staff and the parties lack think tanks. In the last 20 years, there has been a more ample use of specialized knowledge in public policies than in the 50s and 60s, particularly at the Executive’s orbit. It was done generally taking advantage of external financial support by multilateral organizations. Even so, deficiencies in the Uruguayan political process regarding this issue become evident when it is compared to other countries of the region, such as Chile and Brazil (De Armas and Garcé, 2000).

2.6. Judiciary

Uruguay has got a strong and prestigious tradition in Law studies and a numerous and competent body of lawyers, prosecutors and judges. The high standard of development of legal studies has

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26 For example, when going over the list of Uruguayan ministers from 1985 onwards, very few took graduate studies abroad and none of them had a Ph.D. degree.

27 The current discussion on how to increment the impact of research on public policies can be found in “Bridging Research and Policy”, project launched by the Global Development Network (http://www.gdnet.org/rapnet/) in 2002. See specially Stone, Diane, Simon Maxwell and Michael Keating (2001).

28 Some of the programmes that have led to the generation of specialised knowledge in social policies are: Social Investment Programme (PRIS), Strengthen of the Social Area (FAS), Institutional Strengthen of the Health Sector (FISS), Programme of Improvement of Quality on Primary Education (MECAEP), Programme of Modernization of Secondary Education and Teacher Education (MESyFOD). The main poles of accumulation and production of specialized knowledge in the State are the Planning and Budget Office (OPP) and the Economic Research Department of the Central Bank of Uruguay. The Office of Programmes and Farming Policy (OP and PA) of the Cattle-raising, Agriculture and Fishing Ministry on its specific sectors and the Management of Planning and the National Administration of Public Education are also to be mentioned.
allowed important levels of specialization, mainly in the following areas: Civil, Commerce, Family, Criminal, Minor, Customs and Administrative Law.

Unlike what was described at the State structure, the Judiciary has an important tradition of independence and professionalism vis-à-vis the political process. The Supreme Court is appointed by 2/3 of votes of the Uruguayan Senate. Given the scope of fragmentation at the party system level, the rule of 2/3 for judicial appointments isolates the judiciary from major political discretion and manipulation. Traditionally, the Uruguayan judiciary has been independent from political influences and this reputation has been the basis of its levels of public support among Uruguayan citizens and domestic decision makers. The Supreme Court is the organ responsible for the appointment of judges and the judicial career. In 1993, the Supreme Court created a Consultant Commission for the promotions of magistrates. This Commission is composed by five members: a Minister of the Supreme Court who presides, a Minister of the Appellations Courts, a representative of the Magistrates Association, a representative of the Lawyers College and a representative of the Faculty of Law of the University of the Republic. This Commission annually elaborates lists composed by 10 magistrates that are suitable for promotion.

After the reestablishment of democracy, followed by a process that included the majority of the Latin American countries, the judicial system in Uruguay has been subject to some important initiatives of reform. These initiatives had a strong stimulus during the first presidency of Sanguinetti, at the request of the Law Faculty of the University of the Republic and of the Vice – president Enrique Tarigo, Professor in that Faculty and an expert in Procedural Law. Within this framework, in 1988 two important innovations took place. Firstly, the new General Procedural Code (CGP) was approved. This Code, that replaced the one that had been in operation since 1876, aimed at making the judicial process easier and more democratic. In order to do so, the CGP established the oral trial in civil, commercial, family, labor and administrative disputes. Secondly, an institution specialized in the training of magistrates was created (Center of Judicial Studies of Uruguay – CEJU). The creation of CEJU was a corollary of the implantation of the new procedural mechanisms. The start of the CGP raised abruptly the request for judges and the requirement of training courses for professionals that had to start using it. Since the creation of CEJU the graduates from this institution have priority in the admission to the magistracy and in the judicial career. The creation of CEJU and the Consultant Commission has strengthened the meritocratic rule in the Uruguayan judicial system.

Besides the judicial apparatus that depends on the Supreme Court, there exists the Tribunal de lo Contencioso Administrativo (TCA), which is in charge of delivering justice at the government administrative level. In fact, most of the claims against government decisions are submitted to the TCA, in general, after they are done at the corresponding office and at the upper hierarchical level. The TCA has three members appointed by Congress and the typical composition includes judges and not politicians. This is an autonomous judicial body which is financed by a specific item of the National budget and the income from its activities.

Proceedings at the TCA are usually very costly and the administrative staff has essentially the typical features of the Uruguayan bureaucracy. Sentences from the TCA tends to take years,
particularly when some political and economic complexity is involved. Therefore, the ability of the Judiciary to reverse government decisions exists, but it could be of little material impact in most of the important cases. The only important exception took place in 1992, during the Lacalle administration. In this case, the government was able to pass a small piece of legislation reforming social security within the budget bill. After the approval in Congress, the law was appealed by individual citizens and the Supreme Court declared the law as unconstitutional, following the procedure in the Uruguayan case. However, the sentence opened the door for an enormous number of appeals that ended in a strong political mobilization against the law made by the association of pensioners and retirees. This mobilization promoted a plebiscite held concomitantly with the 1994 elections, where an overwhelming majority of the electorate (85%) supported the option to revoke the law and prohibit the possibility to pass social security reforms in budget laws.

Despite the healthy levels of institutional independence, the Uruguayan Judiciary also presents some drawbacks. Naturally, one of the main obstacles to the modernization of the Judiciary comes from financial restrictions. The administrative members of the Judiciary earn very low salaries. The majority of the judicial offices are inadequate and there is not enough information processing equipment. Anyhow, it should be highlighted the fact that, since 1985 on, the Uruguayan State has made an effort to improve the salaries of magistrates.

The Judiciary has also some important institutional problems. A main drawback is the lack of specialization in economic and financial problems and crimes. Particularly, the Uruguayan judicial body has not developed experience in terms of adequately solving contractual disputes when economic complexity is at stake. Additionally, the lack of specialized staff or specific courts has not been compensated with resources that could allow the subcontracting of these activities (Bergara, 2003).

Another institutional problem is that the Judiciary does not have financial independence. Although formally, according to the Constitution, it has to elaborate its own budget, in fact, its economic resources are determined by the Budget Office that depends on the Executive. It has an important handicap in handling its own budget, given some important restrictions imposed by the Executive Power in the national budgetary process. This financial dependence conspires, at least partly, against the equilibrium between the Executive and the Judiciary.

Finally, the Uruguayan institutional design sets a Supreme Court without the ability to declare the unconstitutionality of certain bills during their consideration in Congress. The Court can only be an effective veto gate once the bill has been approved by Congress and an individual citizen has been affected by it. Only when those individual citizens ask for the unconstitutionality, the Court can intervene in that particular case without consequences for the law in other cases. The central point here is that, per se, the Judiciary has a limited ability to make policy reversals when the Executive or the Legislative promote unconstitutional bills. However, and despite these

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29 One interesting example refers to a claim submitted by potential providers of paid TV in Montevideo which were not authorized by the government in February, 1994. The permits had a 10-year term (thus, they already expired) and the TCA did not reach a judgement yet. The Adjoin State Attorney in the administrative jurisdiction submitted her report to the TCA in August, 2003, that is, nine and a half years after!!
formal proceedings, both the Executive and Legislative are strategically oriented to minimize the costs of further defeats, particularly when certain laws are politicized by opposition parties.

Milnitsky (2004) presents some indexes related to the quality and the celerity in the judicial activity in Uruguay. The annual demand for justice services involves approximately 200,000 cases, which must be added to a typical stock of 300,000 cases initiated in previous years. In terms of quality, one out of seven definitive sentences are appealed at the Appeals Courts and approximately half of them are totally or partially revoked. In terms of celerity, the average Clearance Rate (the ratio between the number of cases solved and the number of cases initiated) for the period 1995-2000 is lower than 1 (0.91) and the Congestion Rate (the ratio between the total caseload of the system and the number of cases solved) represents almost three years, with an increasing trend, consistent with the inability to clear the annual demand. An international comparison of indicators suggests that the Uruguayan judicial system shows similar levels of celerity than other Latin American countries such as Argentina and Costa Rica, at least for civil and family cases. Courts take on average between 15 and 25 months to judge in Civil, Penal, Administrative and Labor issues and 40 months in Customs issues. Additionally, Appeals Courts takes from 7 to 10 months on average in most of these issues to achieve definitive sentences.

2.7. Interest Groups

Given the influence exerted by parties and the overall political process in the State apparatus, interest groups have had different roles depending on the interaction between parties and the state. During those years marked by the State expansion in the economy and the provision of public goods, interest groups focused their pressures and demands over political parties in the search for rents and particularistic benefits. The political system and parties in particular responded to those requests by regulating in specific areas of the economy, in which the import substitution industrialization shows a paradigmatic momentum in that trend. Business firms and economic agents took for granted those mechanisms until the partisan preferences shifted towards more policy oriented principles. The end of the import substitution model also meant, by default, some changes in the particular type of interaction between rent seekers and political parties.

More recently, interest groups occupy a relatively different role in the policy making process. First, interests groups have been able to use some legal instruments like plebiscites and referenda in order to veto some policies preferred by the governing coalitions or impose their own preferences to the overall political system. These clean and visible veto mechanisms have been frequently used during the last years and remains as one of the most important weapons in the hands of most labor organized interests and pensioners. Second, interest groups have been also able to interact \textit{ex ante} and \textit{ex post} in the policy making process, affecting the overall performance of different policies. \textit{Ex ante} policy enactments, many organized interest groups exert an important pressure at the Executive and Legislative powers. \textit{Ex post}, if those pressures are unproductive during the design and approval stages of the policymaking process, some interest groups are able to exert enough political pressure at the party system and executive levels that the policy implementation and enforcement can remain incomplete. Both the most visible and accountable veto mechanisms via plebiscites and the obscure veto at the
implementation stage are being observed in recent years in the Uruguayan political process. Interestingly, political parties play a relevant role in both cases.

The political action of business organizations has been oriented to exert influence on public policies through direct contacts with the Executive, the bureaucracy and, in a lower degree, with the Legislative (Zurbriggen, 1999). They display more veto power to counteract specific initiatives rather than hegemonic leadership to impose coherent public policies (Caetano, 1992). The interest groups channel their demands through the political parties, which develop a key role as mediators of diverse interests and pressures.

Unlike other countries in the region, the Uruguayan businessmen did not seem too willing neither to support relevant research centers or think tanks nor to hire specialists. At least in some sectors of the entrepreneurs, this process appears to be changing very gradually.

2. The Dynamics of Political Preferences: An Overview

For many years researchers on the Uruguayan politics have argued that the ideological differences between blancos and colorados were not relevant. Although nowadays this interpretation is being reviewed (De Armas, García and Yaffé, 2003), it is not easy to establish those parties’ ideology. The main difficulty lies in the fact that both parties have allocated, throughout history, fractions with noticeably different preferences. In spite of this, the task of defining the ideology of blancos and colorados is not impossible. Firstly, because generally, in each historical period, there is a more influential fraction in each party. When that influence persists, the whole party becomes “tinted” with the preferences of its predominant fraction. Secondly, because beyond the differences, in each party there is a preference zone that is common to all the fractions.  

During the first half of the 20th century, the PC occupied an extensive political space from the centre to the left. Actually, during that period, the ideological position of the PC was determined by the predominance of the Batllismo 31 in the internal political competition. The substantive preferences of the Batllismo can be assimilated to those of the social democracy or Labor Parties. Searching for economic growth and an improvement in income distribution, the batllistas32 expanded the role of the State, protected the national industry and developed an enlarged Welfare State. The PN, meanwhile, occupied a space from the center to the right. During those years, the blancos questioned the batllista model in the name of the principles of economic liberalism and cattlemen’s interests.

Since the economic crisis of the fifties, this ideological map has suffered deep changes. In fact, between 1971 and 1989 the relative position of the blancos and colorados in the left–right axis experimented a reversion: the colorados abandoned the left and adopted economic liberalism; at

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30 Parties in the U.S. have recently been analysed from a similar perspective (See Gerring, 2000).
31 Batllismo was the most important fraction of the PC, built around the outstanding leadership of José Batlle y Ordóñez, who held the Presidency for two periods (1903-1907 and 1911-1915), shaping some of the more important features of the modern Uruguay.
32 Partisans of the Batllismo.
the same time, the blancos moved towards the left, encouraged by the influence of the ECLAC theories. Those changes are deeply associated to the leadership of Jorge Battle in the PC and Wilson Ferreira in the PN. Since Wilson Ferreira’s death in 1989, the PN has returned to its traditional place. Simultaneously, the PC, then under Julio Maria Sanguinetti’s petition, tried to occupy the space of center and center-left.

Although between 1989 and 1990 it reached a position at the left of the PN, the PC could never return to a growing path towards the left, because of the emergence of the FA. Driving the liberal agenda with the blancos, and in spite of Sanguinetti’s efforts, inexorably, the colorados abandoned the left wing. The fall of the Berlin Wall in 1989 made it easy for the FA Party to start a slow but systematic turn towards the center. In a few years, this party capitalized the political legacy of the Batllismo: nowadays it occupies an extensive ideological space from the left to the center, while the blancos and colorados share the space from the center to the right.

In 1984, with the re-establishment of democracy, the levels of polarization were lower than those of 1971 (González, 1993). This trend towards the center was consolidated during the following years pushed by the changes in the PC (the disappearance of its right-most wing under the leadership of the ex president Pacheco) and by the gradual programmatic and political moderation of the FA. Until the early sixties, Uruguay had a two party, moderate system. At the beginning of the seventies, the scenario changed deeply: the number of parties increased and polarization grew. After the dictatorship, the number of parties did not change, but polarization slowed down, so that the present Uruguayan political system can be described as moderate and multi-party.

Chart 1: Evolution of Votes per Party. 1942-2004

After a process of ideological and programmatic evolution, the left ended up tuning with the media voter. Through a systematic opposition to essentially all the reforms, the left became the political force that best interprets the Uruguayan “batllista political culture”. Of course, to get to this stage the left had to go through a deep change. The fall of the Berlin Wall in 1989 made it easier for the FA Party to start a slow but systematic turn towards the centre. The thrive of economic liberalism that followed the collapse of the socialist system and the crisis of the Welfare State left a deep imprint in the ideology and programme of the left. The FA has abandoned radicalism regarding the State and the nationalist ideas it used to have at the beginning of the seventies. Its current programme can be defined in general as social-democrat. Although it still assigns an important role to the State on the administration of the economy, it does not promote nationalization policies, recognizing the role of private initiative (Garcé y Yaffé 2004). In a few years, the FA capitalized the political legacy of the Batllismo: nowadays it occupies an extensive ideological space from left to center, while blancos and colorados share the space from center to right.

An overview to the dynamics of political preferences helps understanding why public policies in Uruguay have been reformed in such a moderate and gradual way. During his two presidencies (1985-1989 and 1995-1999), but specially during the second one, Sanguinetti tried not to set his political discourse and his workings in office far from the predominant preferences of the citizenship regarding State intervention and social policies. Any effort to explain the content of
the reforms that were implemented over those years is likely to fail if it does not take this aspect into account. Additionally, Sanguinetti’s political preferences tend to be closer to social democrat ideas rather than to liberal ones. The possibility of forming political and social coalitions capable of repealing laws passed by Congress has obliged presidents to be extraordinarily cautious and to try not to affect the interests of those groups with veto and mobilization power. The referendum and plebiscite rules are key institutional ingredients to understand the moderation of the liberal reforms carried out in Uruguay from 1990 onwards.

This ideological moderation process, in the context of the diminishing party system polarization, gave place to, at least in theory, a favorable scenario for the construction of agreements between the traditional parties and the left wing opposition. However, between the Blancos and colorados on one side, and the left on the other, there have been low levels of cooperation. Both political blocks have contributed to this situation. Blancos and colorados have generally preferred to leave the left at the margin of the main negotiations, probably to impede its movement towards the center. The left has chosen a clear opposition policy, querying systematically and indiscriminately the successive governments.

From 1985 on, except for some exceptions, such as the constitutional reform of 1996, the reform of Social Security or the ANCAP Association Law that has been recently repealed, blancos and colorados did not look for cooperation of the opposition in Congress. Not only it was easier for them, but also politically convenient to reach agreements between them than with the left wing opposition. Regarding substantive preferences, it was the case because ideological distance between blancos and colorados is far less than it is between any of them and the left wing. Regarding political strategies, it was due to the fact that traditional parties have no interest in favoring the left wing’s growth and they did not need it to pass the laws. Apparently, the leaders of the traditional parties were convinced that the best way to prevent the left wing from growing was, precisely, to keep it aside from relevant decision-making. Having the left wing not to take part in political agreements on relevant issues had, from an electoral point of view, two objectives. First, to show that the problems of the country could still be solved by the traditional parties without the cooperation of the left wing opposition. Second, to hinder the process of political moderation of the left wing and its shift towards the center. The traditional parties left aside the exclusion strategy only when they believed that reforms would not be possible without the inclusion of the opposition.

Nevertheless, the lack of agreements between the successive governments and the left wing can not be explained only by the political strategies of blancos and colorados. It is essential to take into account the fact that the opposition did not show any interest in cooperating. Since the creation of FA in 1971, the majority of its leaders has believed that the best way to increase the electoral support of the left wing is to adopt an opposition strategy, systematically questioning the governments. The Uruguayan electoral behavior seems to have praised this strategy. Between 1984 and 1999, despite it was essentially a period of growth and reduction in poverty, the opposition could double the number of votes, becoming the most voted political party.

Summarizing, after the dictatorship, differences in program among the left wing and the other parties diminished. However, the political strategies orienting electoral competition among
relevant actors hindered the building of bridges between the parties that assumed the responsibility of government and the left wing opposition.

3. A Characterization of the Policymaking Process

3.2. A Brief Description of the PMP

The Uruguayan policymaking process is determined by four broad institutional features: a) the presidential regime that set fixed terms for both executive and legislative powers; b) a president with strong legislative powers to control the ability of parties and legislators to influence the PMP; c) a multiparty system with factionalized parties, and; d) institutional devices that enable the use of direct democracy to reform the constitution or endorse laws. The combination of the first three factors determines to a large extent the features of the PMP with a cyclical pattern composed by two discernible periods within each presidential term, characterized by cooperation and conflict.

In the context of a presidential regime with a multiparty system, most Uruguayan presidents since 1985 have been forced to form governmental coalitions to pass their policies. Thus, before each government takes power, most presidents have to negotiate the policies to be incorporated in the political agenda. This process implies an intense inter and intra-party negotiation process, based on an exchange of political support in a set of strategic bills (for the president) for cabinet portfolios demanded by those parties and factions that will be part of the governmental coalition.

During the span of time that executives are supported by the governmental coalition, presidents are able to pass the agenda (or at least partially) and the policies negotiated at the coalition formation stage. However, as long as the presidential term progresses, the incentives for those who cooperate with the president decrease, given that the electoral calendar forces coalition members to compete. Indeed, the payoff structure of governmental coalitions under presidential systems determines that those who support successful governments will receive small benefits (votes), and for this reason coalition termination before the electoral campaign begins is a precondition to avoid such electoral inefficiencies. If president is unsuccessful, coalition partners have obvious incentives to abandon the coalition as elections approach. But even if the president is successful, they have incentives to abandon the coalition, since the president himself (or his faction) will stand to gain more from the support than the coalition partners do. 

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33 The intra-party negotiation is the result of the predominant model of parties. Given that parties are factionalized, presidents have to negotiate policies with other factions within their parties, in addition to the inter-party negotiation in order to form a governmental coalition.

34 The political cycle has to be expected in all presidential regimes with simultaneous elections and fixed term for presidents. However, in some political systems that this conditions are met also show a less pronounce cycle or it has a minor relevance for the policy making process. In most of these cases there are other institutional devices that buffer political or institutional conflict between presidents and assemblies (Shugart and Carey, 1992). For instance, the presidential reelection allowed by the 1997 constitutional reform in Brazil changed dramatically the positioning of political parties regarding the electoral competition and their strategies towards the executive. Something similar can be observed in Chile with the system of binominal districts, which forces parties to cooperate by being part of
As can be observed in Chart 2, while cooperation periods enable presidents to pass their agenda, competition periods are characterized by the presidential inability to buffer the policy preferences of the legislature and the opposition parties. Additionally, the 1996 constitutional amendment introduced party primaries four months before national elections, extending the competitive period. In sum, cooperation periods yield policy formation under political agreements, while competition periods are more prone to policy stalemate or status quo (Buquet, Chasquetti and Moraes, 1998). This dynamics implies the ability to develop some political exchanges and get some cooperation in several areas, although that cooperation will be difficult to sustain until the end of presidential mandates because of the logic of the electoral competition mentioned before.

The PMP evolves under the above political and institutional dynamics. Theoretically, the PMP can be analyzed taking into account the agenda setting and the policy design processes. The agenda setting process in Uruguay is determined by the cyclical pattern of government described above. At the outset of each government, presidents and coalition partners bargain on a set of policies that will prevail in the legislative arena. By implication, those policies will have political support in Congress. In addition to those contexts in which presidents are supported by governmental coalitions, some institutional features give them an important asymmetry in the congressional arena. Indeed, Uruguayan presidents have exclusive initiative in relevant policy areas, such as the budgetary process, tax policy and the ability to appoint new personnel for key administrative posts. Thus, during cooperation periods, presidents are able to legislate and pass the governmental agenda without major congressional opposition.

According to Chart 3 the above political context suffers major changes as long as term mandates advance, since most presidents systematically lose political support towards the end of their terms. Systematically, during the last two years of each government the agenda tends to shift from the executive towards the policy preferences of the legislature, and particularly in favor of those who are leaving the coalition or more punctual governmental agreements. During the second part of the cycle, the policy agenda follows a more particularistic pattern, given the electoral proximity and the fact that during the first part of the cycle legislators were working with the policy preferences of the executive. During this period, legislators are more prone to coalitions. Overall, some institutional devices beyond fixed terms and simultaneous elections can induce higher levels of cooperation during presidential mandates (See: Chasquetti, 2001).

35 In addition to the extension of competitive periods, the new constitution also introduced the split of national and local or sub national elections to be held in May of the first year of national elected governments. This change implies that coalition partners who are supposed be cooperating by passing the governmental agenda are competing at the sub national level. For this reason, the Jorge Batlle Ibáñez administration was able to start passing his agenda only after sub national elections took place.

36 Interest groups have a limited influence as agenda setters. However, those groups have an important veto power. Generally, interest groups exert a direct pressure on the Executive in order to modify or reverse some policy decisions. When those pressures are ineffective, interest groups shift their efforts towards Congress and particularly to the committee structure.
respond (via legislation or simple attention) to more narrow constituencies which can be observed in the small peaks of important legislation endorsed during the last year of each government (see Chart 3). Given that parliament becomes more proactive in the legislative process, it is also expected that presidents will be more prone to react to their policy preferences. For this reason, executive vetoes become more frequent during the last part of each government. Presidents can veto legislative initiatives (also with item veto) without restrictions on policy areas and can be overridden by a vote of 3/5 in each chamber (Magar and Moraes, 2003).

The process of policy design is also strongly determined by the institutional rules and structures. Presidents have not only exclusive power of legislative introduction in some policy areas, but also key institutional sources of expertise located at the bureaucratic apparatus. In contrast, the parliament lacks these resources in order to design public policy. Given that legislators gain their nomination from faction leaders and that those leaders are policy brokers who negotiate policies (via coalitions or particular agreements) with other parties or factions, individual legislators have no incentives to create strong institutions within congress. To a large extent, congressional institutions serve to diminish the level of uncertainty produced by the impact of the policies enacted by individual legislators. Low levels of uncertainty will be always preferred by individual legislators in order to improve their electoral fortunes. This is only true if legislators depend on themselves to gain reelection, as Kreb膨胀 argues (1991). However, if legislators depend of party or faction leaders to gain office, their incentives to create strong legislative institutions are scarce (Moraes, 2004).

The Executive has an important set of specialized agencies and experts that will be in most cases responsible for designing public policies, further delivered to the legislative arena. As such, the legislature reveals a limited set of resources and specialized staff to produce public policies. Indeed, neither parties nor the legislature have think tanks and specialized bodies dedicated to design public policies. Regularly, coalition legislators are capable to influence the policy design during the legislative process. The most important bills get into Congress through the Senate (Chasquetti and Lanzaro, 2003). The senate committee in charge has the authority to make changes, despite the fact that the Executive will avoid a policy stalemate by sending bills far from its best policy preference. As a general rule, committees frequently amend Executive proposals, negotiating with the president or individual members of the cabinet. Additionally, interest groups, bureaucrats and experts participate in the discussion of each particular bill.

37 The Uruguayan parliament has a relatively small budget. Individual legislators can count on small amounts of money to finance and solve their particular needs in terms of staff, information and logistic resources. The internal institutions oriented to fulfill legislator’s needs are scarce and not well equipped both in human resources and technical knowledge on public policies. During 1997 the IADB financed a large research project to evaluate the viability of introducing a permanent technical staff to assist the needs of legislators in different policy areas. However, Uruguayan legislators and the administrative staff frustrated the reform. In particular, Uruguayan politicians have been reluctant to accept think tanks research and individuals specialized in some policy areas of strategic importance, such as telecommunications, energy and also institutional or political reforms. The legislature and individual legislators have followed two types of bypasses to solve the lack of technical knowledge. On the one hand, since the legislature delegates a large part of the policy design in the executive branch, all committees require information and the opinion of ministers and public firms directors in order to have a better look at the policies under consideration. This process has been intensified during the last coalition governments observed since 1990 onward. On the other hand, legislators are allowed to request the transfer of public servants to work in their particular staff. Those public servants are generally professionals working in areas of particular interest for the legislator.
Therefore, the negotiation process implies not only a strong Executive influence, but also the important participation of key legislators in the committee structure.\textsuperscript{38}

From the brief and preliminary description developed here, it must be noted that the number of veto gates and veto players with power over policy decisions is relatively large due to the set of institutions (presidential regime with bicameral legislature) and political agents operating within the system (fragmentation and party factionalization). In addition to these factors, plebiscites and referendums are a tremendously influencing factor in the way parties, factions and governmental institutions perform their interactions.\textsuperscript{39} These mechanisms of direct democracy have played a relevant role in Uruguayan politics since the democratic restoration by imposing a serious constraint to the enactment of important reforms endorsed by the legislative and executive branch.\textsuperscript{40} Overall, despite the presence of this different types of vetoes, the system has been relatively stable in maintaining a systematic path in the policy making process, patterned by a clear political cycle.

\textbf{3.3. The Dynamics of the Policymaking Process}

Hitherto, the basic form of the Uruguayan policy-making process remains static. This section develops the dynamic aspects of the PMP in the Uruguayan case. First, the Executive branch is the main agent in the legislative process. This Executive has a mode of interaction with legislatures in which the latter retains the power to veto executive proposals and shift the policy preferences of the president (Cox and Morgenstern, 2002). Executives set the agenda by using

\textsuperscript{38} Each chamber determines the set of sanding committees that will have at the beginning of each legislature. Overall, the number of those committees has increase during the last decades. For instance, during the period 1985-1990 both chambers had 9 standing committees, but the current legislature (2000-2005) shows a lower chamber and a senate with 14 and 15 standing committees respectively. In addition to these committees, each chamber can create ad hoc or special committees to investigate a certain type of policy or to oversight executive decisions and policies. This type of committees requires special majorities to be created and its survival is very limited, since they are created with very specific purposes (see: \href{www.parlamento.gub.uy}{www.parlamento.gub.uy}).

\textsuperscript{39} Promoters have been successful in two occasions: “Privatization of major public firms” in 1992 and the “Association of the state oil company with private firms” in 2003. They did not achieve their goal to revoke the “Amnesty to military involved in human rights violations during the authoritarian regime” in 1989. In three occasions the popular support failed in obtaining 25% of the electorate to make use the referendum: “Deregulation of transmission, transformation, and distribution of electricity” in 1998; The “Reduction of the available period to workers to make claims against employers” in 1998, and; the “Improvement of Public and Private Services, Public Security and Promotion of Productive Activities” as an emergency law passed in 2001. Additionally, in only one occasion a law was revoked by the own parliament to avoid the use of a referendum that surely was going to revoked by voters. This was the case for the “partial privatization of the mobile State-owned company”.

\textsuperscript{40} Two popular initiatives were successful: “Adjustment of pensions based on wage fluctuations” (1989), and “Pension regulations via budgetary amendments” (1994). Retirees and pension holders promoted both plebiscites in 1988 and 1993 respectively. Two popular initiatives were unsuccessful: a “Constitutionally fixed budget amount for public education” (1994), and “Financial independence of the Judiciary” (1999). Both plebiscites were promoted by labor organizations associated with public education and the judiciary and in the latter case the Judiciary supported in totum the referendum, including Supreme Court justices. Currently, there is an initiative to be considered by a plebiscite during the next election of 2004, dealing with the state management of water resources and its contracts with private firms.
different prerogatives and rest upon strong bureaucratic and administrative capabilities that allow them to design their policy preferences.\footnote{The Uruguayan Executive is structured around 11 ministries with a policy area of specialization and control over a set of programs. Additionally, the Executive has an Office of Planning and Budget that designs and controls the whole elaboration and execution of the national budget.}

Second, the opposition party (FA) has no incentives to become a policy maker within the legislature, given that governmental coalitions simply pass their own agenda. Thus, since 1985 the FA has increasingly become a control agent rather than a policy maker, as a consequence of its own position outside the presidency and governmental coalitions (Chasquetti, 2003).\footnote{During 1985-2003, the FA performed a total of 9217 requests of information to the executive branch, representing a 60.4% of whole number of requests made by the Parliament during that period. However, since 1997 the FA intensified its requests arriving to values above 80%.

Fourth, since parties are strong, logrolling is negligible in the Uruguayan Parliament, with the only exception of low profile bills at the end of legislative terms (Weingast and Marshall, 1988). For this reason, legislators have few incentives to create legislative institutions in order to improve their chances to pass their policy preferences and by implication their probability to be reelected. However, from an informational point of view (Krehbiel, 1991), only the FA has incentives to create those institutions or informational resources. Given that coalition partners or governmental parties delegate the policy formation and the informational resources to the Executive branch, these parties have no incentives to create those institutions. Hence, only the opposition party has the incentives to create those resources or institutions within parliament. Additionally, the FA has the highest reelection rates, which supports the thesis that the creation of specialized bureaus and informational resources are linked.\footnote{Uruguayan legislators invest 28 hours a week (on average) in providing help to individual voters. This number of hours is almost equal to other countries in which legislators have notorious institutional incentives to provide particularistic benefits and goods to their voters, such as the Brazilian case (Hagopian, 2002).}
Fifth, the lack of incentives to build institutional capacities is not due to the fact that reelection rates are low. Rather, the Uruguayan case shows comparatively high levels of turnover in the region. More specifically, a 49, 54 and 65 percent among those who seek reelection achieved their goal for the 1989-94 and 1999 elections (Altman and Chasquetti, 2004). This evidence reinforces the argument that low reelection rates are not the argument for explaining the weakness of legislative institutions in Uruguay.

Sixth, the legislature also delegates power into executive programs and specific agencies. This type of delegation originates at the executive branch, but the legislature generally intervenes during the policy making to permit itself further mechanisms of control. Thus, this type of delegation may not result in an efficient way of transferring power through administrative procedures. Generally, many institutions have several problems to execute their objectives due to the fact that legislators and parties usually exert pressure over those agencies to shift their policies. Also in this case, interest groups exert a direct pressure to revert policy decisions made by those agencies. As obvious, the type pressure exerted by those interest groups leads into poor levels of institutional performance given the dominance of informal channels of interest representation.

Finally, a relevant feature of the Uruguayan policy making process is that executives never bypass the legislature. Unlike many Latin American countries where executives circumvent legislatures using their decree power and other institutional devices, Uruguayan presidents do not have such a power. Even in those cases where the executive has some attributions to regulate via decree some policies passed by congress, the executive never violates the stipulations made by the negotiations that lead to proper law. The Uruguayan political system has a strong legalist tradition where the legislature and the executive interact to produce public policies.

There are no cases since Pacheco’s presidency in 1968 in which the executive has tried to circumvent the legislature. Indeed, it has no legal instruments (such as decree powers or administrative procedures), but in some cases in which deadlock raised, political negotiations always prevailed. If presidents usurp legislature’s rights and particularly some of the core policy preferences of the left wing party, the costs of this type of action can surpass the benefit. Since the opposition can be a relatively easy promoter of plebiscites or individuals can use the judicial power to declare the unconstitutionality of laws and decrees, Executives have tried to avoid these actions by broadening political negotiations. Overall, gains in representativeness or “democratic inclusiveness” can be observed as inefficiencies in the way public policies are made given the number of veto gates (as institutions) and veto players operating within the political system (as political actors).

4. The Perception of Relevant Actors

In order to know the perceptions of the key political and social actors about the main aspects linking the political institutions and the policymaking process, the research team carried out an elite survey. The view of relevant actors about how they perceive these issues can be taken as a crucial ingredient in order to understand the process and the political culture in the country. The survey includes 46 variables related to the policy making process, the inclination to agreements,
and the perception of changes and stability in public policies. Respondents were selected among Uruguayan “elites”, including ministers, legislators, mayors, directors of public enterprises, leader of unions and businessmen, scholars and journalists.

A first approximation to the policymaking process arises from the diverse degrees of influence that elites assign to different private and public institutions. According to the perceptions of the elites, the Executive has the predominant role in such process. Political parties and the media appear ranked in a second place, and the Legislative is placed within a third group, along with local governments and public enterprises. Businessmen and unions are located also within the groups that are assigned with some influence by the elite. Finally, the Judiciary is placed among other groups (as the church, NGO’s, etc.) that are perceived with no significant influence over the policymaking process.

Chart 4: Influence on Policymaking Process

The Executive-Legislative relations are the core of the policymaking process. The option that mark the Legislative as obstructing the Executive is a minority perception among the Uruguayan elite (10%) and just among the businessmen has a relevant share (20%). The vast majority of the opinions are divided among those who perceive a well-balanced relation between both government branches (39%) and those who believe that the Executive is imposed on the Legislative (50%). As we could expect, the members of the Executive clearly prefer the equilibrium vision (63%), while among legislators dominates the vision of the imposition of the Executive (56%).

The survey also tried to go in depth in relation to the role of the Legislative in the Policy Making Process. Broadly speaking, elites tend to assign the Legislative with relatively little influence in policy design as well as in control and overseeing. The issue in which the Legislative is assigned with the highest influence is the elaboration of the national budget, the only field in which its role can be qualified as significant, with 5.75 points in the 0 to 10 scale of “degree of influence”. The budgetary process is the only environment in which the Uruguayan society as a whole (political and not political) sees the Parliament as a key actor. Additionally, the elite thinks that the time typically taken by Congress to pass a law is excessive (55%) and that its productivity is not adequate (63%).

Other topic included in the survey was the perception of positive changes in public policies. In general, the elite tends to perceive the existence of few changes in Uruguayan policies since 1985, in accordance with the common view of a country reluctant to innovate, quite conservative, and gradualist in the application of measures. Nevertheless, it is worth noting the perception of some improvements related to the modernization of the State-owned enterprises, almost 6 point in a 0 to 10 scale of “degree of change”. Given the incorporation of new technologies, the improvement in the quality of services, and, in some cases, the price declines, this appears to be the area of the State seen as the most dynamic and efficient. On the other hand, the worst performance is assigned to de efficiency of the public administration with a 3.69 score.

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44 The “degree of influence” is an average of responses giving a 0 value to the answer “nothing”; 10/3 to “little”; 20/3 to “enough”; and 10 to “a lot”. All indexes of degree that appear below follow the same criteria.
We also explored the perception of the elite regarding the possibility to achieve agreements in different areas of public policy. In the first place, social and foreign policies appear to be the environments where, according to the polled, the agreements would be more feasible (64% think that is possible to reach significant agreements). Secondly, it appears an extensive set of public policies (commercial opening, economic policy, public utilities, retirements and pensions, fiscal policy, tax reform, State reform and financial opening) in which some actors believe that some agreements can be achieved, although they do not constitute a majority. Finally, there are two areas in which the elite clearly mistrust in the possibility to agree: labor flexibilization and privatizations, where more than 85% of the polled think that there could be just minor agreements or, directly, no agreements at all. Those two areas have been the source of main political conflicts in recent years.

The study finally tackles the perception of the elites with respect to the stability of diverse Uruguayan public policies. In general terms, public policies are qualified in an intermediate level of stability; nevertheless we can appreciate important differences according to the policy in question. In the first place, it is worth emphasizing the great stability that the elite attributes to the policy of public liberties, with 7.18 points in a 0 to 10 scale of “degree of stability”. It can be said that the notion of a consolidated and sound democracy appears clearly reflected in the answers of the polled. Second, we find a very extensive group of policies whose stability results qualified at intermediate levels. Financial and commercial opening stand out among them, with the greater scores (5.88 and 5.73 respectively). A second subset (taxation policy, legal security, international relations, public expenditures, social security and public utilities) can be reasonably qualified with just intermediate stability with scores around 5 points. Educational and health policies remain more relegated, with scores that clearly approach them to a low stability (4.33 and 4.00 respectively). Finally, the State reform appears as the policy with worse performance in terms of stability (3.82). Linking this indicator with the poor qualification that the public administration obtained in terms of changes, we can conclude that there exists a hardly critical judgment of the Uruguayan elite with respect to the performance of the State.

5. Epilogue

In October, 2004 the left wing party (FA) finally won the presidential and congressional elections. For the first time in Uruguayan history a third party -beyond blancos and colorados- will hold the executive branch with a majority in parliament. This electoral change has several implications for the policy making process and perhaps for the type of policies to be implemented during the next five years of government. In particular, we can observe four main features of the newly elected government.

First, the new government was elected with a 52% of the popular vote. Unlike the observed coalition and minority governments elected since 1985, these electoral results imply that the FA will hold a clear majority in parliament. In addition, this type of majority party government has another salient difference with previous political configurations: so far presidents have been *primus inter pares* within their parties while the FA is headed by a single party leader as a *primus solus*.
Second, as most majority party governments the cabinet will be on the hands of a single party instead of a coalition of parties as has been observed in Uruguay during the last fifteen years. Additionally, the new elected president appointed all major faction leaders to cabinet positions with the aim of ensuring party discipline in parliament. In this way, the cabinet will lead the policy formation and the agenda setting process a la Westminster model, where the legislative branch plays a minor role in political process.

Third, based on the two previous features the policy making process (PMP), so far characterized by two-to-three years of cooperation followed by increasing levels of inter-branch conflict, is expected to have a smoothing trend. The new PMP will be facilitated by the fact that the FA will have a clear majority in parliament. We suspect that these majorities in parliament will endorse the overwhelming majority of the policy decisions made at the cabinet level.

Fourth, direct democracy has been widely used by interest groups supported by the FA. However, with the left wing in office it is not likely that this institutional device will be successfully used by those groups mentioned before. Given that to a large extent the call for referendums and plebiscites requires a large number of signatures to be implemented, the lack of support by the party in office will make of this mechanism an unlikely way of vetoing policies.

Finally, we think that the elected government is currently performing a smooth transition where the appointed cabinet ensures a balance between different sectors within the FA, guarantying moderation particularly in those areas dealing with economic policy. Each new minister is legitimized as a reliable professional with expertise or experience in its policy area.

6. Bibliography

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Appendix I: Legislative Process of Three Relevant Laws

This Appendix summarizes the work of Chasquetti and Lanzaro: “A Study of Legislative Process in Uruguay: Three relevant laws”, done in the framework of the Work Program oriented to assess the Legislative Process at the Instituto de Ciencia Política, Facultad de Ciencias Sociales de la Universidad de la República, in agreement with the Legislative Power, and the financial support of the Inter Parliamentary Union and the UNDP.
The legislative processes in Uruguay were analyzed in the research of three laws: Law Nº16.211 of Public Enterprises Reform (October, 1, 1991); Law Nº16.713 of Social Security Reform (September, 3, 1995); Law Nº17.243 - Urgent Law I (June, 29, 2000). These three laws can be considered extremely important legislative pieces, because of their content, the innovations proposed within them and their general and particular effects. They were passed by the Congress during the ruling periods of the Presidents Lacalle (1990-1995), Sanguinetti (1995-2000) and Batlle (2000-2005). An active participation of the Congress was observed in the three cases, with a divided voting where the parties played a central role. During the process the Ministers, public authorities, representatives from the interest groups involved, advisers and specialists participated in the Committees works.

A Reactive Congress. The first conclusion of this study is that the Congress has, in general terms, an active participation in the legislative process, which is not restricted to ratify projects. In the three cases, the Congress effectively showed its reactive capacity faced to initiatives coming from the proactive Executive. Nevertheless, the parliamentary influence changes according to the strength of the President’s legislative support (majority or not in the Chamber) and to the consistence of the project of law making process in the Executive. Minor changes are observed in the law when the legislative coalition supporting the President is strong and disciplined. When the project of law is consistent and the making process involves wide technical knowledge together with the coalition member’s points of view the law suffers less modifications. Specifically, the case study shows that the projects sent by the Executive are remade in the Congress. Two parliamentary instances exist where relevant modifications take place: a) the Chamber Committee where the project entered (in the three cases the Senate); and b) the plenary of the Chamber.

Modifications at the Committee of the Senate: The Law of Social Security Reform – which is the best designed and counts with the support of a strong coalition – has experimented less modifications in the Committee (70% of the articles without alteration). The Public Enterprises Law presents the inverse example: the corresponding Committee takes more than a half of the articles away from those proposed by the Executive (54%), modifies almost a third (30%) and leaves unchanged only the 17% of the original articles.

Modifications at the Senate: In the three cases, the Committees elaborated replacing projects with the agreed changes. Once the replacing projects were presented at Chamber experimented new modifications. These changes are the result of negotiation between parliamentary leaders of the government coalition. In the plenary of the Chamber once again the Law of Social Security Reform was the one that received less modifications, given that the major part of the replacing project articles remained (87%). The other two cases present similar treatments in the plenary of the Senate with modifications that reach one third of the articles and a 6% is eliminated.

Softened Bicameralism. A similar pattern is registered in the three processes: the first Chamber works on the project in two phases (Committee and Plenary), and the second Chamber avoids the introduction of new modifications. This softened bicameralism pattern comes from the agreements built by the Executive (coalition) in order to guarantee the sanction of the laws. The partners agree on the approval of the project and keep the instance of the Senate to influence on
the final decision. Once the law is passed, the Committee in the second Chamber (Chamber of Representatives) tends mainly to ratify it and the attempts to leave this way are systematically refused by the majority. Regarding the Law of Public Enterprises Reform and the Law of Social Security Reform, it is interesting to remark that – to advance in that way- members of the Deputies Chamber, from the coalition parties, participated in the negotiations that took place in the Senate Committee.

Appendix II: The Constitutional reform

The analysis of the Constitutional reform endorsed in 1996 helps to understand the workings of the political institutions and the policymaking process. The reform process that took place during the Sanguinetti’s second administration was promoted and sustained due to the threat posed by a possible electoral victory by the left wing party (FA) The new electoral rules and specifically the majority run-off for the presidential election, favored the tenure of the reformist coalition in office (between Colorados and Blancos), as well as the political fragmentation and the level of internal factionalism of political parties. The reform yields a reduction in the number of lower house lists of candidates and of the legislative support of the president, as well as a more disciplined legislative conduct on the part of the political parties. First of all, the combination of single candidates and the majority run-off system which the electoral reform set up could contribute to worsening the parliamentary position of the elected President. Under the current rules, the legislative representation of the party in government does not have to be the biggest in parliament because there is nothing to stop the election of the candidate of the second party, whose representation would be second in number of legislators as happened in the last election. In addition, there is no disposition in the new constitution which guarantees legislative weight to the President’s faction. The elected President is the single candidate from his party, and he can be voted for together with any of the parliamentary lists of that party. The votes which the President’s faction obtains are relatively independent of the electoral potential that he has, and consequently he may be in a minority in his party. Second, the elimination of the accumulation of sublemas (electoral alliances among lists) in the election of Representatives has made for a very big reduction in the number of lists presented in 1999, which amounted to less than a half of those presented in 1994. As long as different house lists can not accumulate their votes, the smaller ones have either to join one of the biggest or to build a single list among several of them. On the other hand, the reduction in the legislative supply is associated with the predominance of the main national factions with respect to local political groups, because the new rules enforce a rigid connection between the supply for the Senate and the supply for Representatives. Consequently, we can expect more disciplined legislative conduct from the sectoral representatives. The new electoral calendar also presents some important changes since the reform also compel parties to held primaries in order to present unique presidential candidates. Given that those primaries are held almost one year before the general elections, the governamental process and most political agreements among parties was reduced, de facto, by increasing the time for electoral competition. An obvious by-product of this amendment is that parties and institutions decrease their interest in public policies.
The constitutional reform seems to be an example of the myopia of the political class pursuing short-term benefits to the detriment of long-term certainties. Additionally, the reform could not mitigate the political blockade, in spite of intending to include norms which encouraged political agreements, negotiation, coalition formation and stability in the Cabinet. This did not proved true, since the underlying incentives for cooperation and conflict did not change substantially.