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When the Impossible Becomes Possible:
Interest Group Competition and Brazil's Surprising Pension Reform

A dissertation submitted in partial satisfaction
of the requirements for the degree
Doctor of Philosophy in Political Science

by

Fernando Barros de Mello

2022

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ABSTRACT OF THE DISSERTATION

When the Impossible Becomes Possible:
Interest Group Competition and Brazil's Surprising Pension Reform

by

Fernando Barros de Mello

Doctor of Philosophy in Political Science

University of California, Los Angeles, 2022

Professor Michael F. Thies, Chair

This dissertation builds on a classic assertion in Political Science. It is axiomatic that organized interest groups can obtain and protect policies that are generally unpopular or inefficient for the economy as a whole because their opponents cannot overcome their own collective action problems. However, sometimes we do see unexpected policy changes. My work explains how a long-victorious special interest can be overcome by a newly organized (and newly advantaged) rival. In these cases, when facing two potential support groups (or opponents) making opposite policy demands, legislators have to choose which group to please and which to disappoint. The pro-status-quo group uses a strategy that threatens legislators with the loss of votes. To win this competition, pro-change lobbyists have to convince politicians that there is more to gain electorally from voting for the reform than from voting against it. I argue that a new balance in the relative power of competing organized groups is a key component to make politically costly policy changes possible.

I analyze an important and salient policy change in Brazil: a major reform to the pension system that dramatically reduced the special privileges for long-favored (and well-organized) groups of citizens. I present different sources of evidence that complement each other to support my claim. In the first empirical chapter of the dissertation, I analyze the financing sources of pro-change and pro-status-quo groups. I show how those who had succeeded in blocking radical reform in the pension system for decades had become, for the first time, weaker than those who pressured for changes. After collecting data on 100 million individual company contributions to peak business

associations and worker contributions to unions (both in the public and private sectors), spanning the period from 2010 to 2020, I use the historic trends to describe how groups that supported changing the pension system were in a much stronger position than groups who preferred the status quo. For decades, the pro-status-quo group consistently collected twice the financial resources amassed by the pro-change groups. However, by the time Congress debated the new pension system, a law change had deprived both groups of most of their funding, but in relative terms, the pro-change groups emerged with 10 times the resources of their opponents, a complete reversal of relative lobbying power.

I analyze complementary data on lobbying credentials distributed by Congress to different organizations and find that they are also consistent with the reversal-of-fortunes story. For over two decades, those who mobilized against pension reforms – mainly unions – consistently had received more credentials to enter Congress and lobby lawmakers than other groups. However, after losing most of their financing, the number of unions that received credentials also dropped precipitously. By contrast, the pro-change groups – mostly business federations – saw an increase in the number of credentials by the time the pension bill went to the floor of Congress.

This type of observational data only allows me to make descriptive inferences about the relative power of these organizations and probably fails to account for many possible confounders. As researchers, we cannot observe the calculations made by deputies as they make decisions about which side could most affect their future election prospects. To overcome this challenge, I use an original experiment to investigate whether legislators' perceptions of the power of the pro-change group affected their susceptibility to lobbying by them. I partnered with an organization that assembles 51 of the largest companies working in Brazil. On the morning of the voting of the pension bill, I sent messages to the cellphones of all the 513 lawmakers who would vote on the proposal hours later. The treatment message had an extra piece of information reminding deputies of the economic and political power of the organization. If the pro-change groups need to show some power to overcome the impact of the unions "vote you out" tactic, informing (treated) recipients that the group assembled the largest companies in the country would convey the idea that the drivers of the economy were unanimously behind the pension-system reforms. Indeed, despite waiting until the day of the vote to run the experiment, after weeks and months of lobbying had

had a chance to influence legislators, I still found a treatment effect around 4 percentage points, one of the first experimental findings of the effect of lobbying on legislators' behavior.

In the last chapter of the dissertation I tackle the voter side of the puzzle. Do voters actually use information about legislators' policy decisions when choosing how to vote? Is the threat of the "vote you out" tactic credible? Drawing from three original conjoint experiments, I provide evidence that, in general, voters do not use information about policy when deciding their votes for Congress. In these experiments, I randomly assigned characteristics for two fictional candidates running for Congress, varying information on party, experience, personal brand, and position on policies such as the pension reform. On average, the policy information did not change the probability that a candidate would be chosen by voters. In the pension case, evidence from the conjoint experiments show that the sole exception was that supporters of the Worker's Party (PT) were willing to punish legislators who had voted in favor of changing the rules.

The dissertation of Fernando Barros de Mello is approved.

Chad J. Hazlett

Kathleen Bawn

Barbara Geddes

Michael F. Thies, Committee Chair

University of California, Los Angeles

2022

To Duda and Malu

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CHAPTER 1

Introduction

Beginning in February 2018, a congressperson who landed in the Brasilia Airport to start their workweek in the capital immediately encountered groups of people holding the following banner: "If you vote in favor of the pension reform you won't be back". The same slogan had been used successfully over the previous 20 years, every time a government tried to reform the pension system of the country. The basic threat was that lawmakers who voted in favor of changing the pension system would fail to get reelected (Nery 2017). It is surprising, then, that in July 2019, a major pension reform was supported by 74% of deputies (379 votes).¹

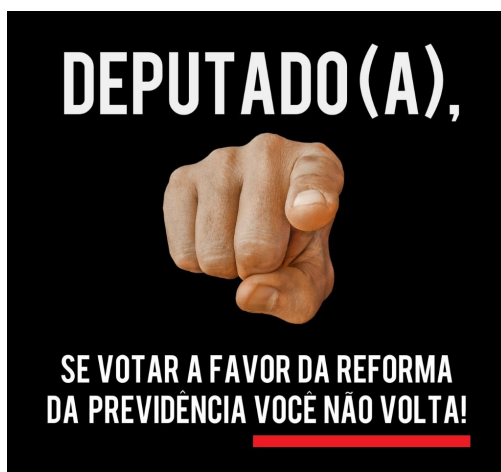


Figure 1.1: Campaigns targeted at lawmakers paid by unions

The pension case is noteworthy not only because pension costs impose an increasing burden on governments around the world, but also because social security policies, including pensions,

¹To create new pension rules, it was necessary to alter the Constitution of the country, which requires the support of three-fifths of deputies (308 out of 513).

are generally considered by political scientists and politicians alike to be especially hard to alter.² Shunning policy changes is often an exercise in blame avoidance and risk aversion (Weaver 1986). Organized groups that have concentrated (and often immediate) interests will mobilize against changes, while the benefits of reform are likely to be diffuse, longer-term, and often not apparent to (unorganized) voters (Olson 1982; Peltzman 1976; Pierson 1996; Stigler 1971). Because these groups have concentrated benefits and much to lose, they mobilize their members to punish lawmakers who vote against their interests (Giambiagi and Esterminio 2006) and spend resources to negotiate directly with politicians, while those who bear the costs of those "receiverships" (Lowi 1969) remain unorganized and "rationally ignorant" (Downs 1957).

Reform of the Brazilian pension systems has been identified as the exemplar of seemingly impossible policy change (Limongi and A. Figueiredo 1999; M. Melo 1997, 2002). For decades, workers in the public sector have mobilized successfully against changes. Politicians defend and even expand the state's wage and pension benefits as a means to increase popularity and gain support, especially from the workers in the central bureaucracy (Gregory and Borland 1999). In the words of a former pensions minister who failed six times in the attempt to change the system in the 1990s: "The lawmaker who works in Brasilia listens very closely to public-sector workers because they are constantly lobbying inside Congress. This leaves politicians with an impression of opposition to any change in the status quo many times greater than the size that these groups have as voters compared to the whole population."³ Because this pressure is targeted at different groups of lawmakers, "the Executive's projects face interests crystallized in the status quo, not only on the part of the opposition but also of segments of [the president's own] coalition" (Velasco Junior 2005).

²Pension policy is also often referred to as the "third rail of politics," far too dangerous to touch. A classic line of study argues that changes such as pension reforms are virtually impossible because legislators evade policies that would impose large and direct short-term costs on their constituents (Arnold 1990). Such policies are voted against even before opponents mobilize, "in anticipation of future punishment, not in response to current pressures" (*Ibid.*). Although this argument is not incompatible with the one I will present in this chapter; I will focus much less on voters than on organized groups.

³Interview in Portuguese for this project with former Minister Joschin. In total, I conducted 22 interviews with former Presidents, Speaker of the House, Senators, Minister and bureaucrats. To see more go to www.fernandobmello.com/videos. Around 38% of the formal workers of Brazil's capital city are public servants, for whom it is easier to pressure politicians due to this proximity (Desidério 2015)

In Brazil, public-sector workers at the federal level earn more than those in the private sector to perform similar jobs (Braga 2007; Foguel et al. 2000; Panizza and Qiang 2005; Vaz and Hoffmann 2007). The same is true of pensions. By the time the eventually successful proposal was being discussed, former public sector employees accounted for 34% of the total deficit of the pension system, despite comprising only 3.2% of all pension recipients (Nemer, Góes, and Duque 2019; Szajman 2018). This was the case because the difference between the payments by current workers to sustain the retirees and the total amount disbursed in pensions was so much larger for public sector workers. By 2019, contributions covered 81.6% of the pensions in the private sector, but the coverage rate for civil servants was only 38.4%, and the military's contributions covered a mere 6% of the pensions for retired soldiers (TCU 2019).

One of the externalities of this unequal situation is that pension payments were a major contributor to income inequality, responsible for roughly 20% of Brazil's Gini coefficient (Marcelo Medeiros and Souza 2013; Tafner and Nery 2018). In an interview, one influential economist called the Brazilian pension system an "inside-out Robin Hood" (Tavolieri 2016).⁴ Thus, while radical reform of the bloated system was almost unanimously supported by experts and observers,⁵ the expected result of any such proposal was that it would fail, because the privileged groups had both the means and the motivation to mobilize against any change in the status quo.

Political scientists, sociologists, and economists have long emphasized the remarkable resilience of existing pension arrangements in Latin America in general, and in Brazil in particular (Mesa-Lago and K. Müller 2002). The pension system in Brazil was expanded over the course of a century by incorporating more and more organized and powerful groups, giving them specific benefits (Dos Santos 1979; Hochman 1992; Lewis and Lloyd-Sherlock 2002; Malloy 1979; Mesa-Lago 1978).

Since the 1990s, Brazil's pension system had come to dominate the government's budget.

⁴For instance, richer private-sector workers retired, on average, 10 years earlier than poor workers (Constanzi and Ansiliero 2016).

⁵According to different calculations, the changes in the pension system will save between 800 billion and 1 trillion *Reais* in the national budget, in a period of 10 years. Just for comparison, the total budget of federal government was 2.1 trillion in 2019. Without a reform, by 2026, pensions would consume 77% of the national budget.

According to the World Bank, a disproportionately large portion of Brazil’s annual overall deficit could be attributed to the public-sector pension scheme, which alone accounted for 4% of GDP, but covered only 1.5 percent of the population. As a share of GDP, Brazil’s expenditures for public-sector pensions actually surpassed those of all OECD countries (Whitehouse 2016; World Bank 2017).⁶ Without any pension reform, the government’s gross debt was projected to rise to 200% of GDP by 2040.

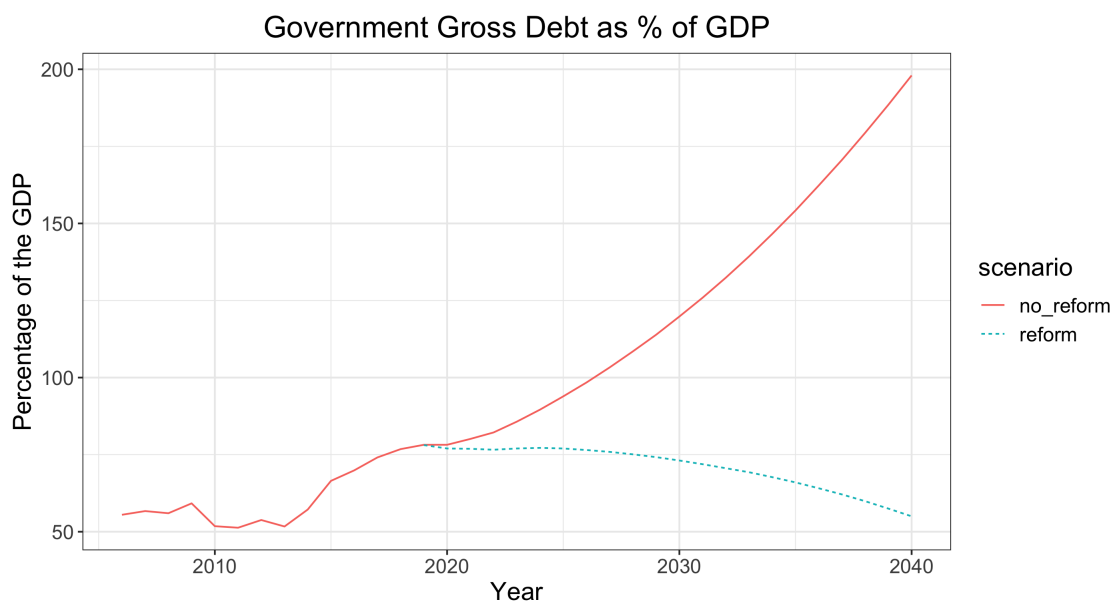


Figure 1.2: Without any pension reform in Brazil, the government gross debt would be equal to 200% of the GDP by 2040.

Over and above the frictions against policy change posed by interest-group politics, students of comparative political institutions would predict Brazil to be one of the hardest places to enact a pension reform. First, changing the country’s pension system requires constitutional amendment and, because of that, it is necessary to guarantee 60% of the votes in the two houses of Congress. Second, the dispersion of political power across multiple veto players (due to presidentialism, bicameralism, federalism, and proportional representation) means that any policy change requires a broad coalition (Bonoli 2000; Tsebelis 1999). This creates barriers to radical policy shifts and incentives for fiscal indiscipline (Heller 1997; Powell 2000; J. A. Rodden 2005). Third, the use

⁶As discussed in chapter 3, the total pension expenditures consumed 12% of the GDP, but by international patterns - given Brazil’s income level and the age distribution in the population - it should be around 3%.

of open-list proportional representation in high-magnitude legislative electoral districts means that Brazilian presidents struggle to maintain coalitional discipline in the world's most fragmented party system (Ames 2001; Gallagher 2021). Those who oppose a radical reform exploit the availability of multiple institutional veto points to protect the status quo (Bonoli 2000; Coelho 2003; Gontijo 2012; Haggard and McCubbins 2001; Hiroi 2008; Immergut 1992; Lijphart 1999; Limongi and A. Figueiredo 1999; C. R. Melo and Anastasia 2005; Nakahodo and Savoia 2008; Perez-Linan and Rodriguez-Raga 2009; Schipani 2022; Tsebelis 1999).

In this dissertation, I develop my argument that a *shift in the relative power of organized groups* who lobby lawmakers was the key component to making (seemingly) impossible policy changes possible. Fire is best fought with fire. If the main impediment to policy reform is the political power of entrenched special interests, then change is most likely when rival groups interested in change manage to organize and out-compete the defenders of the status quo. I present different research designs to support this argument. First, I use a descriptive analysis of the financing and lobbying presence in Congress of organized groups to introduce my claim that the balance of power did change. After that, I present results from a randomized field experiment showing that deputies' votes respond to a message treatment highlighting the power of the group behind it. I use the experiment as a sort of "proof of concept" that lobbying works. Combined, these findings suggest that major policy changes that affect societies as a whole depend on a shift in the participation or relative influence of organized groups in the political arena. This effect is likely not unique to the pension case or to Brazil.

1.1 Going from the impossible to the possible

Investigating how groups influence the political process helps us to understand the quality of democratic representation. For many decades, political scientists have been trying to understand whether lobbyists influence policy, and if so, how (Baumgartner 2009; Crepaz, Hanegraaff, and Junk 2022; Dür, Bernhagen, and Marshall 2015; Hojnacki et al. 2012; Junk 2019; Klüver 2013; Leech 2010; Mahoney and Baumgartner 2015; D. Nelson and Yackee 2012; Schattschneider 1960; Truman 1951). A well-known line of research posits that politicians will consider the tradeoffs between

serving organized special interests or, instead, prioritizing the preferences of ordinary (but unorganized) voters (Bawn and Thies 2003; Denzau and Munger 1986). It is commonly argued that influential groups mobilize to introduce or preserve policies that benefit them specifically but are inefficient for the economy as a whole, and therefore deleterious to the welfare of the average citizen. The spoils tend to go to the organized (Bartels 2016; Stigler 1971), and unraveling their policy privileges can seem impossible because the diffuse benefits of doing so are not enough to incentivize mobilization for policy change. Organized groups can paint a vivid picture for politicians of the immediate, concentrated costs of abandoning the status quo, mobilizing their members to oppose any reform.⁷

In the case of the Brazilian pension reform, for example, the proposal faced the opposition of unions representing private workers and public servants, which campaigned on the slogan: "If you vote in favor of the pension reform you won't be back." What these groups count on is that politicians fear being punished not just because they may lose the votes of affected union members, but also because of the more widespread power of the unions' voter-mobilization machine. Even if economic reforms might improve economic growth in the long term, politicians would fear being punished by voters in the short term if they are branded as "traitors."⁸

Over the years, the basic argument used by groups against pension changes was that "rights" were under attack, when measures such as establishing a minimum age for retirement or changing the value of contributions were proposed. Even before the proposal was sent to Congress, the Minister of Economy argued that the time had come for the new system due to "a great maturation of the matter" (Brasil 2019). "There are 6, 7, 8 million privileged people who are being affected by the [pension] reform, have more organizational strength, and who say that [their rights] are being threatened. In fact, [it is unfair] privileges [that] are under threat", he argued (*Ibid.*).

The literature has focused on situations in which observers/experts believe that most citizens

⁷In the last chapter of my dissertation, I show that many times these pressures are not confirmed by empirical evidence. I use three original conjoint experiments to show that, on average, voters do not use information about the voting on the pension reform when choosing their candidates for Congress. The effect is concentrated among very specific groups of voters.

⁸For instance, between 1996 and 1998, President Fernando Henrique Cardoso failed six times to bring his reform proposal to a vote before finally succeeding with a much less bold proposal.

would be better off if policy were reformed, but an organized interest group opposes it, and reform fails to occur. This situation happens frequently and has attracted a lot of attention because it results in suboptimal policy choices. Less attention, however, has been paid to policy struggles that pit one set of organized interests against another, or in which the opposition of one interest group to reform incentivizes the mobilization of a previously quiescent interest to oppose the status quo. Until 2019, efforts to reform the Brazilian pension system fit the image in the literature. However, in 2019, as I show below, an opposing interest group emerged in favor of reform. In this chapter I analyze how the pro-reform group affected legislators' policy choices.

The costs of these targeted policy privileges can add up. By 2019, after a decade of the worst GDP growth in 120 years, Brazil's government was spending 4.2% of GDP to cover pensions, while public investments in projects such as infrastructure, education and health amounted to only 0.37% of the GDP. Companies interested in infrastructure projects or even in selling products to the government need space in the budget to accomplish this. In addition, the cost of doing business in Brazil is among the highest in the world – and the cost of pensions is one reason why.

In such conditions, latent pro-reform interests might be motivated to mobilize in an effort to outbid the rival organized interests that lobby to maintain the status quo (in the example of Brazilian pension reform, unions). The battle for policy then can pit multiple organized groups against each other, competing for politicians' ears. When a pro-change organized interest group enters the dispute, there is a chance it will be able to assuage politicians' fears about electoral punishment in one or both of two ways. First, it can offer direct campaign contributions that can be converted into votes. Second, it may be able to persuade lawmakers that the policy change it champions will bring economic growth quickly or open the budget for other popular spending that will increase voter support despite the opposition from the defenders of the status quo. Sometimes, this competition can produce policy reforms that do serve the interests of unorganized voters. Importantly, the pro-change interest group need not have the interests of the average citizen in mind (although they will likely claim to); sometimes their selfish interests and the public interest just happen to coincide.

In sum, I propose that policy changes that were previously considered impossible can happen when there is a change in the balance of power between the pro-change and the anti-change orga-

nized groups. My general hypothesis is: legislators vote for hitherto infeasible changes when those who want to keep the status quo become weaker in comparison to groups that favor the changes. The pension reform in Brazil is a good case to study, because it has long been considered an infeasible policy change. Since the 1990s, all Brazilian presidents have tried to reform the system and all either failed completely or succeeded only with watered-down proposals. I argue that the surprising success of the 2019 pension reform is attributable to just such a shift in the interest-group lobbying game. For the first time, groups demanding change were able to out-duel the defenders of the status quo.

1.2 Overview of the Dissertation

In **Chapter 2**, I argue that politically difficult policy changes are more likely when a long-victorious special interest can be outbid by another interest group. Lawmakers will calculate which group will offer more rewards, while trying to predict how voters are going to behave in the next election. The chapter connects interest group, voters, and lawmakers into one theory.

Chapter 3 discusses why, according to an established literature, changing pension systems is one of the most challenging tasks for governments around the world. Brazil is no exception. The chapter describes how the Brazilian pension system created privileges for certain groups of organized interests over time. Next, I describe several major attempts to reform the pension system since the country transitioned to democracy in 1986. The first efforts were incomplete or completely failed, just as the literature on organized groups would have led us to expect. But the most recent effort to reform the system (in 2019) defied the conventional wisdom, due to its more radical nature, and more importantly, its success.

The Brazilian pension systems has been identified as the exemplar of seemingly impossible policy change (Limongi and A. Figueiredo 1999; Medici 2011; M. Melo 1997, 2002). For decades, an elite cadre of workers in the public and private sectors have successfully mobilized against pension reform. Politicians defend and even expand the state's wage and pension benefits as a means to increase popularity and gain support, especially from the workers in the central bureaucracy (Gregory and Borland 1999). In the words of a former pensions minister whose government failed

six times to change the system in the 1990s: "The lawmaker who works in Brasilia listens very closely to public-sector workers because they are constantly lobbying inside Congress. This leaves lawmakers with an impression of opposition to any change in the status quo that is many times greater than actual size of these groups in the population." Because this pressure is targeted at lawmakers, "the Executive's projects face interests crystallized in the status quo, not only on the part of the opposition but also by segments of [the president's own] coalition" (Velasco Junior 2005).

Chapter 4 tests existing explanations about presidents' policy success to understand if any of them is able to answer why Bolsonaro was able to pass such a radical pension reform in 2019. As I show in this chapter, by 2019, President Jair Bolsonaro (2019-2022) was in a particularly weak position to accomplish any radical policy change. Because Bolsonaro faced a more fragmented Congress, his party had the smallest number of seats ever registered for a presidential party, and his coalition was the smallest one, his probability of success was particularly low (Ames 1995a; Chaisty, Cheeseman, and Power 2018; Raile, Carlos Pereira, and Power 2011). Yet Bolsonaro succeeded. By contrast, Fernando Henrique Cardoso (1995-2002), Luiz Inacio Lula da Silva (2003-2010), and Michel Temer (2016-2017) failed, even though circumstances were more favorable for them.

In **Chapter 5**, I present several sources of evidence that complement each other to explain why a major reform to the pension system that dramatically reduced the special privileges for long-favored groups finally happened. First, I analyze the financing sources of pro-change and pro-status-quo groups. I show how those who had succeeded in blocking radical reform in the pension system for decades had become, for the first time, weaker than those who pressured for changes. After collecting data on 100 million individual company contributions to peak business associations and worker contributions to unions (both in the public and private sectors) spanning the period from 2010 to 2020, I use the historic trend and a regression discontinuity design to describe how groups that supported changing the pension system were in a much stronger position than groups who preferred the status quo. For decades, the pro-status-quo group consistently collected twice the financial resources amassed by the pro-change groups. However, by the time Congress debated the new pension system, the pro-change groups emerged with 10 times the re-

sources of their opponents, a complete reversal of relative lobbying power.⁹

I analyze complementary data on lobbying credentials distributed by Congress to different organizations and find that they are also consistent with the reversal-of-fortunes story. For over two decades, public and private sector unions consistently had received more credentials to enter Congress and lobby lawmakers than any other groups. However, after losing most of their financing, the number of unions that received credentials also dropped precipitously. By contrast, the pro-change groups saw an increase in the number of credentials by the time the pension bill went to the floor of Congress.

This type of observational data only allows me to make descriptive inferences about the relative power of these organizations and probably fails to account for many possible confounders. As researchers, we cannot observe the calculations made by deputies as they make decisions about which side could most affect their future election prospects. To overcome this challenge, I use an original experiment to investigate whether legislators' perceptions of the power of the pro-change group affected their susceptibility to lobbying by them. Despite waiting until the day of the vote to run the experiment, after weeks and months of lobbying had had a chance to influence legislators, I nonetheless found a treatment effect, one of the first experimental findings of the effect of lobbying on legislators' behavior.

In **Chapter 6** I tackle the voter side of the puzzle. Do voters actually use information about legislators' policy decisions when choosing how to vote? Is the threat of the "vote you out" tactic credible? Drawing on three original conjoint experiments, I provide evidence that, perhaps surprisingly, voters do not seem to use information about policy when deciding their votes for Congress. In these experiments, I randomly assigned characteristics for two fictional candidates running for Congress, varying information on party, experience, personal brand, and position on policies such as the pension reform. On average, the policy information did not change the probability that a candidate would be chosen by voters. In the pension case, evidence from the conjoint experiments

⁹As I describe in the chapter, a 2015 amendment to the labor law ended the mandatory contributions by workers and companies, making them voluntary instead. The change reduced the unions' war chest by over 90% and business peak associations' resources by around 80%, with the net effect being that business emerged with more resources for mobilization than unions.

show that the sole exception was that supporters of the Worker's Party (PT) were willing to punish legislators who had voted in favor of changing the rules; but they comprised only 22% of the sample, and everyone else seemed unmoved by the candidates' policy positions.

1.3 Contribution

The questions that motivate me and the theory I develop are applicable to many different policy areas in any democracy. To take just one example, disputes between pro-change and pro-status-quo interest groups are prominent in environmental policy making around the world. For decades, well-organized, politically powerful polluters have been able to persuade governments to reject policy changes that would cause them to account for the environmental costs of their activities. But these traditional winners might be on the verge of losing some battles, albeit to a greater or lesser extent in different countries. If the argument presented in my dissertation is generalizable, then policy change will require that organized interest groups with the right economic incentives enter the lobbying game and outbid the big polluters. Thus, my study points to a more general theory of major policy change.

Past research in Comparative Politics that seeks to assess how profound policy changes happen focuses on the institutional aspects of different democracies. Particularly, the literature investigates the conditions under which presidents are able to impose their agenda, promoting policy changes. Few studies focus on the role of organized groups. I place organized groups as key actors to explain why and when politically difficult policy changes happen.

As I show in **Chapter 3**, the pension reform in Brazil had a redistributive effect because traditional winners start to pay proportionally more to sustain the system. I argue that this happened not because unorganized voters suddenly organized to pressure for change. The business interests pushing for reform sought to reduce the overall costs of the pension system to the national budget and for the economy as a whole because these would reduce the cost of doing business in Brazil. If the policy change will improve the welfare of the average Brazilian – at the expense of reducing the benefits to previously privileged groups of voters – then that is a by-product of the clash of organized interests, not the reason for it. Still, that clash of organized interests focused on convinc-

ing politicians of the likely electoral consequences of their policy decision, how policy change (or its absence) would play in the court of public opinion.

CHAPTER 2

The clash of organizations: how politicians react to anti and pro-change groups

When politicians make decisions about policy changes, they must consider how those changes are going to be received by public opinion and organized groups. Often, there is a strong bias in favor of the status quo because anti-change groups try to convince politicians that they have nothing to gain from changing legislation, but a lot to lose. The basic threat is that most voters are not going to pay attention to a particular new policy, while organized groups with privileged by the status quo have the means to mobilize their members and voters against politicians who voted in favor of the policy change.

But sometimes, policy changes that previously had been considered impossible actually do happen. The theory I put forth in this chapter builds on classical findings in Political Science and will be tested empirically in **Chapter 5** and **Chapter 6**. A key element to explain policy change that I highlight is a relative increase in the strength of organized groups who favor the change. These pro-change groups must demonstrate the capacity to inoculate policy makers against the threats from the anti-change groups, or at least to compensate them.

In this chapter, I use a sequential game to connect theories about voters, organized groups, and policy change. I assume that politicians need two basic inputs in their careers: votes and money for campaigns. Thus, lawmakers weigh which organized group can offer more rewards or punishments in terms of voter mobilization and campaign contributions, but also consider how much voters are going to use information about a new policy in the next election. Even if legislators have perfect information about how much each organized group offers to them, they make decisions in the face of uncertainty about how voters are going to react. While organized groups

try to convince lawmakers how much they have to gain (lose) by following (disregarding) their wishes, it is harder to predict how important a policy issues is going to be for voters in the next election .

2.1 Past literature on collective action, organized groups, and policy making

Existing studies of how interest groups affect policy spans two separate fields in political science that rarely intermingle. The literature on collective action focuses on the strength of groups to pressure lawmakers. The literature on voter behavior and accountability focuses on how much voters care about specific policies and how much they use information about those policies when deciding whether and how to vote. Less attention has been paid to investigating what happens when different organized groups compete to steer policy, while trying to influence legislators' perceptions about how voters will respond. What happens when certain groups threaten politicians with mobilization of voters against them, while others use their economic and political influence to counter those threats?

2.1.1 The literature on organized groups

Political scientists asked if lobbyists can influence policy outcomes for decades (Leech 2010; Schattschneider 1960; Truman 1951). Several have presented explanations for when and how organized groups are able to block or promote policy changes. The literature on interest group politics holds that, usually, organized interests prevail over unorganized interests in persuading governments to produce policies they prefer (Baumgartner 2009; Berry and Arons 2005; Hays 2001; Schlozman, Verba, and Brady 2012; Strolovitch 2014). Organizations offer resources that politicians can use for election campaigns, and rarely face successful opposition from the unorganized voters who will pay the price of those policy handouts (Bartels 2016; Olson 1982; Peltzman 1976; Stigler 1971). While groups that have sought concentrated benefits negotiate directly with politicians, those who bear the diffuse costs of those "receiverships" (Lowi 1969) remain unorganized and "rationally ignorant" (Downs 1957).

One classic result derived from this literature is that economic groups often receive benefits

that will make the economy, in general, more inefficient (Weingast, Shepsle, and Johnsen 1981). For instance, it is not rare that society subsidizes inefficient industries, using resources that could be better applied elsewhere. There are many possible explanations to why that is the case. Politicians might, first, knowingly create these inefficiencies in exchange for support in their careers and, second, try to conceal that they are redistributing to certain groups (Coate and Morris 1995). Interest groups also want to benefit from redistribution to maintain their political power over the political system. By steering rents in their direction, organized groups influence the terms of trade between themselves and politicians (Dixit and Londregan 1996).

Politicians also hope to avoid uncertainty. There is a bias towards the status quo (against efficiency-enhancing economic reforms, for instance) whenever the final balance of gainers and losers from reform cannot be identified beforehand (Fernandez and Rodrik 1991). That is why organized groups try to affect lawmakers' perceptions regarding their strength. There are several identified characteristics that make groups more influential over politicians and help to explain inefficient redistribution of resources (Robinson 2009).

1. **They are homogeneous and numerous:** Influential groups that represent large numbers of votes can exchange their support to politicians. Devotees of very popular religions, the elderly, ethnic groups, professional groups have electoral advantages. Targeting benefits and income protection for these groups is a strategy to receive electoral support (Bates 1999).
2. **They are able to solve the collective action problem when others are not:** Associations/unions have a communication machine, use selective benefits and sanctions to overcome free-rider problems, and are able to support or criticize politicians, gaining voice and influence (Bates 2005; G. M. Grossman and Helpman 2002; Persson and Tabellini 2002).
3. **They coexist in the same professional or social environment as politicians, and have a privileged position to express opinions or influence decisions:** Public officials who manage the state machine and advise on the design of public policies are in the same social network as politicians and will be able to influence them (Dixit and Londregan 1996; Kasara 2007; Robinson and Verdier 2013; Stokes 2005).

4. **They are relatively well informed:** When voters have more information they are better able to enforce accountability (Besley and Burgess 2002; Stromberg 2004). However, voters do face a severe agency problem, because their information about how politicians behave is often poor and their only sanctioning instrument (the vote) is very crude (Fearon 1999). Organized interest groups provide information to voters.
5. **They have more resources:** In many democracies, elections are becoming ever more expensive. In the United States, for example, the amount spent since the mid-1980s by campaigns and outside groups has grown 555%. Actors interested in legislative decisions might expect favorable policies in exchange for their campaign contributions (De Figueiredo and Edwards 2007; Gordon, Hafer, and Landa 2007; McKay 2018), although studies have not identified systematic evidence of money-induced legislative behavior (Baumgartner and Leech 1998; Richter, Samphantharak, and Timmons 2009; Smith 1995).

Unions are the paramount example of a highly organized group. Because they are able to mobilize members and campaign by targeting voters, they have the power to threaten politicians not just with financial power, but with votes. Some studies focus on the electoral power of large unions, which are able to mobilize a significant number of voters. For instance, Anzia (2011, 2013) shows that because voter turnout is lower in off-cycle elections in the United States (when there is no presidential election), it is expected that members of organized groups account for a greater proportion of the electorate. By increasing the relative importance of these groups, off-cycle timing affects who is elected. When an interest group seeks a policy with concentrated benefits and diffuse costs (for instance, teacher salaries) and it faces little or no competition over the policy, the electorate as a whole should be more favorable to that policy in off-cycle elections and election outcomes should be more favorable to the group. Elected officials, therefore, tend to answer more to these groups than to unorganized voters. Anzia argues that most groups don't face organized competition because they lobby for specific interests.

Differently, organized business groups compensate smaller numbers of members with more resources. Organized groups and lobbyists not only have more information about policy proposals that affect them directly, but they represent economic actors who have much to gain or lose from

policy changes.

2.1.2 The literature on group competition and policy outcomes

Many previous studies look at how individual organized interest group attempt to steer policy in their direction. However, few works show what path politicians will choose when they receive clear and distinct appeals from organized groups. The competition among groups would help the policy-making process, although there is not a clear mechanism presented in this literature. Understanding how political actors respond to different pressures by organized groups is relevant because politicians do not act alone, disregarding these groups' goals. Instead, lawmakers own decisions are conditioned on how much different organized groups are pressuring them and how diverse are their strategies, which, in turn, will affect the types of policies enacted. In the 1950s, the pluralist theory posited that a competition between different interest groups would create a "balance wheel", resulting in an optimal outcome to society (Truman 1951). **Table 2.1** summarizes the collective action literature and how different groups are incentivized to support or block politically costly policy changes:

		Benefits	
		Scattered	Concentrated
Costs	Scattered	A- Public policies of general interest (weak lobbying for and against)	B - Preferential public policies (strong lobbying for and weak lobbying against)
	Concentrated	C -Threatened minorities (weak lobbying for and strong lobbying against)	D - Conflict of minorities (strong lobbying for and against)

Table 2.1: Different incentives of organized groups over policy (Monteiro 2013, p. 217).

In the scheme above, cell D represents public policies that have well-defined winners and losers. For example, a law might prohibit certain professional categories from working in a service dominated by another category. In this case, clearly benefited and disadvantaged groups have similar incentives to lobby for and against the project, generating ample information for politicians who will make the decision. In contrast, cell B shows those policies that concentrate benefits

on a targeted group, while costs are scattered. We should expect to see a strong mobilization of beneficiaries to protect the status quo, and low mobilization by the dispersed majority.

The most common prediction would be that politically challenging policy changes – such as large-scale economic reforms – would fit into cell C. As predicted by **Table 2.1**, in these cases threatened minorities (that is, the groups privileged by the status quo) will be motivated and able to block radical changes. Examples might include particular professional categories that currently enjoy high pension benefits, or particular firms that receive subsidies or tariff protection against international competition. Because the benefits of policy change would be scattered (greater economic growth, lower inflation, less bureaucracy, more efficient public services, etc.), there would be low incentive for pro-change mobilization. But what happens when a strong adversarial group joins the game to lobby in favor of such changes?

2.1.3 The literature on voters and groups

Because voters do not have time to follow policy debates or the training and skill to evaluate conflicting "expert" arguments about what is best, elected officials can do an enormous amount of business entirely out of public view (Fearon 1999). In addition, when policy is produced by a legislature, it is difficult to see how one can hold individual members responsible for it unless without the understanding of legislative procedure and politics. That is exactly why Bawn, Cohen, et al. (2012) propose a theory of political parties in which interest groups and activists are the key actors, and not voters. In their view, coalitions of groups develop common agendas and screen candidates for party nominations based on loyalty to their agendas. Thus, parties would not be controlled by election-minded politicians. If parties are dominated by interest groups and activists, they are less responsive to voter preferences. In their model, voters notice and react to differences in policy positions only when those differences are sufficiently large. On most occasions, voters face an electoral blind spot, and in this situation a voter will treat all party policy positions essentially equivalent.

But a different part of the American Politics literature focuses much more on the capacity of voters to hold legislators accountable. Legislators shun policies that would impose large and direct

short-term costs on their constituents, for these effects are easily traced to their roll call votes (Arnold 1990; Pierson 1996; Weaver 1986). Whether or not there happen to be attentive publics opposed to these policies is irrelevant. Risk-averse legislators assume that voters who would be hurt by the new policy will be attentive, and so vote against policy change in anticipation of future punishment, not in response to current pressures. Voters might not be active players in the lobbying game, but they need to be incorporated in the theory, because they are part of the threat from certain types of organized groups. To formalize my argument, I present a sequential game in the following pages.

2.2 The clash of organizations game

Consider that Congress must decide to pass or reject an important policy change. For simplicity we will consider Congress as a unitary actor. Two organized groups have opposing views on this policy proposal. The first group favors the change (pro-change group), and the second group is anti-change. Each group must decide to organize to pressure for or against the bill, overcoming any collective action challenges that they have. After the two groups make their decision about whether to lobby or not, Congress votes Yes and No. If Congress votes No, the game ends.

If Congress passes the proposal, there is uncertainty about whether voters will support it ex post. Lawmakers do not know exactly if – in the next election – voters will notice the policy change, and, even if they do, if voters will incorporate this information into their voting decision. Therefore, voters are not strategic players in the game, which instead focuses on the strategic action among elites. Just like Congress, interest groups do not know how voters will react in the future. In addition, in this game, lobbying by interest groups does not convey information about voters' preferences or predilections to legislators.¹

The game is depicted in **Figure 2.1**. The sequence of play is as follows.

¹In this game, Congress's belief about p is exogenous. Congress has some prior about how popular a policy change will be, but there is uncertainty – which is captured by the nature node. A more complex version of the game could model how Congress perceives p as a function of the lobbying effort from the organized groups. I leave that to future work.

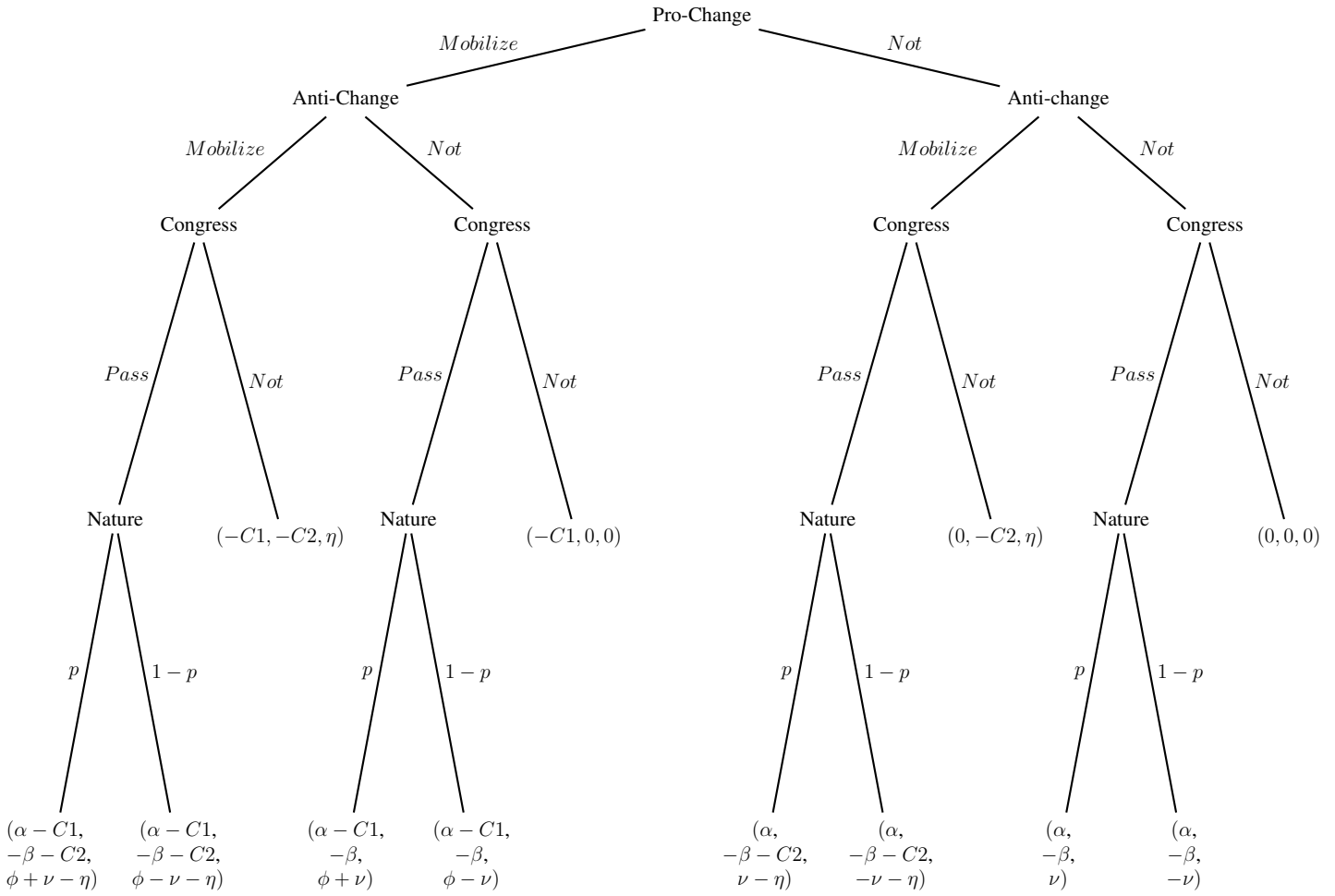


Figure 2.1: The clash of organizations lobbying clout game

1. The pro-change group decides if it is going to lobby Congress or not.
2. The anti-change group decides if it is going to lobby Congress or not.
3. Congress decides on the bill.
4. If the proposal passes, voters assess its results in the next election.

2.2.1 Payoffs

Alpha (α) is the expected utility captured by the pro-change group if the new legislation is passed. The second group opposes the proposal, because it will eliminate concentrated benefits (β). The anti-change group must decide to clout or not.

With probability \mathbf{p} , voters are going to have a positive view about the bill, and give extra support for Congress in the next election, and with probability $\mathbf{1-p}$, voters will not support the bill and will punish Congress. We can think about \mathbf{p} as the probability that a legislative change will help the chances of reelection for Congress in the next electoral cycle. This is modeled as a nature node because there is a lot of uncertainty in the perception of legislators about the future behavior of voters.

If the new legislation is enacted, the second group will lose its concentrated benefits ($-\beta$), and Congress will get the support of the first group in the next election (ϕ), but will lose support from the second group ($-\eta$). Congress might also get an extra boost from the voters, or lose some support from them (ν or $-\nu$).

When both groups act, Congress needs to calculate which group has more clout, considering the uncertain support from voters after the decision. If Congress does not approve the policy change, the pro-change group will bear the costs without any gain ($-C1$), the anti-change group will keep its benefits, maintaining the status quo, minus the costs of mobilization ($-C2$). Because the anti-change group has concentrated benefits, the game assumes that $\eta < \beta$.

In this game, both groups carry different clout to influence politicians. Both groups might promise financial rewards to lawmakers (e.g., campaign contributions or even bribes), but the anti-change group has a second tool. They can promise/threaten to mobilize voters directly to support/oppose Congress depending on how Congress decides on the policy.

Even if lawmakers believe that, say, liberalizing the economy is a good idea in the medium-to-long run, they fear that the "anti-change" group might convince some voters that it had deleterious effects on their lives in the short run, hurting lawmakers electorally. If Congress follows the anti-change group's desire, the group promises to mobilize voters to support lawmakers in the next election, but if Congress decides to change the policy, the mobilization is going to be focused on punishing incumbents electorally.

2.2.2 How to solve for equilibria

I am looking for subgame perfect equilibria. Even if the pro-change and the anti-change group do not lobby, Congress must still decide if it is going to support or reject the proposal. If Congress believes that voters will support the change in the next election, legislators should change the policy when both groups do not enter the game.

I summarize what happens on the equilibrium path when $\mathbf{p}=0$ (Congress is certain that it will be punished by voters if they pass the policy change), $\mathbf{p}=1$ (Congress is certain that it will be rewarded by voters if they pass the policy change), and $\mathbf{p}=0.5$ (Congress is maximally uncertain, their prior is a 50/50 chance that it will be rewarded or punished by voters).

- When $\mathbf{p}=0$, and $\phi < 2\eta + \nu$, the pro-change and anti-change group do not lobby, and Congress does not support the bill.
- When $\mathbf{p}=0$, and $\phi \geq 2\eta + \nu$, the pro-change group lobbies, the anti-change group does not lobby, and Congress passes the bill.
- When $\mathbf{p}=0.5$, and $\phi \geq 2\eta$, the pro-change group lobbies, the anti-change group does not lobby, and Congress passes the bill.
- When $\mathbf{p}=0.5$, and $\phi < 2\eta$, the pro-change group does not lobby, the anti-change group lobbies, and Congress does not support the bill.
- When $\mathbf{p}=1$, and $\nu \geq 2\eta$, the pro-change group does not lobby, the anti-change group does not lobby, and Congress passes the bill.
- When $\mathbf{p}=1$, $\nu < 2\eta$, and $\phi \geq 2\eta - \nu$, the pro-change group lobbies, the anti-change group does not lobby, and Congress passes the bill.
- When $\mathbf{p}=1$, $\nu < 2\eta$, and $\phi < 2\eta - \nu$, the pro-change group lobbies, the anti-change group lobbies, and Congress does not support the bill.

Therefore, the behavior of organized groups and lawmakers will be influenced by (1) the probability that voters will support the policy change (\mathbf{p}), and (2) to what extent (ν). In addition,

lawmakers assess which group has more lobbying clout. The main intuition behind the game is that politicians can calculate which group has more to offer, but there is still uncertainty about how voters are going to react in the next election. This uncertainty affects the decision-making processes of lawmakers and lobbyists. In summary:

The Lobbying Clout Hypothesis: As the probability that voters will reward politicians for the policy change increases, the extent which the pro-change group needs to show more lobbying clout than the anti-change group ($\phi : \eta$) declines.

Intuition:

The result explains why changing the status quo is so difficult. It requires that a pro-change group be able to exert sufficiently more clout than the anti-change group, unless legislators are confident that they will receive a large boost from voters in the next election. As \mathbf{p} increases from 0.5, the pro-change group has to exert less clout to ensure the passage of the bill. Conversely, the pro-change group lobbying clout level needs to increase if \mathbf{p} drops below 0.5. Lobbying clout is also affected by the size of voters' support/punishment to a change in status quo. This is intuitive. If a change in the status quo is highly popular/unpopular, the size of voters' support or punishment will affect how much clout both groups need to exert to convince politicians.

2.3 Empirical implications

A corollary of the game is that legislators respond to signals about the amount of power controlled by interest groups, which can impact their re-election chances via campaign contributions or voter-mobilization efforts. My main expectation is that politically challenging policy changes happen when there is a pro-change organized group that is strong enough to outbid the anti-change group for the favor of legislators. The main observable implications are the following:

1. If the argument is true, we should see the relative amounts of financial resources of the opposing interests reverse over time leading to the reform. Specifically, we should see that

the pro-change group could, for the first time, outspend the anti-change group during the pension-reform debate.

2. If the argument is true, we should see the relative amounts of lobbying capacity of the opposing interest groups reverse over time. Specifically, we should see that the pro-change group could, for the first time, show more lobbying clout than the anti-change group during the pension-reform debate.
3. If the argument is true, we should see interest groups using resources at their disposal to influence legislators' votes.
 - Interest groups with developed ties to large numbers of voters (e.g., unions) can threaten to organize campaigns to defeat legislators in future elections: the vote-you-out strategy (η).
 - Interest groups that command substantial financial resources can promise future campaign contributions: the money strategy (ϕ).

In subsequent chapters, I will analyze the story of the 2019 pension reform to determine if these propositions are borne out. I will argue that legislators respond to interest groups because they believe that these groups have the ability to use their resources to influence the decisions of voters. I test these propositions in different ways. **Chapter 5** tests if pro-change groups with financial resources were able to persuade legislators during the pension reform. I use observational data to test whether a relative change in ϕ and η explains why a radical pension reform passed in 2019. Next, I use an original field experiment to test whether legislators consider the size of ϕ .

In **Chapter 6**, I present the results of original survey experiments to assess how much voters use information about policy positions when deciding their votes for Congress. There is an important difference between the uncertainty that politicians have about the support or punishment that voters might give in the next election because of a policy change, and how much voters actually incorporate that information into their voting choices.

The experiments show that most voters do not consider policy behavior of politicians in making their voting decisions. At first blush, this finding might challenge long-held political science

assumptions about the importance of policy proximity to voters. But I discuss in **Chapter 6** why politicians still care about how their policy positions might matter at election time. Voters, after all, do not make their actual voting choices in an experimental laboratory. They make these decisions in the midst of an electoral campaign. Because interest groups fund campaign advertising and other efforts to reach voters, they have the power to influence voters' views on policy issues, which, in turn, might affect politicians' chances of getting reelected.

CHAPTER 3

The pension reform in Brazil as a good case to study politically difficult policy changes

“PENSION REFORM IS AN OPPORTUNITY FOR BRAZIL TO ACHIEVE A SUBSTANTIAL FISCAL ADJUSTMENT WITHOUT HURTING THE POOR

– *World Bank, 2007*

In **Chapter 2**, I have argued that a new balance of power between organized interest groups is an important factor to explain why policy changes considered politically difficult sometimes happen. This chapter introduces a recent large pension reform in Brazil as the case study to test this proposition. First, I discuss why, according to an established literature, changing pension systems is one of the most challenging tasks for governments around the world. Brazil is no exception. The chapter describes how the Brazilian pension system created privileges to certain groups of organized citizens over time. Next, I describe several major attempts to reform the pension system since the country transitioned to democracy in 1986. The first efforts were incomplete or completely failed, just as the literature on organized groups would have led us to expect (Leopoldi 2009; Mesa-Lago 2007). But the most recent effort to reform the system (in 2019) defies the conventional wisdom, due to its more radical nature, and more importantly, its success.

The intensity of support for the status quo of pensions stems from two factors. First, while the benefits of retrenchment of certain measures are generally diffuse and often uncertain, certain groups have a concentrated interest in the maintenance of the status quo. As discussed in **Chapter 2**, it is one of the axioms of political economy that concentrated interests will generally be

advantaged over diffuse interests (Olson 1971; Peltzman 1976; Stigler 1971).¹ This is the interest group side of the puzzle. However, it is also necessary to consider the politician's side. Lawmakers seeking reelection usually display a short time horizon: the next campaign. Because elected officials prioritize winning reelection in the short term, they may heavily discount any long-term benefits of reforms. Any payoff from welfare state cutbacks will often be felt in the future - while the adverse effects are frequently felt immediately - politicians fear that concentrated groups will punish them for voting against the status quo or will mobilize voters against them.

It is not a coincidence that reform of the Brazilian pension systems has been identified as the exemplar of seemingly impossible policy change (Limongi and A. Figueiredo 1999; Medici 2011; M. Melo 1997, 2002). Pension reforms have been more successful in countries without a history of providing privileges to certain groups, but more challenging in countries with representative systems unable to produce stable legislative majorities and where heterogeneous and segmented pension systems have created political lobbies against reforms (Medici 2011).

For decades, an elite cadre of workers in the public and private sectors have successfully mobilized against pension reform. Politicians defend and even expand the state's wage and pension benefits as a means to increase popularity and gain support, especially from the workers in the central bureaucracy (Gregory and Borland 1999). In the words of a former pensions minister whose government failed six times to change the system in the 1990s: "The lawmaker who works in Brasilia listens very closely to public-sector workers because they are constantly lobbying inside Congress. This leaves politicians with an impression of opposition to any change in the status quo many times greater than the size that these groups have as voters compared to the whole population." Because this pressure is targeted at lawmakers, "the Executive's projects face interests crystallized in the status quo, not only on the part of the opposition but also of segments of [the president's own] coalition" (Velasco Junior 2005).

In Brazil, public servants from numerous occupational categories are a relatively homogeneous group with a single employer, which facilitates the emergence of strong unions with

¹In addition, political psychologists have already shown why certain groups fight harder to maintain certain benefits. The literature has found a "negativity bias" (Kahneman and Thaler 2006; Rozin and Royzman 2001), showing how react more intensely to potential losses than to corresponding potential gains.

formidable bargaining power (Marconi 2014; Wallerstein 1999). Strong unions and centralized negotiations are one of the determinants of low levels of inequality in many developed countries (Checchi and García-Peñalosa 2010; Gottschalk and Smeeding 1997; Gustafsson and Johansson 1999), but, in certain contexts, powerful unions can, in fact, increase total inequality (Marcelo Medeiros and Souza 2013).

This is the case of the Brazilian pension system. Since the 1990s, the pension system increasingly had come to dominate the government's budget. In the private sector, the rural system has constantly registered deficits, while the urban system has recorded deficits during times of weak employment and surpluses during times of buoyant employment, particularly between 2005 and 2014 (World Bank 2017). In addition, a disproportionately large portion of Brazil's annual overall deficit can be attributed to the public sector pension scheme. As a share of GDP, Brazil's expenditures for public sector pensions actually surpassed many OECD countries with much larger retiree populations (Whitehouse 2016; World Bank 2017). In 2020, just a year after the pension reform, the deficit of the system for civil servants decreased by 12.5%, largely due to the increase of contributions approved by Congress (TCU 2020). As the World Bank has noticed, before the 2019 changes, total spending on public pensions in Brazil was far higher than in many OECD countries with much larger retiree populations. The data is presented in **Figure 3.1**.

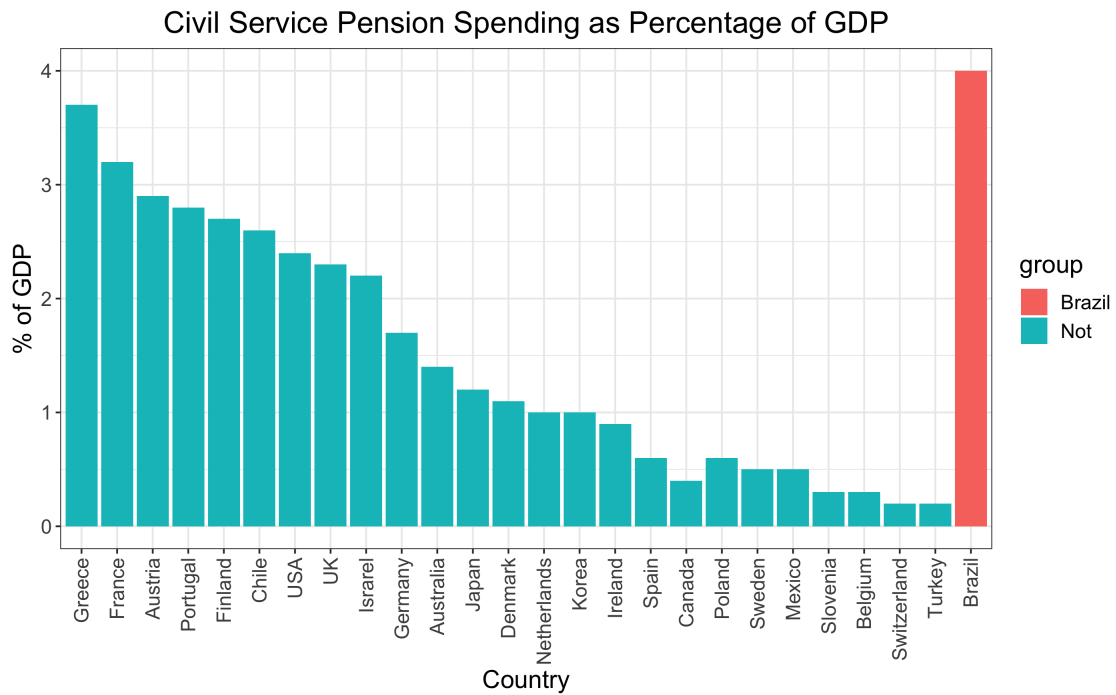


Figure 3.1: Civil Service Pension Spending around the World (adapted from World Bank (2017) and Whitehouse (2016))

One of the externalities of the unequal situation was that pension payments – both in the public and in the private sector – have been a major contributor to income inequality, responsible for roughly 20% of Brazil’s Gini coefficient (Marcelo Medeiros and Souza 2013; Tafner and Nery 2018).² Around half of all public pensions subsidies accrue to the top two income quintiles, while only 4% of the pension subsidy accrues to the bottom 20% (World Bank 2017). In an interview for this project, one influential economist who helped to draft proposals to change the pension system called the Brazilian case an "inside-out Robin Hood". Thus, while radical reform of the bloated system was almost unanimously supported by experts and observers, the expected result of any such proposal was that it would fail, because there were a lot of incentives for the privileged groups to mobilize against any meaningful change.

²To calculate this, the World Bank estimated average contributions and average benefits received by each quintile in the Brazilian population. Even though the share of contributions in total benefits is smaller for lower quintiles (i.e. the percentage subsidy is higher), because lower quintiles receive a much smaller share of total benefits, the incidence of total pension system subsidies is skewed to the better off in the population. Considering only the public servants’ pensions, they produce 9% of the Brazilian Gini coefficient (Marcelo Medeiros and Souza 2013).

3.1 Brazil as a difficult case for changes in the pension system

Pierson (1996, 2002) argues that pension systems are difficult to change due to institutional "stickiness" and path-dependency. This is particularly true for countries that operate pensions on a pay-as-you-go basis. In this type of system, current workers pay contributions that finance the previous generation's retirement. Pierson (2002) indicates how pension systems such as the Brazilian one may face incremental cutbacks and adjustments, but they are highly resistant to radical reform. Brazil is by no means unique.

In the 1990s, liberalizing reforms in Latin America attracted the attention of scholars (Haggard and Kaufman 1992; M. Melo 2002). An increasing part of this literature used a neo-institutionalism approach, according to which the probability of changes in ordinary laws and constitutions are conditioned on the set of formal institutions (Hall and Taylor 1996). Bonoli (2000, 2003) acknowledges that changing pension systems becomes an issue due to changes such as aging populations, generating fewer workers paying more pensioners. Yet Bonoli argues that institutions would explain variation in the outcomes. Those who oppose reform will tend to exploit institutional veto points where available and more opportunities are available in consensus democracies than in majoritarian ones (Haggard and McCubbins 2001; Lijphart 1999; Tsebelis 1995). As explained by Bonoli (2000):

The degree of influence that pro-welfare interest groups have on policy depends to a large extent on the opportunities provided by the political institutions. Absence of veto points means that governments will be able to go much further in the restructuring of their welfare state. In contrast, political systems that offer veto points will find it more difficult to adapt their welfare states and pension systems to a changing economic and demographic environment. As a result, they will need to develop more sophisticated strategies to secure the adaptation of their welfare arrangements.

Bonoli (2000) notes that carefully designed reform packages stand a good chance of being adopted even in fragmented political systems when there is an adaptation process. Veto points can be neutralized by integrating potential opponents in policymaking, or by targeting some key

concessions on them. Governments committed to pension retrenchment use different strategies to minimize the political costs of these measures, and one of the main strategies is to share the costs of the reform with other political and social actors (Myles and Pierson 2001; Pierson 1996; Shleifer and Treisman 2000).

Immergut (1992) shows how interest groups with similar strength and organizational capacity, but mobilizing in different institutional contexts, can use (more or fewer) institutional veto points to block constitutional changes. Looking at the attempts to change the pension system in Brazil by Fernando Henrique Cardoso (1995-1998) and by Luiz Inacio Lula da Silva (2003), Leopoldi (2009) also focuses on the "veto groups". The main argument is that "the direction and the pace of the reforms depended on the government's ability to negotiate with organized groups and overcome their resistance". Two actors were essential to block previous changes. First, the political power of civil servants defined the creation, expansion and maintenance of their pension programs over decades. Their greatest success was the benefit of receiving as pension the last full salary at the time of the retirement Leopoldi (2009). The second political power were the urban workers' unions, defending their conquests such as the public pension system and the linkage of benefits to the minimum salary, which generally rose in periods of inflation.

In other words, different institutional structures advantaged different coalitions of interests. Wilsford (1994) uses the concept of path dependency to argue that certain institutional arrangements decrease the probability of changes in pension systems. In general, any big (non-incremental) change is unlikely. Nonetheless, while large changes are never particularly likely, cross-nationally some systems are structurally more amenable to big change than others. For instance, because of its majoritarian characteristics, the UK was more successful at "prosecuting big reform, directing their systems along more optimal policy paths and establishing new paths that significantly deviate from the status quo as conditions render the status quo less desirable" (Wilsford 1994).

In contrast to the UK, students of comparative political institutions would predict Brazil to be one of the hardest places to enact a pension reform. First, changing the country's pension system requires constitutional amendment and, because of that, it is necessary to garner 60% of the votes in the two houses of Congress. Limongi and A. Figueiredo (1999) argue that these "demanding

rules" do not allow the advocates of a pension reform to decouple themselves to the imposed costs to certain groups. Because their individual votes are registered, lawmakers become easy targets for campaigns from organized groups.

Second, the dispersion of political power across multiple veto players (due to presidentialism, bicameralism, federalism, and proportional representation) means that any policy change requires a broad coalition (Bonoli 2000; Tsebelis and Money 1997). This creates barriers to radical policy shifts and incentives for fiscal indiscipline (Heller 1997; Powell 2000; J. A. Rodden 2005). Third, the use of open-list proportional representation in high-magnitude legislative electoral districts means that Brazilian presidents struggle to maintain coalitional discipline in the world's most fragmented party system (Ames 1995b; Gallagher 2021).

3.2 The pension system in numbers: deficit and income inequality

In the past 20 years, scholars and bureaucrats alike have published numerous studies to show the unsustainability of the pension system in Brazil (Ibrahim 2011; Leal and Portela 2018; Tafner and Nery 2018). By 2019, Brazil's pension system combined three different schemes, depending on the type of workers.

First, the general regime of social security (in Portuguese, RGPS - *Regime Geral da Previdência Social*) is aimed at most of the population in the private sector. This system is administered by the National Institute of Social Security (*Instituto Nacional de Seguro Social* or INSS) and operates on a pay-as-you-go basis. The INSS system collects contributions from current workers and pays pensions up to a ceiling. The RGPS covers private sector workers, and self-employed individuals (*autonomos*).³ In 2018, 53% of all the federal government expenditures (excluding payments with interest) were allocated to pension schemes (TCU 2019). According to some calculations (Tafner and Nery (2018)), without any change, pensions would have grown to 79% of all

³In contrast, approximately 30% of the population are not covered at all by the pension system. According to Ansiliero and Costanzi (2017), although in the last decade Brazil has experienced improvements in its main social security indicators, a significant portion of (mainly informal) workers are excluded from the social security system. The coverage was also highly unequal. While employees (80.4%) and employers (77.2%) had a higher coverage rate, informal workers (44.2%) and domestic workers (30%) had a much lower rate (Ansiliero and Costanzi 2017).

Pension Type	Number of beneficiaries	Total deficit per year (in Reais)	Yearly deficit per person (in Reais)	% covered by contributions
Private Sector	31 million	195 billion	6,300	81.6%
Civil Servants	736,000	46.4 billion	63,000	38.4%
Military	158,000	43.9 billion	115,000	6%

Table 3.1: Current contributions and pension payments, according to the National Treasury of Brazil (2019)

government expenditures by 2026.

It is also necessary to look at the deficit, the difference between the sum of contributions by employers and employees, and the expenditures on pension payments. By 2018, the private sector workers' pension scheme had a deficit of 195.2 billion Reais. In addition, the system aimed at civil servants of the Union was in deficit of 48 billion Reais, while payments to retired military had a deficit of 40.9 billion Reais (TCU 2019). But the raw numbers hide some important inequalities, because there are many more private sector workers and retirees than public sector ones. By 2018, the year before the latest reform, contributions covered 81.6% of the pensions in the private sector, but the coverage rate for civil servants was only 38.4%, and the military's contributions covered a mere 6% of the pensions for retired soldiers (TCU 2019).

Public sector retirees also received higher pensions. The monthly average benefit for civil servants in the Executive was 8,477 Reais, for the Legislature was 26,823 Reais, for the Judiciary 18,065 Reais, and for the Public Prosecutor's Office 14,656 Reais. The average value of the private sector pensions was 1,404 Reais, with 66.5% amounting to up to one minimum wage. Table 1.1 indicates how, although public sector workers and military represented a smaller share of the population, proportionately they contributed more to the deficit in the pension system.

Before the 2019 pension reform, Zeidan and Giambiagi (2018) argued that while many countries faced looming crises in the pension system, Brazil had a unique situation. For these authors, the combination of a rapidly aging population, extremely generous pensions for certain groups in

the population and a low minimum retirement age for both public and private sector workers was unmatched in middle-income countries. Given these conditions, a crash was unavoidable. Because of different privileges to concentrated groups, the level of expenditures with pensions were incompatible with the proportion of elderly people in the population. **Figure 3.2** plots the relationship between the age of populations across different countries and the expenditures with pensions. Brazil's expenditures on pensions were around 11% of the GDP by 2019, when it should be around 4% according to international patterns.

Previous research provides ample evidence that the Brazilian State contributes much of the income inequality in the country (de Barros Lisboa and Latif 2013; Marcelo Medeiros and Souza 2013). It not only maintains an elite corps of workers in the public sector through higher wages (Belluzzo, Anuatti-Neto, and Pazello 2005; Bender and Fernandes 2009; Braga 2007; Foguel et al. 2000; Panizza and Qiang 2005; Vaz and Hoffmann 2007), but it also exacerbates the inequality by granting them pensions that are more generous than those given to their private counterparts.⁴ According to Medeiros and Souza, there was no other source that contributes so proportionately to inequality (*Ibid.*).

⁴Using a factor decomposition of the Gini coefficient the authors measure the contribution to inequality of direct monetary transfers to and from the Brazilian State. Among the transfers from the State are wages of public workers, pensions and social assistance. The results indicate that the State contributes directly and to a large share of inequality. Factors associated to work in the public sector's wages and pensions are very concentrated and regressive.

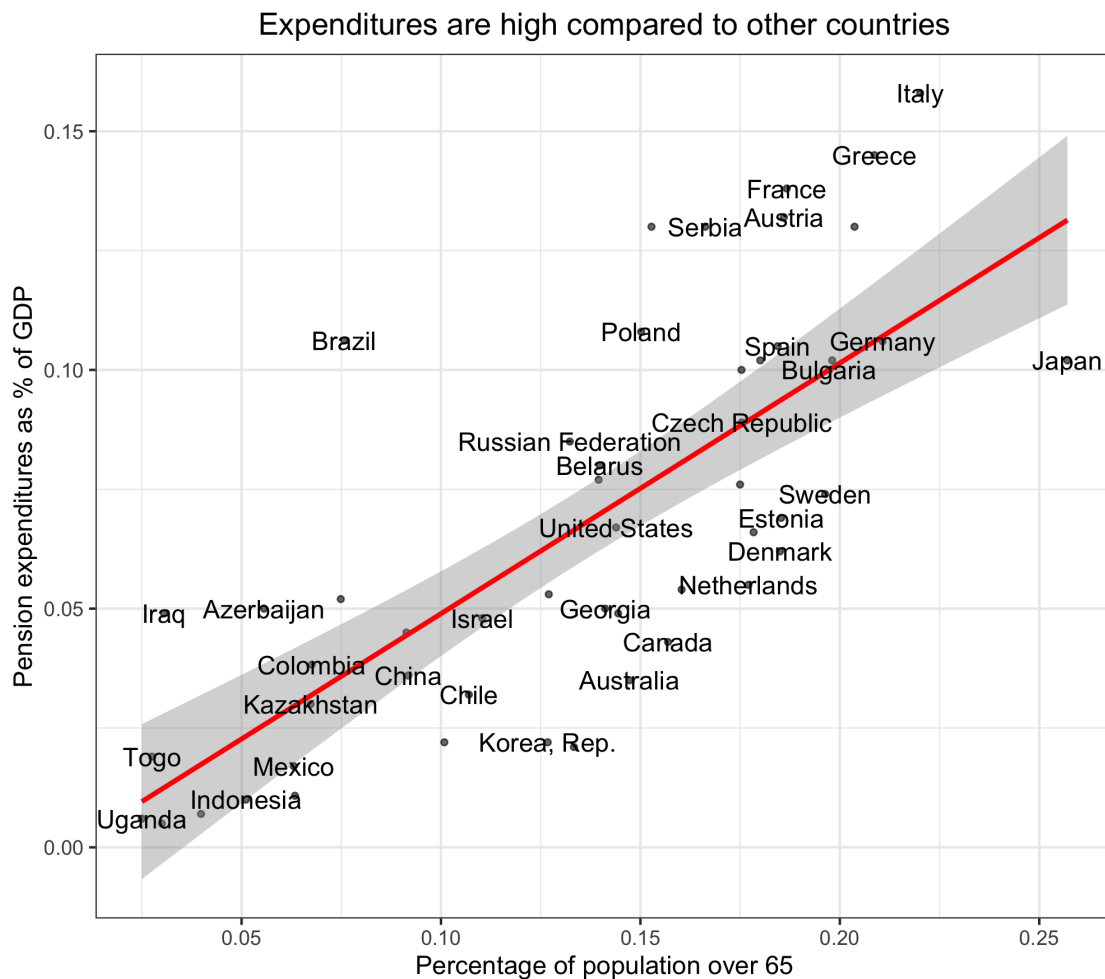


Figure 3.2: The relationship between the age of populations across different countries and the expenditures with pensions.

In the private sector, the inequality was also exacerbated because richer people retired earlier with full benefits. Consider one example. By 2019, Brazil was one of 13 countries in the world with no minimum age for retirement – which allowed retirement after 30 years of contribution to the system. As a result, the richer 10% of workers retired, on average, at age 54, while the bottom 50% retired at 63 (Constanzi and Ansiliero 2016). Over the years, organized groups from the public and private sectors constantly mobilized against establishing a minimum wage for retirement, which contributed to the inequality in the system. Two former pensions ministers described in interviews for this project how bureaucrats in the Pension Ministry mobilized against a minimum age for retirement because they themselves could retire before 55 years of age. Thus, it is not a coincidence that the mobilization by the organized elites in the private and public sectors success-

fully concentrated for over two decades in blocking the definition of a minimum age for retirement – with some defeats over time. By itself, this measure was an important creator of benefits and inequality. All in all, the federal pension deficit was equivalent to 4.6% of the GDP by 2019 – and has grown since 2011 at an average rate of 11.9% per year.

3.3 The history of the pension system in Brazil and Latin America

Organized groups played important roles in both the creation of the pension system in Latin America and also in defending the status quo. In Brazil, institutions with some vague resemblance to mechanisms of social security schemes have existed in the country since colonial times. From 1891 to 1919, coverage for accidents at work and preliminary pension schemes were introduced to some public servants, following a convention of the newly created International Labor Bureau. Yet it was only in 1923 that the country established a clear legal framework of a very specific pension, instituting a "retirement and pension fund" for employees from the railway companies (de Oliveira, Beltrão, and Ferreira 1997). These organizations had a small number of affiliates, were financially fragile, and were not administrated by the state (Silva 2007), which was only responsible for creating the system and regulating its operation.

From the 1930s onward, the national government started a centralizing process of the pension system, incorporating urban groups (de Oliveira, Beltrão, and Ferreira 1997; Lewis and Lloyd-Sherlock 2002). Brazilian rural workers and domestic servants were the last to be effectively covered, only in the 1970s. Therefore, the Brazilian pension system is marked by the gradual state intervention and the creation of state systems of social protection for groups. The most powerful labor unions and various privileged groups were able to impose their demands on the state first (Mesa-Lago 1978).

During the creation of the pension systems in Latin America, and particularly in Brazil, groups with a higher level of organization were the ones able to garner higher benefits from the state. Lewis and Lloyd-Sherlock (2002) point to the "selective" nature of pension benefits in Brazil, which varied greatly over time and from occupational group to occupational group. To more people, the different amounts received by different groups increased inequality.

Workers' category	Year
Public Servants	1891
Railroad	1923
Port	1926
Utility	1931
Mining	1932
Seafarers	1933
Bank and Commerce	1934
Industry	1937
Transportation	1938
Agriculture	1971
Domestic	1972

Table 3.2: Expansion of the Brazilian Pension System 1923-1972

Dos Santos (1979) defines the Brazilian citizenship as "regulated citizenship", which has its roots in the 1930s. The state gradually created pension benefits to certain groups who were recognized by legal norms. As a result, the pension schemes divided the population into professional categories, associating differentiated benefits and services to each category. As described by Dos Santos (1979):

All members of the community who are located in any of the occupations recognized and defined by law are citizens. The extension of the citizenship is done, therefore, through the regulation of new professions and/or by expanding the scope of rights associated with these professions, rather than by expanding the values inherent to the concept of member in a community. The citizenship is built into the profession with the citizens' rights restricted to the rights of the place he occupies in the production process, as recognized by law. All those whose professions are not recognized by law become pre-citizens.

This meant that the recognition of citizenship depended on the formal recognition by the state of the profession exercised by the individual. All those who exercised professions not recognized by law, such as rural and domestic workers, did not received any pension or other benefits. As a result, the official pension scheme created a "system of inequalities." Because the best pension schemes were given to certain categories, these categories had the incentive to try to occupy

the bureaucratic positions that controlled the pension payments. "The state pension system, thus, allowed the consolidation of ties that create the political linkage between those politicians that controlled the institutions of the Ministry of Labor and the unions' oligarchy that controlled workers' organizations. At the base of everything was the practice of regulated citizenship, without which the entire system of union control and distribution of compensatory pension benefits would lose in effectiveness" (*Ibid.*, free translation).

Hochman (1992) examines the formation and consolidation of the "Cardinals of Social Security," a group of federal bureaucrats who, starting in 1937, played a central role in Brazil's social security policy. The group used their political resources to climb the public administrative ladder and outlive the federal administration that parented it, as well as subsequent ones, managing privileges even during the military dictatorship.

Before Brazil transitioned back to a democracy, Mesa-Lago (1978) was one of the first to argue that the most powerful labor unions and various privileged groups were able to impose their demands on the state in the creation of pension systems. He divides pressure groups/subgroups into three categories, considering their impact on the evolution of social security: 1) the military and politico-administrative groups; 2) the economic group and the labor-aristocracy subgroup from the union group; and 3) the remainder of the urban labor force and the rural workers. In this formulation, the more powerful the group, the earlier it gained protection, the higher its degree of coverage, the less it has to pay to finance its system, and the better the amount and quality as well as the less stringent its conditions to acquire benefits. The military group is presented as the most powerful organization, able to maintain privileges in the pension system. The second most powerful group in Lago's view is the "politico-administrative group" (*Ibid.*).

In contrast to Mesa-Lago, Malloy (1979) depicts social insurance policies in Brazil as resulting from state inspiration rather than groups' pressure. As the state had the power to pay for these benefits, the difference among groups that received and did not receive those benefits was the decision of the government in power. In a historical perspective, Malloy argues that the expansion of pension to groups outside the state was a response from the elites to an emergent working class, an attempt to use paternalistic public policies to defuse labor agitation (*Ibid.*):

My central argument is that the evolution of social protection policy in Latin America in terms of timing, patterns of coverage and administrative structures cannot be understood simply as the mechanistic result of organized group pressure. The important point is that while class and sectoral groups created pressure and therefore a policy problem (the "social question"), the initiative in defining a particular pattern of social insurance as a selective and ameliorative response to the problem was seized by governmental elites. In 1930, this initiative passed to bureaucratic elites rooted in the rapidly expanding administrative apparatus of the state.

The Brazilian pension system expanded its coverage from the 1930s to the 1960s. In 1967, different systems were unified into a single fund managed by a new public institute (which in 1976 became the *National Institute for Social Security – INSS*). However, this unification process did not include the pension schemes for civil servants and military personnel, which retained independent administrations – "guaranteeing certain privileges for members" (Medici 2011). For instance, until the 1998 pension reform, under Cardoso, civil servants did not help to finance the system. All benefits were funded entirely by the public budget.

3.4 A tale of three pension constitutional amendments

The milestone of the modern pension system in Brazil was the new Constitution of 1988, when the country transitioned to democracy after over 20 years of military dictatorship. The central idea of the 1988 Constitution was that social assistance must ensure, through an integrated set of actions of public initiative and the society, the basic needs of the population. Therefore, the new constitution designed a universalist social security system. As explained by Tafner (2006), the Brazilian social security system created by the 1988 Constitution had three main components, namely:

- Social security: Payment program made to the individual as compensation for the loss of working capacity, involuntary unemployment, imprisonment or death of those on whom the individual depended economically. Loss of working capacity is related to disability, advanced age, length of service and maternity. The people who receive this benefit are

the "insured", will have contributed part of their income during their working years (salary contribution).

- **Social assistance:** Cash payments program, provision of services, distributed according to the criterion of necessity, without a contributory link. These programs aim to meet the basic needs of the individuals providing the protection of family, maternity, childhood, adolescence, old age and disabled person.
- **Health:** A set of medical, health and nutritional measures in order to prevent and cure physical and mental problems, for individuals and family members, in addition to reducing the risk of disease and other injuries.

Under the new 1988 social security system, pensions were financed by payroll contributions; health care by taxes applied on gross sales, and social assistance by the net profit of firms and the financial sector. After 1988, Presidents Fernando Henrique Cardoso (1998) and Luiz Inacio Lula da Silva (2003) tried to introduce reforms to reduce privileges and increase the system's long-run sustainability. Nevertheless, "interest groups, such as civil servant and trade unions, exerted pressure to keep privileges and avoid the rational solutions needed for a sustainable pension system" (Medici 2011).

3.4.1 The 1998 attempt under Fernando Henrique Cardoso

In December 1998, the final month of the first term of President Fernando Henrique Cardoso and after he was just reelected, constitutional amendment No. 20 passed after three years of legislative process.⁵ The 1998 reform was the first formal step toward recalibrating the social security system to face the fiscal problems that arose from the Constitution written ten years before. Nevertheless, most academics consider that the effort was far from enough (Ibrahim 2011; Leal and Portela 2018; M. Melo 2002; Tafner 2006; Tafner and Nery 2018).

Cardoso failed to establish a minimum retirement age for the private sector – which was one of the main goals of the reform – but created a minimum retirement age for both active civil

⁵It became the Law 9876/1999

servants (53 for men and 48 for women) and for new entrants to the system (60 for men and 55 for women). Still, many privileges were kept intact. At that point, the minimum age for retirement was already one of the most lenient in the world. A comparison made in 2001 showed that the average retirement age in Brazil was 53.7, against 58.1 in Belgium, 61.4 in Spain, 63.2 in the UK, among others (Tafner 2006). Cardoso's reform also kept important differences between public and private pensions. For instance, given the same number of working years, civil servants received pensions equivalent to their last salary, while private employees received pensions calculated as an average of previous salaries, limited by a ceiling (Medici 2011). In the end, the Constitutional reform in 1998 did not produce any immediate fiscal effect. However, it had some long-term impacts, especially because it created discount rules for those in the private sector who decided to retire earlier (Giambiagi and Esterminio 2006). According to these rules, private sector workers could retire earlier, but they would also receive smaller pensions.

The legislative process had begun in the first months of Cardoso's first term, in 1995, with the submission to Congress of the constitutional amendment proposal. From day one, the proposal encountered strong hostility from opposition parties and organized sectors of society, such as private sector and public servants' unions, generating a division inside the government's coalition in Congress (M. Melo 2002; Tafner 2006).

From the beginning of the legislative process, in a tactical alliance, two of the most important organized groups – who were usually on opposite sides of legislative debates – united to pressure against the pension changes. On the one hand, the Federation of Industries of the State of Sao Paulo, the most powerful industry entity in the country, wanted Cardoso to change the tax system, decreasing taxation to its affiliates, before taking up the pension proposal. The organization believed that if the government spent its political capital on the pension constitutional amendment it would not have the necessary strength to change the tax rules. On the other hand, the main national workers' union federation in Brazil (Central Unica dos Trabalhadores, commonly known by the acronym CUT) focused its efforts on blocking the pension proposal. The two organizations agreed on a tactical alliance to pressure against the pension reform, asking the government to focus on the tax changes.

Reading Cardoso's diary, it is possible to see that the President blamed, at least in part,

organized groups for the early defeats in the pension proposal. Writing in March 1995 about one rally against the pension reform that drew 10,000 people in Brasilia, Cardoso argued that "the big state organized groups are behind all this" (Cardoso 2015). The President added that he had given interviews calling out these organized groups, but was uncertain about the consequences of his strategy: "Obviously, this [interview] makes those who control this part of the public opinion even more angry, which scares the deputies" (*Ibid.*).

I have analyzed thousands of pages from the dossier of the legislative steps of the Cardoso proposal. It shows how organized categories of public sector workers were the only ones sending letters to the deputies to try to block the reform. For instance, before the voting on the first version of the proposal, there are documents sent by 16 different associations of public servants to all deputies asking them to stop the project or to modify it.⁶ In one of the documents, lawmakers from the opposition parties and public servants' associations state that they would oppose any attempt to speed the voting: "This group, representing more than 20 million retirees and pensioners and 60 million Brazilian workers expresses itself, vehemently, contrary to any modification." (Congressional Record Archive)

To counter these pressures, in the beginning of 1996, the government tried to break the coalition between unions and the industrial peak association by opening parallel negotiations with the largest confederation of unions in the country (CUT). The goal was to break the previous tactical alliance between workers and business organizations. The strategy worked for some weeks, and, in his diary, Cardoso called the negotiations "historic" (Cardoso 2015).

However, CUT backed off and maintained its initial position against the reform, due to the influence of public sector workers in key positions of the entity. In fact, all of the members of the commission created to present demands to the government regarding the pension proposals were public sector workers (Silva 2004, 2007). After that, union activists from CUT and other organizations mobilized constantly against the proposal, invading legislative sections to block any voting.

⁶Including the National Association of Tax Auditors of the Federal Revenue of Brazil, the Association of Servants from the Judicial Power, National Association of Public Service Retirees and Pensioners, and Military associations

As a result, Cardoso's strategists decided to concentrate their efforts on direct negotiation with the deputies from the President's own coalition, instead of trying to weakening the opposition from organized groups. On March 6, 1996, Cardoso's government was defeated, again, failing to obtain the 308 votes necessary to pass its proposal. Cardoso's own four-party executive coalition did not deliver the necessary votes. PMDB had 38 defections and PPB 27. Even the parties of the President and Vice-President had deputies who voted against the proposal: PSDB with 9 defections and PFL with 7.

This lack of discipline by the main parties in the presidential coalition was highly unusual. Analyzing roll calls from 1989 to 1994, Limongi and A. Figueiredo (1999) show that Congress voted on the President's proposals every time PDMB and PFL followed unanimously their party leader's orientation. During the period analyzed by Limongi and A. Figueiredo (1999), on average, presidents had 9 out of 10 votes from lawmakers affiliated to parties in their coalition and rare were the opportunities in which the president was defeated for lack of support (indiscipline) from his coalition.

After the defeat on the pension voting on the floor of the House, Cardoso's negotiators said they were surprised by the result and attributed it to three factors: 1) Lawmakers feared that voting in favor of the project would hurt their electoral prospects in the municipal elections that would take place later that year, when many deputies and senators would run for mayor; 2) A poor understanding of the scope of the reform by the Congress; 3) The mobilization of organized groups against points of the bill that ended special privileges (Madueno et al. 1996).

As a result, Cardoso changed his strategy in Congress. Instead of choosing lawmakers from his or his Vice-President's party for key positions in the legislative process, Cardoso himself chose the leader of the largest party in Congress as the new rapporteur for the proposal on the floor of the Chamber. That was Michel Temer, the PMDB leader in the House of Representatives, who 20 years later would become Brazil's president and also fail in his own attempt to reform the pension system.⁷ In an interview for this project, Temer discussed how, during his stint as Cardoso's rap-

⁷PMDB was the largest party in the House of Representatives, but was not the President's or the vice-President party, which decreased the control from the Executive over the process. Before being selected to this key role in the legislative process, Temer gave an interview stating that "the party will not vote on unpopular measures" (Folha de Sao

porteur, changes were being negotiated to government's proposal minutes before it went to voting, in a demonstration on how thin was the support for the changes: "I remember changing the text with a pen, to guarantee some support from deputies." The strategy used by Temer was to create a "super agglutinative amendment", combining the original proposal presented by the Executive with 62 amendments proposed by deputies. The final text presented by Temer represented the "possible consensus" (M. Melo 2002), far away from the initial goals. By November 1996, Cardoso's diary registers the last mention of the pension reform, in an exasperated tone: "I'm getting tired of insisting, insisting, insisting. From time to time, I read in the newspapers that political will is lacking. Maybe it is, but not from the president."

The list of amendments presented by deputies during the 3-year legislative debate over the pension reform shows how much politicians worried about displeasing organized groups. One deputy from the government's coalition, who was himself a public servant, annexed a document to the proposal, to register his position against it: "We will all commit shameful political and moral suicide".

Cardoso suffered six defeats in Congress before finally passing some changes in the pension legislation. According to Mesa-Lago and K. Müller (2002), in the 1990s, Brazil was the only large Latin American economy that opted for an incremental change in its pension system instead of a more radical change. M. Melo (2002) considers that the changes implemented under Cardoso was not a substantial restructuring of the pension system: "Cardoso only initiated an uncompleted reforming cycle, marked by a high rate of conflict in the political debate, a large number of Executive defeats in the legislative process, and the typically incremental pattern of changes."

3.4.2 The 2003 attempt under Luiz Inacio Lula da Silva

Five years after the 1998 vote on the floor of Congress and in view of its limited achievements, a new round of changes focused on the objective of reducing the differences between the value of public servants' pensions and those received by workers who retire under the INSS regime. To

Paulo, 01/09/1996). In 2016, 20 years after Cardoso's attempt, Michel Temer became President and failed to reform the pension system.

remove part of these differences the proposed amendment to the constitution suggested important changes, which affected the public servant's pensions.

The main accomplishment of this proposal was the end of retirement with full salaries for public servants. The value of the benefits would be calculated according to the average of the 80% highest salaries up to a ceiling. In addition, for the first time, public-sector retirees who received pensions over a certain amount started to contribute at a 11% rate, and new civil servants would have a monthly ceiling for their pensions closer to the private sector. Nevertheless, the higher salaries in the public sector would pay the same contributions as the lower salaries, exacerbating inequalities.

Lula's pension reform was determined by constitution amendment 40, in 2003. Unlike the previous case, the legislative process this time was very fast, only eight months of discussion. According to (Tafner 2006), "it is, in fact, an absolute record. In any country of the democratic world a pension reform, albeit partial as in 2003, proceeded with such speed." Despite the defection of congressmen from the PT and other parties from Lula's coalition, the government was able to obtain 358 votes, 50 more than needed to pass the amendment, including 70 votes from the PSDB, PFL and other opposition parties.

When the PT took power in 2003, there was no formal proposal for the pension issue presented by the party during the campaign, only some generic references that the topic would be addressed. From the beginning, the government promised to establish dialogue with the states and organized groups. To accomplish that, the Executive organized the Economic and Social Development Council between February and April 2003. This council was created to give civil society, especially business, broader access to and participation in the policy-making process (Doctor 2007). By bringing together different organized groups, Lula aimed to speed up the reform process. By emphasizing the consensus behind the group recommendations, the government tried to stress civil society's approval of policy proposals, in an attempt to increase pressure on Congress (Doctor 2007; Nakahodo and Savoia 2008). This council had 102 councilors, 12 from the government and 90 from different sectors of society. It had the role of an advisory board but was used to pressure Congress on the pension case (Diniz 2007; Leopoldi 2009).

Lula's pension changes sought to complement Cardoso's. The proposal focused on the civil servants' regime, centered on federal employees. However, during the political negotiation process, this proposal underwent a series of changes, both in the Chamber of Deputies, and in the Senate. These alterations reduced the fiscal impacts of the measures for active and retired public servants (Giambiagi and Esterminio 2006). For these authors, "when viewed from the strictly economic angle, none of the reforms approved has been very relevant for a lasting solution to the social security imbalance. Cardoso's constitutional reform was relatively innocuous; changing the law in his second government affected only the most scandalously early retirements; and the Lula reform only affected civil servants." According to (Zylberstajn et al. 2006), after being watered down, the debt reduction in the final format of Lula's reform was only 56% of the original proposal. Some scholars argued that the proposal was only approved because of several compromises (Savoia 2011).

To accomplish his reform, Lula used his historical ties with unions to prevent their pressure over Congress. In an interview for this project, the former deputy chief of staff during Lula's government described how Lula himself summoned union leaders for at least three meetings to ask for their support, arguing that the pension reform was essential to guarantee the success of his government. That movement simply removed from the equation the most important organized groups against any change in the system. Some studies explain Lula's reform as the result of PT changing its historical position against it. In other words, a contextual change (namely a switch in places between government and opposition) affected the distribution of preferences and resources between the players and impacted the result the reformist (C. R. Melo and Anastasia 2005). But if that is the case, one should not have expected the result in 2019, when PT went back to the previous position, voting unanimously against the new constitutional amendment.

Empirical studies provide initial evidence that the answer for Lula's case rests on the interest groups' relative strength. Savoia (2011) creates an index of the relative strength of actors to compare Cardoso's and Lula's pension changes. Savoia (2011) estimates the weight of institutions and the level of support of each of these actors in both reforms. He presents nine institutional actors and calculates their relative strength: The World Bank, federal, state and municipal governments, the Chamber of Deputies, the Senate, the Supreme Court, unions, peak business associations, retirees,

and the press. Why was Lula's proposal faster than Cardoso's, even if both proposals were watered down at the end? According to (Savoia 2011), even if Cardoso had more support among all the institutional players, Lula was able to block the unions as veto players, and faced fewer obstacles. In other words, relevant actors altered their behavior (PT and unions) and offered less opposition to Lula's proposal than they previously did to Cardoso's attempts (Botelho 2015; C. R. Melo and Anastasia 2005; Nakhodo and Savoia 2008).

The pension reforms of 1998 and 2003 were initiated by similar motivations (pressure from the fiscal deficit), faced common difficulties (political fragmentation and organized interests against reforms) and shared the same stage (the Brazilian Congress). At the end, Lula's government gave in and kept most of the benefits for current civil servants, at the expense of future civil servants. As a result, Lula's proposal did not spark any broad protests, because it would not have any effect immediately (Leopoldi 2009). On the other hand, Lula also made some concessions to private worker's unions. By raising the minimum salary regulated by the government, he ended up increasing pension payments, making the overall deficit worse.

Finally, another adjustment to the public pension scheme came in 2015, when Lula's successor Dilma Rousseff proposed the rule known as 85/95. This change did not require a constitutional amendment and was done using the Executive's provisional measure. Under the new system, the government would add up the age and contribution time for those who seek to retire. For example, a worker who retired at the age of 55 after 35 years of contributions would have a score of 90. Those who achieved a result higher than 85, in the case of women, and 95, in the case of men, were entitled to full retirement benefits. For civil servants, Rousseff created a supplementary pension fund in 2013. As a result, those who joined the public service after 2013 had their retirement limited to the INSS ceiling, with the option of contributing to the supplementary fund, to raise the value of retirement.

3.4.3 The 2019 pension reform under Bolsonaro

Since the 1990s, every Brazilian president had made some attempt to reform the pension system of the country. The constitutional change carried out in 2019, under the presidency of Jair Bolsonaro,

had been initiated two years earlier, under President Michel Temer, who finished the term of Dilma Rousseff after she was impeached in 2016. The Temer-Bolsonaro case is more comparable to the Fernando Henrique Cardoso's proposal, as they faced the opposition of unions and the PT from the start.

Even before the impeachment process had begun, in October 2015, Temer's party (MDB, formerly known as PMDB) launched a document called "bridge to the future" that criticized Rousseff's government for excessive spending, "by creating new programs or expanding existing ones, hiring new staff, or committing investment beyond the State's fiscal capacity." According to the document, "considering the situation, we seem to be headed for a long period of stagnation, or even a decline in per capita income." Fiscal adjustment was advocated as "not a goal in itself," but a step that should necessarily lead to economic growth, otherwise the measure would be pointless. The main suggestion of the text was a profound pension reform.

After being confirmed as president, Temer and his team moved forward on their economic agenda. Before turning to the pension system, Congress approved – in December 2016 – a 20-year public spending ceiling to control a ballooning budget deficit, a crucial step in an austerity program (Boadle and Ayres 2016). At that point, authorities braced for nightly protests outside Brazil's Congress, rallies organized by labor unions and left-wing groups opposed to cutbacks. The measure limited the growth of federal government spending to the rate of inflation for 20 years, with a presidential review after a decade.

In 2017, Congress also voted on Temer's labor reform bill – the first major overhaul in 70 years. The law aimed to reduce costs for businesses and allowed firms to negotiate contracts freely with employees. It was deeply unpopular with unions, who said it would reduce job security and called two general strikes in protest. The main focus of the bill was on giving more leeway to collective bargaining and reducing the scope for legal action in labor disputes. Under the labor bill, union dues – previously mandatory – became voluntary. It also provided more flexibility for part-time work and temporary contracts. Businesses welcomed the changes, which they claimed would make the job market more flexible. The unions argued that these changes would lead to a reduction in job security.

Some qualitative work posits that divided unions failed to mobilize a significant number of workers to block the change (Carbonai 2019). On the one hand, a group of unions wanted to fully protest against the measure arguing that it was the work of an illegitimate government that came to power after the unlawful impeachment of a leftist president. On the other hand, other unions wanted to negotiate directly with the new government to try to cut their losses. With no unified strategy, their bargaining power declined (*Ibid.*).

More than that, peak business associations and groups that helped to organized protests against Rousseff seized the opportunity to pressure for the labor reform. After all, unions and leftist parties were weakened by Dilma Rousseff's impeachment, which was conducted after months of street protests with millions of people, peak business associations helped to draft the labor reform. At least one-third of the approved amendments were authored by lobbyists from the main business associations (Magalhães et al. 2017), written on computers belonging to representatives of the National Confederation of Financial Institutions (CNF), the National Confederation of Industry (CNI), and the National Association of Freight Transport and Logistics (NTC Logistics). Finally, to change the tax legislation Congress only required a simple majority vote in each house of Congress and not the supermajority to change the Constitution, as in the pension case. At the end, the labor reform received 55% of the votes, which was below the threshold for changing the Constitution.

But Temer's main target for reform was always the pension system, according to his own account in an interview for this project. The former president argues that he was not successful during his short term in office due to a plot from a very powerful organized group. On May 18, 2017, a leading newspaper in Brazil, O Globo, published the content of a secret recording made by the owner of the largest meat processing company in the world, Joesley Batista. According to the interpretation given to the tape, Temer was giving Batista the OK for the businessman to buy the silence of former Speaker of the House Eduardo Cunha, who was imprisoned as a result of the Carwash Operation, a major anti-corruption investigation involving the state-owned oil company Petrobras. The tape was part of a plea-bargain between Batista and the prosecutor's office to reduce his sentence for money laundering and corruption.

On that day, many investors took Temer's resignation for granted and, as a result, the financial

market faced a chaotic day. The Sao Paulo stock market dropped 10.47% and triggered the first circuit breaker (when all the trading is stopped) on the Brazilian stock exchange since the 2008 crisis. By the end of the day, the index had the biggest daily tumble since the 2008 financial crisis. The *real* dropped more than 8% in comparison to the dollar. At that point, Temer and his team had planned to vote the pension bill on the floor of the Chamber of Deputies in two weeks, but when the tape was leaked the project was put on hold. One investor defined that day in the following terms: "The pension reform is that gift you've wanted since you were a child, then it looks like you're going to get it, but something happens. It was a dream of the market for years and years and suddenly it was taken away."

After that day, Temer spent all his political capital to stay in office. According to the Brazilian Constitution, a sitting president can only be prosecuted by the chief prosecutor in the Supreme Court. Even then, for the prosecution to move forward, it needs to be allowed by the Chamber of Deputies. The chief prosecutor, Rodrigo Janot, presented two indictments to the Supreme Court against Temer in a period of almost a year. This dominated the political agenda of 2017-2018 and the pension reform was put on hold.

It is impossible to know the counterfactual of what could have happened with the pension reform had the tape not been leaked. The fact is that, after the political scandal dominated Congress and Temer needed to use his political capital to stay in office, the proposal was never sent to the floor. In 2018, after Jair Bolsonaro won that year's presidential election but before he took office, Temer offered to vote on the pension reform during the lame-duck period, so as to spare his successor the inevitable political blowback. But Bolsonaro declined, preferring to set his own timetable.

It was only in the following year, then, that the profound change in the pension system was approved by Congress. As discussed above, a constitutional amendment in Brazil is required to modify pension laws because the right to retirement benefits is engraved in the 1988 Constitution. Congress must hold committee and chamber votes on the measure, and ultimately three-fifths of Congress (308 votes in the Chamber of Deputies and 49 votes in the Senate) must vote in favor. Once approved by the two chambers, the proposal does not go to the president for sanction or veto; it is directly enacted by Congress.

President Bolsonaro delivered the pension bill to Congress on February 20, 2019, less than two months after he took over the presidency. The team of bureaucrats that drafted the bill was almost the same that had worked under Temer. On March 13, 2019, the Chamber of Deputies set up its Committee of Constitution and Justice (CCJ) to analyze the government's proposal, and Congressman Felipe Francischini (PSL-PR), a first-term deputy from Bolsonaro's party and one of the youngest deputies in the house, was elected as the committee's president.

On April 23, 2019, after 62 days of debate and minor delays, the House's CCJ approved the proposal by 48 votes to 18, with no abstentions. The bill was approved with minor changes, after four elements were removed from the text. During May, the House's Special Committee was created to analyze the merits of the proposed bill – not only if it was constitutional. There were 11 public hearings with over 60 witnesses to discuss the topic of social security and the proposed bill.

The bill passed in the House's Special Committee with 36 YEAs and 13 NAYs. The Special Committee vote was a major challenge for the government and dragged over two days. Amendments were proposed to exclude teachers from the reform and to make rules for public security agents more flexible. Both were defeated. On July 10, 2019, the Chamber of Deputies approved the main text of the bill by 379 to 131, after nine hours of debate on the floor. The next day, Congress took up consideration of amendments. After some changes with the amendments, the bill was approved in a second round of voting in the lower Chamber, with 370 votes in favor and 124 votes against, on August 6.

In the Senate, the bill was approved on October 1, 2019 in a first-round vote, with 56 in favor, 19 opposed, and one abstention, following approval from the Senate's CCJ earlier in the day. An amendment that would have reduced year-end bonus salary payments to low-paid workers was rejected. On October 22, 2019, the Senate approved the main text of the pension reform (changes for civil servants and private-sector workers) by a margin of 60-19. The following day, the approved text was enacted by Congress.

President	Legislation	Days	Fiscal Impact in 10 years
Bolsonaro	Constitutional Amendment	239	- 952 billion
Temer	Constitutional Amendment	Never voted	-
Roussef	Provisional Measure	60	+ 55 billion
Lula	Constitutional Amendment	192	- 38 billion
Cardoso	Constitutional Amendment	1358	- 44.2 billion

Table 3.3: Comparing the different attempts to change the Brazilian pension system

3.5 Conclusion

The goal of this chapter was to describe the Brazilian pension system and then the three main efforts to reform it over the past quarter century. By just looking into the legislative history of these three attempts, it is possible to see how the 2019 reform was faster than Cardoso's proposal and comparable to Lula's. The main difference is that, while Lula did not face the opposition of unions and PT, Temer, Bolsonaro and Cardoso's proposals suffered many blocking attempts by the party and the unions.

In addition, the fiscal impact of the 2019 change was much more profound (Afonso and Carvalho 2021; Baars 2012; Constanzi and Ansiliero 2016; Zylberstajn et al. 2006). Table 1.3 compares all the attempts to change the pension system in Brazil since the 1990s and their projected fiscal impacts over a period of 10 years.

By 2019, the deficit in the pension system was defined as "the most serious economic problem in Brazil" (Afonso and Carvalho 2021). Two years before the voting by the Brazilian Congress, the World Bank (2017) predicted: "A delay in or significant softening of the proposed pension reform could be costly. The history of RPPS [public sector regime] demonstrates the difficulty of reducing pension deficits if reform is delayed or introduced too timidly. The 1998 and 2003 reforms reduced implicit pension liabilities, but the transition rules were so generous that there is a large cohort still in active service that will continue to benefit from pre-2003 benefits."

Most analysts would have similar predictions, according to which, once again, strong and organized interest groups would be able to block or to hinder policy change (De Bole 2019). In the next chapter, I present my argument to explain why the 2019 pension reform was much more

successful than the two previous attempts. In sum, I present the main mechanism proposed by this dissertation, and test it with observational and experimental data.

CHAPTER 4

From the presidential toolbox to the honeymoon period: Why common explanations for major policy change can't explain the 2019 pension reform

Every Brazilian president since the 1990s has tried to reshape the Brazilian pension system. As discussed in chapter 2, most of the attempts either failed or were watered down during the legislative process. Yet, in 2019, a much more radical change was accomplished under President Jair Bolsonaro (2018-2022). Why did this happen?

Before moving on to my own arguments in chapters 5 and 6, it is appropriate to test existing explanations about the president's policy success to see if any of them is able to answer why Bolsonaro was able to pass such a radical pension reform in 2019.

As I will show in this chapter, Bolsonaro was actually in a particularly weak position to accomplish any radical policy change. Yet Bolsonaro succeeded. By contrast, Fernando Henrique Cardoso (1995-2002), Luiz Inacio Lula da Silva (2003-2010), and Michel Temer (2016-2017) failed, even though circumstances were more favorable to them. This suggests that previous political science research focused on the political institutions and the strength of the president might be missing key aspects to explain why policy changes happen.

4.1 Assessing traditional explanations

Policy reform is always difficult to achieve when power is dispersed across several institutions, as it is in Brazil. But sometimes, presidents may find a combination of favorable political conditions and political tactics that together can overcome the inherent inertia in the policy process. Looking at

the literature of presidential successes on policy making, there are at least three classes of potential explanations:

1. An overwhelming popular support for the policy or a popular president who is able to pressure politicians for policy change.
2. The president and Congress have similar views regarding the policy change.
3. The president uses bargaining tools at her disposal to push for policy change.

For the rest of the chapter, I will analyze each one of the plausible explanations for the successful 2019 pension reform.

4.1.1 Popular policy or popular president

Politically challenging policy changes might be influenced by public opinion in two ways. First, it is possible that the majority of voters simply start to prefer a new policy and pressure politicians to adopt it. Second, even if voters do not pay attention to specific policy issues, presidents might use periods of high popularity to advance their own agenda.

Scholars, journalists, commentators, and pundits cite the idea of a "honeymoon" period at the beginning of a presidential term, when it is easier to pass politically difficult legislation. Immediately after an election, presidents with high popularity are often considered to have received a mandate from voters, which increases pressure over Congress to follow the presidential agenda (Richard E Neustadt 1960). In the United States, analyzing an original dataset composed of the bills on which presidents took official positions, Dominguez (2005) finds that presidents indeed have higher success rates during the first hundred days of their first year than they do later during their first year or during the first hundred days of non-inaugural years. The effect is strongest for new presidents who face divided government.

Some research has shown that presidents receive favorable treatment from the public (Brody 1991) and the press (M. B. Grossman 1981) in the weeks following their first inauguration.¹

¹This finding is not uncontroversial. Some recent work that tested this hypothesis found that American presidents

In Latin America, the honeymoon hypothesis has been tested in Argentina (Calvo 2007), Mexico (Castro Cornejo et al. 2022), Chile (Alemán and Navia 2009) and Brazil (Darrieux 2019). Controlling for the availability of institutional resources that can be distributed to allies in Congress, a recent electoral victory gives the Brazilian president strong political capital, as popular approval encourages deputies to support the government's agenda (Darrieux 2019). Furthermore, because the next elections are far away, deputies can focus on the legislative process, rather than strategies for re-election that become more significant during the final years. The basic hypothesis is that deputies and senators have the incentive to support the executive's projects during periods of high presidential popularity.

In the remainder of this chapter of this chapter, I will enumerate the conditions under which presidents are more likely to succeed in major policy changes and test them against the 2019 Brazilian pension case. I start with the honeymoon hypothesis.

Hypothesis 1: *Bolsonaro succeeded in 2019, while his predecessors failed, due to a higher personal approval rating.*

To test this hypothesis, I have constructed a poll aggregator with 12,000 individual polls since the 1990s, in order to compare presidents' popularity ratings on every day of their terms. When the Chamber of Deputies passed the pension changes in the first round, Bolsonaro was in the 190th day of his first term. At that point, 34% of the population approved of his job performance. With that number, Bolsonaro had a lowest approval rating at that point of any first-term Brazilian president, with the exception of the never-elected Michel Temer. In fact, during his whole term, Bolsonaro's popularity is at least 5 points lower than the other elected president on every comparable day, as shown in **Figure 4.1**.

do not benefit from increased legislative output in their first hundred days in all types of legislation (Canes-Wrone and de Marchi 2002; Frensdreis, Tatalovich, and Schaff 2001)

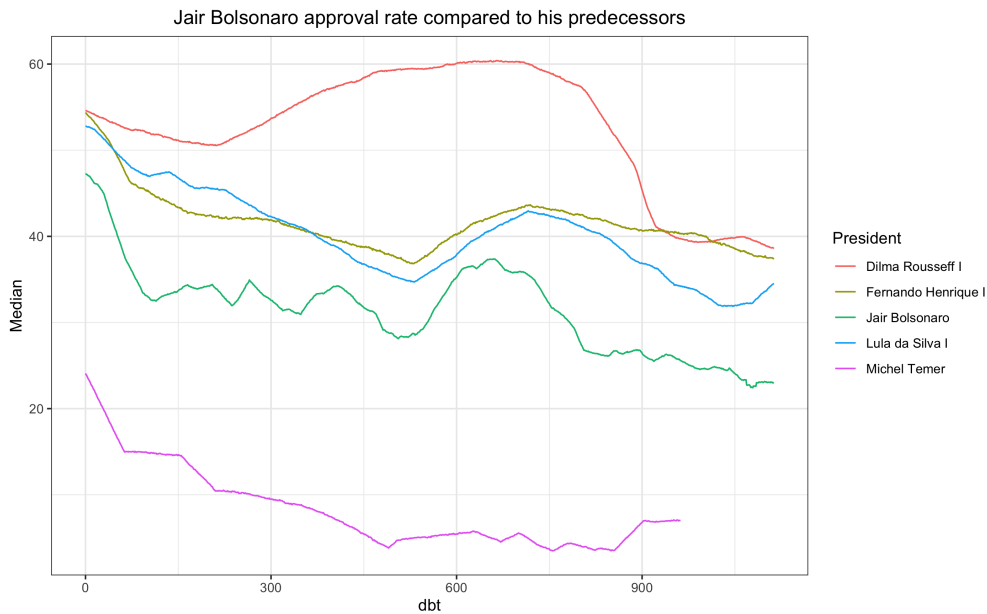


Figure 4.1: Bolsonaro has a lowest approval rating of any first-term Brazilian president, with the exception of the never-elected Michel Temer.

Alternatively, if we compare Bolsonaro’s approval rating on the day of his successful pension-reform vote in Congress to the approval ratings of previous presidents on the days their proposals were voted on, Bolsonaro was relatively unpopular. Therefore, the idea that Bolsonaro’s popularity explains the success of the pension reform does not seem to hold empirically.

However, even if the president is unpopular, public opinion might overwhelmingly support a policy change. Was Bolsonaro’s legislative success in the pension case achieved through the direct support of voters, constraining legislators and reducing his cost of negotiations? In other words:

Hypothesis 2: *The success of the 2019 pension reform was the result of a higher public support for the policy change than in previous attempts.*

If Hypothesis 2 is correct, survey data should show a secular increase in public support for pension reform over time. Instead, surveys show that the level of public support never surpassed 50%, and that it reached that high very suddenly, and very close to the Congressional vote on the constitutional change. In 1995, when President Cardoso first attempted his version of the reform,

77% of voters rejected it and 23% supported it. More than 20 years later, in 2017, the sentiments were very similar: 71% of the population opposed changing the pension system and only 23% supported it. By April 2019, however, only 51% were opposed (to a much more radical reform) and 41% were in support. Even at the end, just a week before the voting, in July 2019, 44% opposed it and 47% supported it.

In fact, one likely explanation for the sudden change in public support for pension reform leading up to July 2019 is that public opinion was itself influenced by the campaign from organized groups. In 2019, the nine largest peak business associations signed letters of support for the pension reform (Pupo 2019). As discussed in **Chapter 2**, if the pro-change group became stronger than the anti-change group, they would have been able to spend more resources on propaganda and mobilization efforts, shifting public opinion in order to pressure Congress into changing the status quo. There is no public data on how much money these private groups spent on propaganda, nor can we know the extent to which ordinary voters observed and considered these policy-advocacy campaigns. But we can look for evidence consistent with the claim that the pro-change message was resonating.

Two weeks before pension reform came to a vote on the floor of the Chamber, when the debate was very prominent in the news, I added two questions to a national representative survey. I asked if the respondents agreed with the statement that the country would "only resume economic growth by changing its pension system," exactly the main argument used by pro-change groups in their campaigns. The survey shows that 51% agreed with the statement, while 32% disagreed and 17% were not sure. The same survey shows that 51% supported the pension reform and 40% opposed it. Did agreement with the economic-growth argument predict support for the reform?

Table 4.1 presents the results of several logistic models using this survey data. The results are consistent across different specifications. Controlling for education, age, region of the country, gender, income and level of support for the president, I find that the probability of supporting the pension reform was 9.3 percentage points higher among those who agreed with the economic-growth statement compared to those who disagreed with the statement. Thus, agreement with the main argument used by the pro-change groups during the 2019 discussion had a measurable relationship with higher support for the pension reform among the general population. The obser-

vational nature of the data makes it impossible to be sure that the relationship was causal, but the result is also consistent with the hypothesis of an increase in the relative power in the direction of the pro-change group. In the next section, I provide further tests for my main argument.

	<i>Dependent variable:</i>		
	support_pension		
	(1)	(2)	(3)
pension_econ	0.372*** (0.027)	0.364*** (0.027)	0.364*** (0.026)
over_55	-0.014 (0.029)	-0.014 (0.029)	-0.008 (0.029)
NE			-0.092*** (0.030)
female		-0.054** (0.026)	-0.059** (0.026)
higher_education			0.084*** (0.028)
government_support	0.346*** (0.027)	0.338*** (0.027)	0.319*** (0.027)
higher_income		0.178*** (0.040)	0.113*** (0.043)
Constant	0.200*** (0.021)	0.215*** (0.027)	0.225*** (0.031)
Observations	1,014	1,014	1,014
Log Likelihood	-552.415	-539.515	-528.622
Akaike Inf. Crit.	1,112.830	1,091.029	1,073.245

Note: *p<0.1; **p<0.05; ***p<0.01

Table 4.1: Voters supported more the pension reform when expected it to produce economic growth.

Public opinion data, therefore, are not consistent with the idea that the 2019 reform succeeded on a wave of popular support for change. Instead, changes in public opinion coincide with the battle of different groups in favor and against the proposed changes, exactly during the legislative debate that occurred in the first semester of 2019.

4.1.2 Presidential-Congressional ideological convergence

Another possible explanation for the 2019 success might be found in the ideology of the president and/or Congress. After all, Jair Bolsonaro was the first right-wing president ever elected in Brazil, which could mean that, for the first time, there was a government committed to liberalizing the economy. The same might be true for the Congress elected in 2018, a year before the voting on the pension proposal. In sum, if president and Congress were more economically liberal – and they were aligned in their goals – it would have been easier to vote for the change.

Hypothesis 3: *The success of the 2019 pension reform is explained by the congruence between the preference of the presidential coalition and the preference of the floor of the Congress.*

No Brazilian president has ever faced a Congress where the presidential party hold the majority of seats. Thus, to pass legislation to Congress Brazilian presidents are required to build legislative coalitions. In recent years, some scholars have developed a measure of the ideological distance between the president's coalition and the floor of Congress (M. Melo and Carlos Pereira 2013; Carlos Pereira and Bertholini 2018; Carlos Pereira and M. Melo 2012; Carlos Pereira, M. Melo, and Bertholini 2018). Presidents might look for a homogeneous coalition, inviting to the government only partners who share similar ideological views, or a heterogeneous coalition, with ideologically different allies. If the president is able to form a coalition in Congress with deputies and senators who are closer ideologically, this will facilitate the implementation of public policies closer to the *formateur's* preferences (Axelrod 1970). After all, political agents tend to prefer joining coalitions with the least possible dispersion in policy preference (de Swaan 1973). In addition, presidents will try to include parties that are ideologically aligned as a way to reduce governing costs and possible policy drift (Alemán and Tsebelis 2011).

A minority president has to build and sustain coalitions. The higher the preference proximity between the president's coalition and the floor, easier it would be for the president to manage her

coalition and pass policies (Carlos Pereira, M. Melo, and Bertholini 2018). On the other hand, large, ideologically diverse coalitions and disproportionate cabinets tend to be more difficult to coordinate and monitor, and are consequently more expensive over time for presidents (Carlos Pereira, Bertholini, and Raile 2016). These coalitions should make it harder to pass politically challenging changes in legislation, such as the pension case.

Carlos Pereira, M. Melo, and Bertholini (2018) propose a measure of divided government that involves subtracting the median Congress's ideology from the median coalition's ideology, generating the "Ideological Difference Coalition–Congress". Carlos Pereira, M. Melo, and Bertholini (2018) argue that, even in a divided government (that is, Congress is controlled by the president's opponents), the extent of ideological disagreement can vary, and when that gap is smaller, presidents will have a greater legislative success. In other words, unified government is not a prerequisite for the approval of significant public policy.

Carlos Pereira and Bertholini (2018) argue that presidents are the coordinators of the game in multiparty presidential systems. They propose some hypotheses: (1) large coalitions, with more parties, demand more resources (exchange goods) to maintain themselves over time; (2) coalitions with greater ideological diversity are more difficult, and therefore more costly, to coordinate and manage.

Empirically, using the ideological measure, the ideological gap between Bolsonaro's coalition and the floor of the Chamber was the second largest compared to previous presidents, as shown by **table 4.2**. If the crucial ingredient to explain presidential success in approving legislation in Congress is the close proximity between the preference of the presidential coalition and the preference of the floor of the Congress, this was not the case in 2019. Once again, Bolsonaro was not in the strongest position to succeed with major policy change relative to his predecessors.

Thus, the circumstances under which Bolsonaro presented his pension reform proposal to Congress were not the most favorable ones. Bolsonaro was an unpopular president, the public support for the policy change was not particularly high, and the ideologies of Bolsonaro and Congress were not clearly aligned. However, the Brazilian presidency is one of the strongest in the democratic world (Carey and Shugart 1995). Brazilian presidents have a formidable toolkit that they can

President	Years	Median Coalition Ideology	Median Congress Ideology	Ideology Distance Coal-Cong
Bolsonaro 1	2019-2022	0.75	0.27	0.48
Temer 1	2016-2018	0.44	0.17	0.27
Rousseff 2	2015-2016	-0.09	0.14	-0.23
Rousseff 1	2011-2014	-0.24	0.10	-0.35
Lula 2	2007-2010	-0.28	0.07	-0.35
Lula 1	2003-2006	-0.41	0.16	-0.57
Cardoso 2	1999-2002	0.34	0.20	0.14
Cardoso 1	1995-1998	0.30	0.26	0.04

Table 4.2: Bolsonaro had one of the largest ideological distance between the president's coalition and the floor of Congress.

deploy to push their policy proposals through Congress, even in the face of adverse circumstances. In the next section, I ask whether Bolsonaro's success can be attributed to his ability to apply his presidential toolkit.

4.1.3 The presidential toolkit hypotheses

The most common explanation for legislative changes in a presidential system is the success or failures that presidents have in building and maintaining coalition governments and overcome the challenges for changing the status quo (Diermeier, Eraslan, and Merlo 2003; Groseclose and Snyder 1996; Laver 1996; Riker 1962; Strøm and W. C. Müller 1999). Because in multi-party presidential regimes, the president's minority condition in Congress is the norm, scholars have focused on the resources in the presidential "toolbox" to convince deputies and senators to vote for a certain proposal (Amorim Neto 2018; Raile, Carlos Pereira, and Power 2011).

In this literature, all of the theoretical expectations about government performance are centered on a presidents' ability to achieve policy goals. Presidents can adopt a large range of strategies, such as ministerial recruitment, choice of policy instruments, the establishment of ideological agreements, the distribution of budgetary resources, and policy influence to achieve their legislative goals. That is why, to explain large policy changes, scholars usually investigate the strategies and tactics adopted by presidents to find allies and put together stable legislative majorities (Amorim Neto 2018). The empirical literature on divided governments has tested executive strategies in the

face of an opposition majority in the legislature (Amorim Neto 2006; Cheibub and Limongi 2011; Cox and McCubbins 2005).

Some empirical findings show that the likelihood that presidents will form minimum winning cabinet coalitions will depend on the level of party fragmentation, ideological division, and the electoral cycle (Meireles 2016; Samuels and Shugart 2010). The magnitude of the president's constitutional powers – for example, decree and veto powers (Amorim Neto 2006) – also affects cabinet size or the success of a minority government in Congress (A. C. Figueiredo, Salles, and Vieira 2009; Limongi and A. Figueiredo 1999). Minority presidents can also mix the appointment of partisan and technocratic ministers (Camerlo and Pérez-Liñán 2015). If presidents choose to appoint ministers on a technocratic basis, their management of legislative coalitions is more likely to be reliant on strategies not related to cabinets.

Presidents can manipulate the size and distribution of cabinets appointments over time to manage coalition support. According to these types of explanations, the varying results on the several attempts to reform the pension systems might be explained by each president's capacity to form a reliable majority coalition. To do that, presidents need to decide at least three things (Carlos Pereira and Bertholini 2018). First, how many parties will form the coalition? Second, which parties will join, and with what ideological distance from the president? Third, how generously will the president share power and resources with those partners? These decisions entail different tradeoffs and costs for the executive (Raile, Carlos Pereira, and Power 2011).

The greater the size of the president's party in the legislative branch and the less the partisan fragmentation in Congress, the smaller the president's need to build interparty coalitions. On the other hand, the more vulnerable the president's party in the legislative branch and the more fragmented the Congress, the greater the president's need to build coalitions with other parties. If presidents want to be less subject to high defection costs, building a coalition greater than minimal winning (a surplus coalition) is the most used tool. Carrubba and Volden (2000) predict that a surplus coalition is necessary when the number and diversity of actors are large, when the budget is difficult to approve, and when legislation tends to be costly or inconvenient to coalition members. If Bolsonaro's success was mainly a function of a stronger and larger coalition, we should be able to show this empirically.

Hypothesis 4: *Bolsonaro's 2019 pension reform succeeded in part because he assembled a larger and more stable legislative coalition.*

In Brazil, the idea that ministerial appointments are an important instrument available to the president to build coalitions is well established (Batista 2013; Raile, Carlos Pereira, and Power 2011). Empirically, minority presidents who share cabinet appointments have higher levels of legislative support (Amorim Neto 2002; Zucco 2009), a higher probability of seeing their legislative proposals transformed into law (Cheibub, Przeworski, and Saiegh 2004); expedited enactment of their decisions (Hiroi and Renno 2014); and a lower probability of impeachment (Pérez Liñan 2007). Appointments to the cabinet are crucial to presidents' policymaking strategy (Martínez-Gallardo 2014).

Brazil is a central case to discuss multiparty presidential systems because for many years it has displayed the highest fragmentation indexes in Congress in the history of democracies. After the 2018 election, thirty parties had at least one seat in the Chamber of Deputies, and the effective number of parties rose from 13.2 to 16.5, one the highest in any democracy over 100 years (Gallagher 2021).

Obviously, the most important party in a president's coalition is his/her own party. Overtime, the sizes of presidential parties in Brazil have been shrinking. **Figure 4.2** shows how the average size of parties in the Chamber decreased from 57 in 1995, when Cardoso started his first term, to 36 in 2019. Building winning coalitions in ever-more fragmented congresses has become more and more challenging over time.

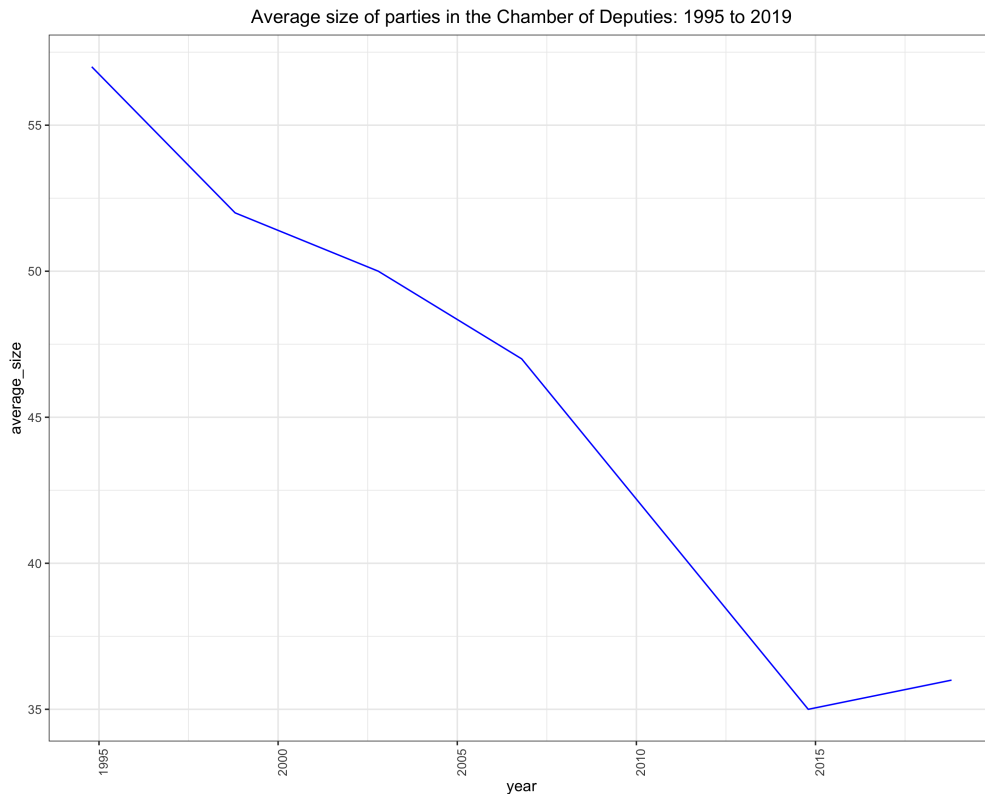


Figure 4.2: The average size of parties in the Chamber of Deputies decreased over time.

Was Bolsonaro’s coalition bigger than the previous presidents’ coalitions, by the time of the pension reform discussion on the floor of Congress? In other words, by sharing positions in his government, was Bolsonaro able to guarantee a larger coalition in Congress? Coalition size is measured by the number of parties controlling at least one ministry. In the 2018 election, Bolsonaro ran with no electoral coalition and his party captured only 52 out of 513 seats in the Chamber at the beginning of his term (10%). This was the worse start for any president. At the time of the pension voting, his post-electoral coalition had only 119 deputies, less than half of the 308 votes necessary for constitutional amendments.

Cardoso, by contrast, had managed an oversized coalition even when his proposals repeatedly failed. At the beginning of his first term, Cardoso included only four parties in his governing coalition (PSDB, PFL, PTB, and PMDB). But already in his second year in office, he realized that he would need a broader majority to approve constitutional reforms. Cardoso recruited the PPS into his government, bringing the coalition size up to 381 seats (75% of the Chamber of Deputies).

President	Power Concentration	N seats coalition	% seats coalition	Coalition necessity
Bolsonaro 1	72.2	119	23.2	142.70
Temer 1	22.8	355	69.20	110.40
Rousseff 2	36.3	270	52.64	104.24
Rousseff 1	44.1	325	63.34	85.82
Lula 2	42.3	341	66.38	81.19
Lula 1	52.8	255	49.70	77.69
Cardoso 2	42.3	338	65.84	77.46
Cardoso 1	33.8	380	74.12	75.84

Table 4.3: Bolsonaro faced a more fragmented Congress, his party had the smallest number of seats ever registered for a presidential party, and his coalition was the smallest one.

At the time of Lula’s pension reform, the nominal size of his coalition was only 254. Later on, Lula increased his coalition to 319 seats. Similarly, Rousseff’s first-term coalitions gave her a large majority in the Chamber of Deputies, with roughly 326 seats. Temer built the largest coalition in comparison with all the other presidents, with 10 political parties and 396 out of 513 seats in the Chamber of Deputies, but failed even to submit his pension proposal to Congress. In sum, while Bolsonaro’s coalition held only 23% of the seats in the Chamber of Deputies, every other president’s coalition held at least 50% of the seats (ranging from the 49.7% of Lula’s coalition in his first term to Cardoso’s 74% in his first term).

Another way to test how Bolsonaro’s coalition compared to other presidents’ coalitions, is to use the Index of Coalition Necessity (ICN), in order to capture the president’s party’s vulnerability in a fragmented environment (Chaisty, Cheeseman, and Power 2018). Because Bolsonaro faced a more fragmented Congress, his party had the smallest number of seats ever registered for a presidential party, and his coalition was the smallest one, Bolsonaro was in a particular fragile situation (Ames 1995a; Chaisty, Cheeseman, and Power 2018; Raile, Carlos Pereira, and Power 2011). The results are presented on **table 4.3**:

One of the reasons why Bolsonaro was in this fragile situation is that he steadfastly refused to share seats in his cabinet. From the beginning of his government, Bolsonaro announced that he intended to govern with a cabinet made up of military personnel and not through party institutions. By the time of the pension vote in the Chamber, over 60% of the cabinet positions were occupied

by people not registered to any party.

Minority presidents can raise levels of satisfaction within their coalitions by distributing posts on a proportional basis (Amorim Neto 2002; Raile, Carlos Pereira, and Power 2011). Amorim Neto (2002, 2006, 2018) creates a measure for the allocation of portfolios to parties in proportion to their seats in Congress. By 2019, Bolsonaro had the least proportionality between seats in Congress and seats in the cabinet, choosing to allocate most of the posts to his own party and to non-partisans, particularly generals. Previous empirical works show that presidents who follow the proportionality rule in cabinet appointments suffer less defection in Congress roll calls (Amorim Neto 2002). But how does Bolsonaro compare with previous presidents in terms of coalition discipline?

One way to test that is looking at provisional measures. A provisional measure is a legislative instrument that allows the president to act in urgent and relevant cases. The measure takes effect immediately, but it must be passed by the Congress within four months to become permanent law. After that, if it has not been approved by both houses of Congress, it "lapses" and loses its validity. This comparison is often used as a measure of the reliability of governments coalition (Amorim Neto 2018).

A fair comparison of Bolsonaro's use of provisional measures with other presidents must start in 2001, when the current rules for this instrument were created. On the one hand, Bolsonaro was the president who issued the most provisional measures per year. Even experienced politicians in Congress pointed to this fact as evidence of a weaker coalition (Camarotti 2019). On the other hand, his rate of transformation of these measures into laws was the worst of all, and he was the only president with a conversion rate below 50% (see **figure 4.3**).

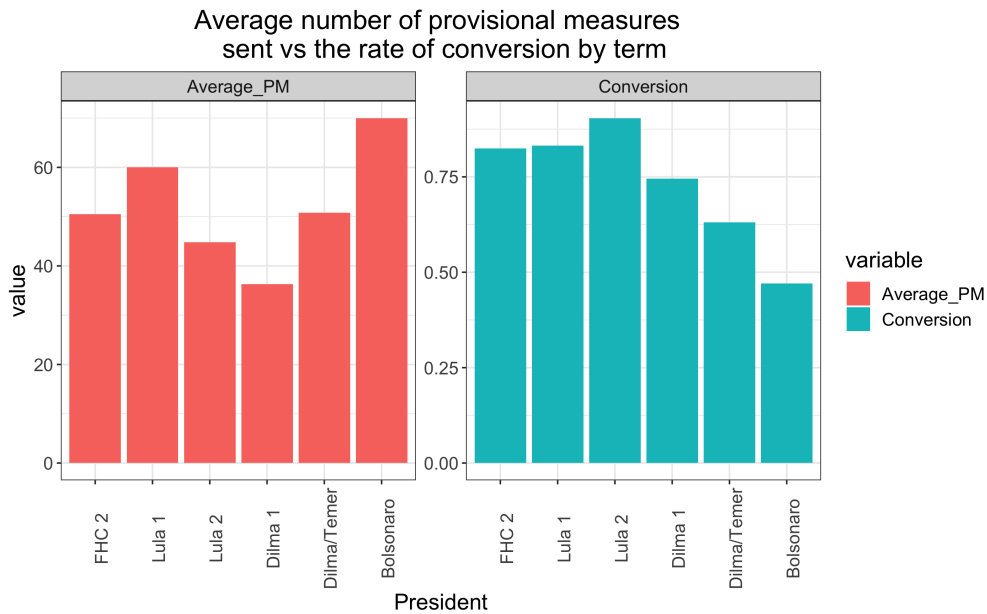


Figure 4.3: Bolsonaro’s rate of transformation of provisional measures into laws was the worst of all presidents.

Finally, another common explanation for presidential success in Congress is the use of the budget in exchange for votes (Cheibub, Przeworski, and Saiegh 2004; Mueller and Carlos Pereira 2006). The distribution of pork to lawmakers helps presidents to build their coalitions, because they have impact, direct or indirect, on the electoral performance of federal deputies (Ames 1995a; Mesquita 2009; Samuels 2002; Sanfelice 2010). In Brazil, the most common mechanism to exchange pork for votes has been through earmarks in the budget requested by individual legislators (Gontijo 2012). We can operationalize the following hypothesis:

Hypothesis 5: *The success of the 2019 pension reform is explained by Bolsonaro’s use of pork in exchange for support in Congress.*

The evidence, actually, goes in the opposite direction. Since Cardoso’s first term, rules of the budget process allowed the president to use the earmarks as "extremely useful low-cost political currency to be exchanged for political support from its coalition in Congress" (Mueller and Carlos Pereira 2006), because the decision to execute the budget was at the sole discretion

of the president, who could condition it on the achievement of political agreements (Limongi and A. Figueiredo 2005). After 2015, however, a constitutional change decreased presidents' ability to use pork to increase support for bills (Volpe 2019). From that point on, a mandatory budget was created, eliminating presidential discretion. Thus, when Bolsonaro introduced his pension reform bill, pork was a less effective tool to bargain with Congress than it had been for previous presidents. Not surprisingly, studies find that, after the 2015 elimination of presidential discretion, the support for the government on its priority bills is no longer associated with greater disbursement of individual earmarks during the year (Capellini 2020).

One way to observe this change is by comparing the ratio between requested earmarks and authorized payments, which increased from an average of 45% between 2008 and 2013 to 70.8% in 2014 and to close to 80% in 2016 and 2017.² Thus, presidents lost most of their discretion to use the control over these earmarks to bargain with lawmakers, because most of these commitments became mandatory by law. With the new rules, lawmakers who were members of the government's coalition did not receive a higher proportion of these payments than lawmakers from the opposition, another sign that presidents had lost their discretion to use this part of the budget as a tool for bargaining (Capellini 2020).

4.2 Conclusion

In this chapter, I showed that the traditional variables used in the literature to explain successful policy changes were stacked against the 2019 pension reform. First, veto players only matter if their preferences diverge. A president facing a legislature controlled by allies should face smoother sailing. Was Bolsonaro's success due in part to ideological like-mindedness across the institutional divide? No. Bolsonaro is a right-wing president who appointed an economic liberal as Minister of the Economy. In comparison with the median deputy in Congress, Bolsonaro was in fact the most extreme (ideologically distant) president since Brazil's return to democracy in 1985. Presidents Cardoso and Lula da Silva whose pension reforms failed or were watered down were actually

²According to the new rules, the earmarks are mandatory up to a limit of 1.2% of the government's revenues from taxes, excluding constitutional transfers to states and municipalities.

facing more compatible congresses.

Second, even when a president and legislature are ideologically distant, a president may enjoy sufficient public popularity to oblige legislators to support his or her policy agenda. The literature on presidentialism points specifically to the so-called "honeymoon" period just after a new president takes office. A second sort of honeymoon may result from a rally-round-the-flag response after a unifying event such as national triumph or tragedy. Again, the evidence does not support this explanation for Bolsonaro's success with the pension reform; his pension-reform success did not ride a wave of popularity.

Third, we should consider the literature on the "presidential toolkit." When trying to strike policy deals with legislators who are not ideological soulmates, presidents may be able to deploy various forms of side-payments that essentially compensate deputies for the policy costs they must pay to vote "yes." The most straightforward example, much discussed in the literature, is a president's discretionary distribution of pork-barrel projects, or constituency development funds to aid key deputies' re-election efforts. An alternative pool of resources in the president's gift is the allocation of cabinet and sub-cabinet posts, offering deputies perquisites, prestige, and a share of power in exchange for legislative votes. Presidents in greater need of legislative allies may be able to expand their cabinets, building oversized coalitions, or take a smaller share of executive posts for the president's own party, in order to share more of the spoils with partners.

Here again, however, the evidence is that Bolsonaro's success was not a function of extraordinary efforts to build coalitions and share power and perks, or even ordinary ones. At the time of the pension voting, Bolsonaro led the smallest post-electoral coalition ever registered, with only 23% of lawmakers in his camp. In addition more than 60% of the positions in his cabinet were held by people not affiliated with any party, most of them serving or retired senior military figures. Whereas Bolsonaro chose not to use his discretion over posts to build legislative support, in the case of pork-barrel spending, he did not have that discretion in the first place. Reforms in the administration of President Dilma Rousseff, in 2015, had replaced presidential discretionary spending power with a budget for pork each year over which the president had no freedom to play favorites or engage in bargaining with Congress. As a result, Bolsonaro had the largest Index of Coalition Necessity (ICN) among all presidents, a measure created to capture the president's party

vulnerability in a fragmented environment.

All in all, the data presented in this chapter do not support previous explanations for the surprising success of the pension reform in 2019. In terms of the "presidential toolbox," Jair Bolsonaro was in a weaker position than any of his predecessors who tried and failed to pass pension reforms. He was much less popular, ideologically more distant from the median legislator in Congress, and had not constructed an oversized coalition cabinet that he could use to wrangle legislative support. And while public opinion did shift in the direction of supporting the reforms, the timing and speed of that shift is more consistent with my argument about the reversal of fortunes among organized interest groups than it is with an exogenously driven secular change. Therefore, a better explanation for the Brazilian pension case is still necessary. In the next chapters, I present and support with empirical and experimental evidence my argument that a change of power in organized groups helps to explain Brazil's surprising 2019 pension reform.

CHAPTER 5

When the impossible becomes possible in politics: Interest group competition and policy change

Studying interest groups and lobbying is challenging around the world due to limited information about lobbying contacts (de Figueiredo and Richter 2014; You 2020). Scholars try to overcome the lack of data by interviewing legislators and lobbyists (Hula 1999) or using public datasets (You 2020). In Brazil, this type of study is particularly difficult. Lobbying activities have never been regulated by law (Seligman and Mello 2018) and so records simply do not exist. Thus, there are no public data comparable to those produced by the Lobbying Disclosure Act in the United States (LAW 104-65 1995).

Organized groups need money and access to fuel their lobbying efforts and communication campaigns, to mobilize people to protest and pressure politicians, and to campaign contributions. **Chapter 2** labels these expenditures ϕ and η , respectively. To recapitulate, ϕ represents the financial resources that pro-change groups promise in exchange for preferred policies, while η is the sum of the financial resources that the anti-change groups promise and the direct voter-mobilization efforts that the anti-change group promises/threatens. **The Lobbying Clout Hypothesis**, then, states that as the probability that voters will reward politicians for the policy change increases, the extent which the pro-change group needs to outspend the anti-change group ($\phi : \eta$) declines.

In this chapter, I test this hypothesis indirectly. First, I analyze information about financing sources of organized groups as a proxy measure of lobbying budgets to test if there is a change in the power of the anti-change and the pro-change groups. Second, I measure which groups registered in Congress to meet with politicians; this cannot reveal the content of the contacts, but it is a proxy for lobbying effort. I compare how the pro-change and pro-status-quo groups financed

themselves over time and how they divided the pool of lobbying credentials over time. This type of observational data only allows me to make descriptive inferences about the relative power of these organizations and probably fails to account for many possible confounders. The goal then is modest: I look for evidence consistent with a "reversal of fortunes" in terms of the relative lobbying capacity of the pro-change and anti-change groups by the time of the debate on the pension reform in Congress.

Next, I describe an original field experiment that approximates the impact of ϕ , in order to assess if politicians do consider how powerful the pro-change group is when voting on difficult policy changes. Private campaign contributions are illegal in Brazil, and experimentally varying levels of ϕ and η was not possible. The experiment, therefore, measures the impact of a treatment that highlights the political and economic importance of the pro-change group.

5.0.1 Pro-change groups became stronger: observational data

The Brazilian state has financed business peak associations and workers' unions since the 1940s (Araujo 1993; Schmitter 1971).¹ A key mechanism for this support has been the syndical tax (*imposto sindical*); a mandatory levy paid by workers and companies. Under this law, workers' unions were funded by the "contribution" of one day's wage per worker per year, regardless of union membership. Likewise, companies also needed to pay an annual contribution, based on the registered capital of each firm, to sustain business peak associations.

This tax was kept unmodified until 2017, when Congress voted to make these dues optional. At that point, unions organized several protests and two general strikes to try to block the changes, but they were unsuccessful. Some qualitative work posits that divided unions failed to mobilize a significant number of workers to block the change (Carbonai 2019). On the one hand, a group of unions wanted to fully protest against the measure arguing that it was the work of an illegitimate government that came to power after the unlawful impeachment of a leftist president. On the other hand, other unions wanted to negotiate directly with the new government to try to cut their losses.

¹Peak associations are umbrella groups representing economic sectors of society, such as industries.

With no unified strategy, their bargaining power decreased (Ibid).²

Before the 2017 change, while unions had just one source of mandatory tax, peak business associations had two sources of financing (Schmitter 1971). In addition to the *imposto sindical*, business peak associations received a share of mandatory dues paid by private companies to sustain a system of schools, clubs and health for workers (called *Sistema S*), established in the Constitution. To extinguish this second source of resources it would have been necessary to change the Constitution with three-fifths of the votes in both chambers and for two rounds. This second source of dues was kept unchanged in 2017. How did the change in the *imposto sindical* (and the non-change in firms' second funding source) impact the abilities of pro-change and pro-status-quo groups during the pension discussions? I have collected data on more than 100 million individual contributions paid by individuals and companies for a period of 10 years – the first source of financing.

Until 2017, unions consistently collected twice as much money in dues as did peak business associations. In 2017, for instance, they collected 2 billion *Reais* (US\$ 400 million) against 1 billion *Reais* by the peak associations (US\$ 200 million). The second source of financing collected by the business organizations, the *Sistema S*, was kept consistently around 200 million *Reais* (US\$ 40 million) per year.

The main results are presented in **Figure 5.1**. First, the peak business associations faced a less severe cut in their contributions, a decline of 88% by 2019, compared to a decline of 98% for the unions, a statistically and substantively significant difference. Second, peak business associations kept the mandatory contributions provided by the *Sistema S*: more than extra 200 million *Reais*. As a result, by 2019, although both sides had seen dramatic declines in their lobbying budgets, the pro-change groups emerged with 10 times the resources of the pro-status-quo groups: 300 million *Reais* against 30 million.

The pro-change group was in a stronger position during the pension reform debate. According to different accounts in the press and during the interviews I conducted for this project, once the state subsidies were cut, pro-change organized groups were also more capable of running cam-

²To change the tax legislation Congress only required a simple majority vote in each house of Congress. It was spearheaded by the new President Michel Temer, who rose to power after the impeachment of President Dilma Rousseff.

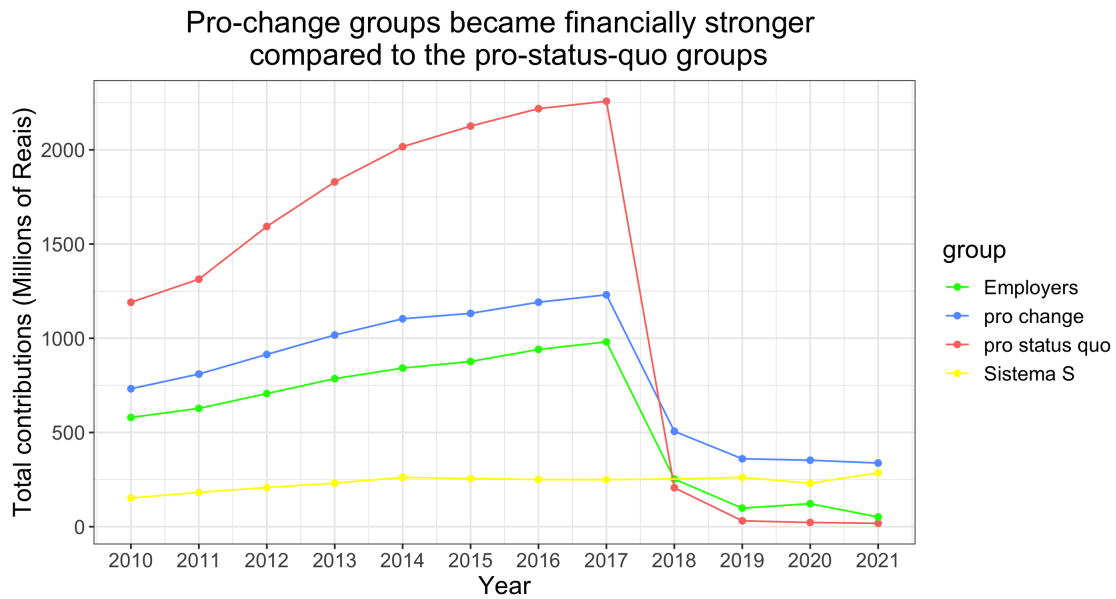


Figure 5.1: Change in the relative financial power of pro-change (blue line) and pro-status quo (red line) organizations after the new legislation of 2017.

paigns among their associates to collect (now-voluntary) contributions specifically to lobby for the pension reform. In other words, it was easier for companies to overcome their collective action problems and collect money for their lobbying efforts.

Figure 5.2 shows the total volume of contributions to each side, and is quite striking. But it cannot distinguish between reduced contributions by workers/firms that continued to contribute on the one hand and reduced numbers of contributors (those who stopped altogether) on the other. I leverage the change in legislation as a cut point for a Regression Discontinuity in Time (RDiT) (Hausman and Rapson 2018) that takes as its units of observation the per-contributor donations. The new legislation took effect on November 11 2017. Before that date, workers and companies still needed to pay their mandatory dues, but after the cut point, those contributions were optional.³

If the pro-change group was in a stronger relative position after the change in legislation, it would have a higher capacity of mobilizing its members to collect money for its efforts. **Figure 5.2** shows how the RDiT is also consistent with the idea that the pro-change group was stronger by the

³There is a methodological debate regarding the assumptions in the RDiT framework, because the running variable is time itself and time cannot be thought of as randomly assigned within a neighborhood around a threshold (Hausman and Rapson 2018), but the RDiT method recovers the true causal treatment effect when the estimating equation is correctly specified.

time of the pension discussions. I use both the polynomial approach and a local linear approach. Not only unions have seen a sharper decline in the total number of workers paying their dues, but the average contributions at the cut point around the beginning of the new rules have also declined. This means that workers who decided to keep contributing under the new rules also decided to pay less. The same is not true for companies. In fact, the average contribution went up after the change in legislation. Those companies that decided to keep financing their peak associations actually increased their average contributions, compensating for some of the losses in the number of contributors.

It is not surprising that companies have a higher capacity of mobilizing for higher contributions than workers, but this result also goes in the direction of a change in the relative power between the two groups.⁴ When the mandatory contributions are excluded and pro-status quo groups lose their financial advantage, companies might use the fact that they are a smaller group to overcome their collective action challenges (Olson 1971). Individual owners and managers have a lot more money than individual workers, which makes it easier for them to contribute. In addition, the literature on collective action shows how very large and successful firms are a "privileged group", which has much to gain from reforming the pension system and, for that reason, became willing to take on the cost of collective action for the immense number of ordinary citizens who would also benefit.

⁴I use optimal bandwidth selection and test different functional forms for the RDD models, with no relevant differences (Cattaneo, Idrobo, and Titiunik 2019). See more results in Appendix 3.

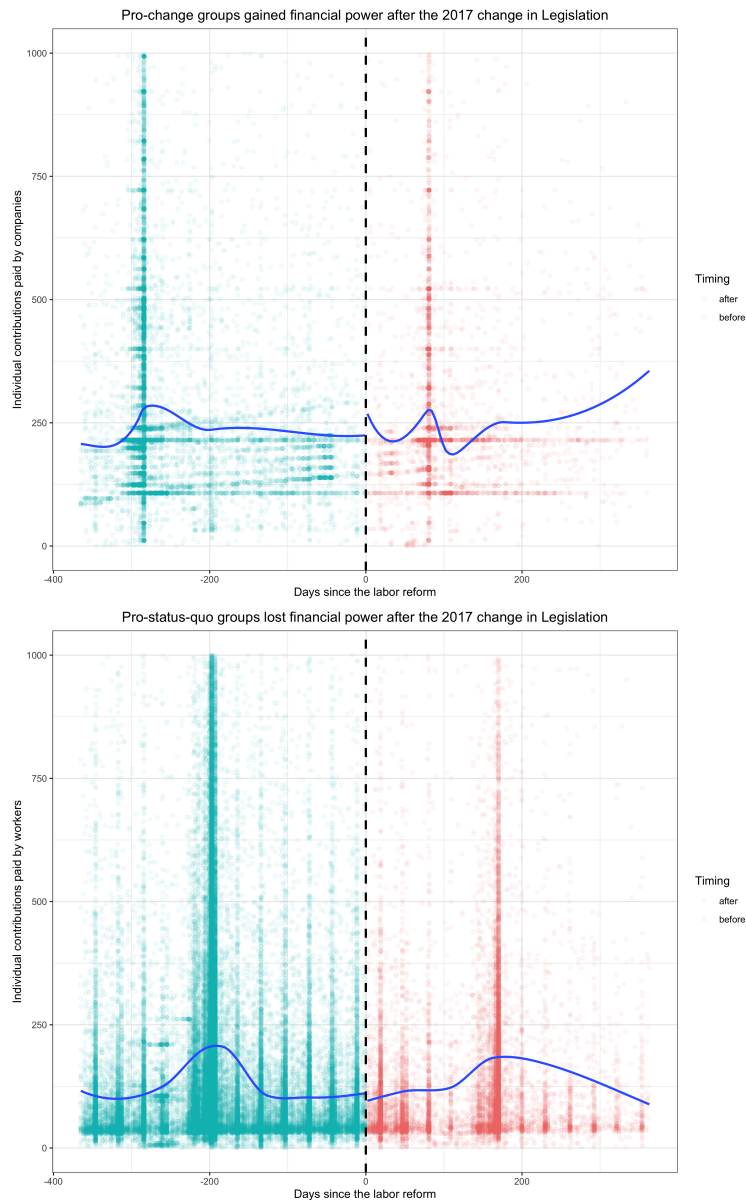


Figure 5.2: While unions see a decline in the average contributions at the cut point around the beginning of the new rules, the same is not true for companies. The cut point is the start of the new law.

Unfortunately, as discussed above, there is no direct way to connect the financing data with lobbying efforts by these groups, because they do not need to disclose an itemized financial accounting of activities. But lobbying activities did in fact correlate with campaign war chests. I use data on lobbying credentials distributed by Congress to different public and private organizations. I use Freedom of Information Act (FOIA) requests and data collected by other academics in Brazil

to construct a dataset of all the credentials granted by Congress to lobbyists from different organizations since the 1990s. The data also describe a change of relative power of these organizations during the pension voting. I follow the classification made by Santos (2018), who categorizes these groups as private sector organizations, public sectors workers, private sector works, or NGOs. Beginning in the 1990s and through 2017, public sector workers' associations consistently received the highest number of credentials every year, ranging from 44% in 2009 to 72.7% in 1987.

However, after losing most of their financing in 2017, the number of organizations that received credentials also dropped precipitously. By 2019, the year of the pension reform discussion, public sector workers' organizations received only 24.2% of all the credentials. By contrast, private-sector companies and peak associations saw an increase in the number of credentials by 2019. For the first time since the beginning of the time series, organizations that represented the private-sector interests accounted for the largest number of lobbying credentials: 39.4%. These trends are shown in **Figure 5.3**. It is also clear how the total number of lobbying credentials increased over time. In the 1980s, public sector unions dominated the lobbying credentials with around 30 authorizations. By 2019, not only unions faced a decreased in their total amount of credentials, but companies increased their numbers. As a result, the share between these two groups changed.

While these two patterns in the observational data – of the reversal in financial fortunes between the two groups, and of the subsequent reversal of lobbying presence – are consistent with a story about the pro-change group finally outbidding the pro-status-quo group, it is impossible to say if relationships are causal. In particular, even if the private sector organizations that supported the pension reform actually out-spent and "out-lobbied" the unions, how can we know if their lobbying effort had any effect on politicians' choices? To answer these questions, I present an original field experiment in the next section.

Pro-change-groups received less lobbying credentials
in the Chamber of Deputies by the time of the Pension Reform

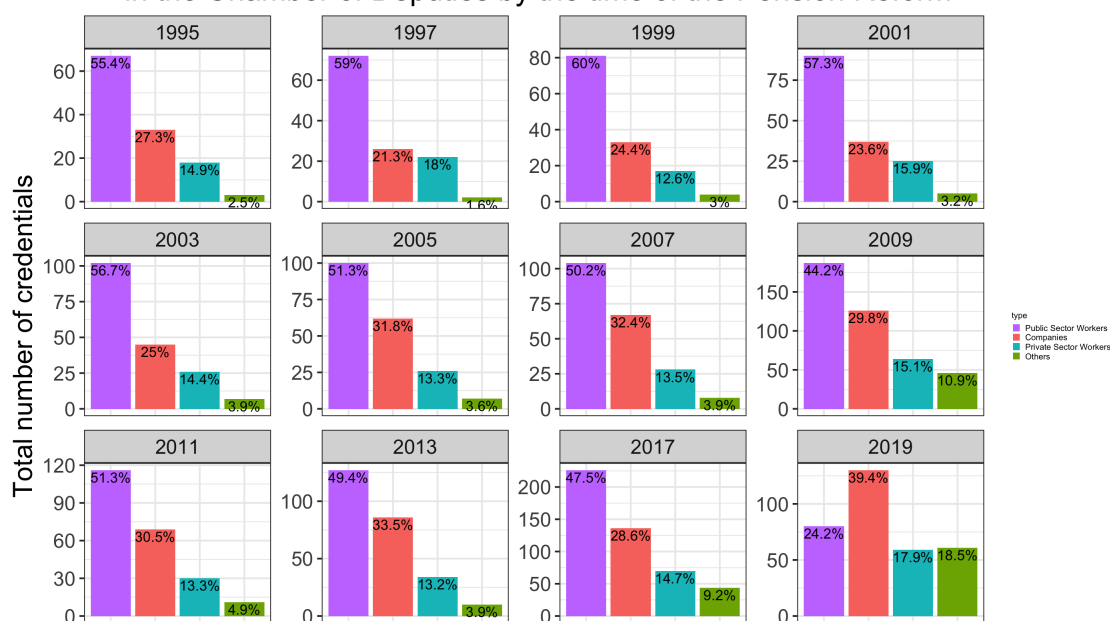


Figure 5.3: The decline in the share of lobbying credentials to public sector organizations occurs simultaneously to the discussion of the pension reform.

5.0.2 The direct effect of lobbying: an original field experiment

I have proposed a mechanism according to which legislators vote for politically difficult policy changes when pro-change organizations mitigate or compensate politicians' fears created by the "vote you out" tactic of organizations that oppose change. To test this, first, it is necessary to establish whether the pro-status-quo groups (mainly private and public sector workers unions) mobilized and actually used the tactic to scare politicians, one of the requisites to define politically difficult policy changes. In this section, I present the results of an original field experiment, which has varied the strength of the signal to lawmakers about the relative power of the business interest group. The experiment shows that legislators are more responsive to stronger signals from organized interest groups, by varying information that influence legislators' perceptions of the power of one of the groups (the pro-change group).

There is a lot of qualitative evidence to show that these groups continued to use the "vote you out" tactic. According to lawmakers and union members I have interviewed, unions sent thousands

of messages a day to politicians using social media, e-mail, and text messages. A month before the voting, the opposition parties and unions organized an online protest against the reform. Anecdotal evidence from the press and from the unions' websites show how worried some legislators seemed to be in response to this type of pressure.⁵

The unions' strategy affected lawmakers. A year before the voting, for instance, an influential deputy said to a national newspaper (Exame 2018b): "Voters are still not convinced, and we are afraid of being vilified by the voters. The government needs to convince the people so we can comfortably support it." Even a month before the voting on the floor, one of the most liberal deputies, who openly championed the reform, complained about the constant pressure against the proposal in a speech on the floor of the House: "The debate with public opinion about the pension system is a lost cause, it is a lost communication. It does not matter much what you say. I received on my cell phone this week possibly 5,000 messages via WhatsApp, and all against the pension reform. I didn't receive a single one praising or talking about the social security [reform] in a positive way".

This is not the only way unions and public employees organizations mobilize their members and voters to steer lawmakers opinions. Marcelino and Mello (2020) propose a way of measuring the action of these groups by calculating the participation in public surveys conducted on the Chamber of Deputies website. These surveys are available for 95% of the bills and allow any citizen to give their opinion on pending bills. Although the numbers counted in the polls can hardly be considered as a representative indicator of public opinion on a given topic, the mere existence of such data can help us understand around which themes organizations are mobilized at any given moment.

The evidence suggests that these surveys are used as a pressure tool by organized groups of public employees. Projects that are proposed by associations of public servants, such as Federal Public Defenders and the Federal Prosecution Office, manage to mobilize not only a larger number of participants, but also a more cohesive set, because participants tend to disagree much less about

⁵One text reproduced hundreds of thousands of times in a federal union website states: "Contrary to what the *Planalto Palace* [the Brazilian government headquarters] says, the population still resists pension reform and questions the figures presented by the government to justify the urgency of changing the system."

such a project than when the author is the Executive or a lawmaker. During the pension-reform debates, unions used exactly this type of strategy. They sent emails and messages to their supporters asking them to participate in the survey on the Chamber of Deputies webpage. The final result of the public consultation showed that 68% "totally disagreed with" the constitutional amendment, while 30% "totally agreed with" it. The final result is almost diametrically the opposite of the final tally of the voting by the Deputies: 70% in favor of the proposal and 30% against it.

Therefore, the baseline situation was similar to what had happened in previous attempts to reform the pension system in Brazil: unions and public servants threatened legislators with the loss of votes if they dared to change policy from the status quo (Bittar and Cavalcanti 2019). This time, however, the pro-change group also entered the lobbying game. As a result, two potential support groups were making opposite policy demands and legislators had to choose which group to please. To win this competition, pro-change lobbyists would have to convince legislators that there was more to gain electorally from voting for the reform than from voting against it. In other words, they would need to convince legislators that they (the pro-change group) were powerful enough to counteract the threatened hostile mobilization by the pro-status-quo group. We cannot observe the calculations made by deputies as they made decisions about which side could most affect their future election prospects, but I use an experiment to investigate whether legislators' perceptions of the power of the pro-change group affected their susceptibility to lobbying by them.

I designed a field experiment to test if the pro-change group was able to impact the perceptions of the 513 federal deputies in the Brazilian Chamber of Deputies. To conduct the experiment, I partnered with the NGO Movement for a Competitive Brazil (in Portuguese, *Movimento Brasil Competitivo*, henceforth MBC) - which assembles 51 of the largest companies working in the country, such as IBM, Coca Cola, Ambev, Gerdau, GE, and Google, among others). MBC had already decided to ask deputies to support the pension reform, and we agreed on minor variations to randomize messages.⁶

⁶MBC was founded in the early 2000s by one of the biggest business tycoons in Brazil. The organization defines itself in this way: "We work for structural reforms to be carried out, allowing the public and private sectors to contribute effectively to a more balanced country. For almost two decades, we have supported transformations in strategic areas for economic advancement with a focus on reducing the Brazil cost." The "Brazil Cost" is defined as the increased cost associated with doing business in Brazil in comparison with doing business in other countries. According to the

The messages sent to the treatment and control groups were exactly the same, with the exception of the treatment information designed to prompt the power of the group. Whereas the control message only identified the Director of the MBC as the sender, the treatment message added the information that MBC "brings together 51 of the largest companies in Brazil, including multinationals". The logic of the treatment is the following: if the pro-change group needed to show some power to overcome the threat of the unions' "vote you out" tactic, informing (treated) recipients that the MBC assembles the largest companies in the country would convey the idea that the drivers of the economy were unanimously behind the pension-system reform.

Lobbyists are not lone wolves and "lobbying is a collective enterprise" (Junk 2019; Klüver 2013). Many times, these groups work in coalitions (Baumgartner 2009; Hojnacki et al. 2012; Mahoney and Baumgartner 2015; D. Nelson and Yackee 2012; Nownes 2006), increasing the chances for success. Politicians should compare the power of mobilization of the pro-status quo groups versus the financial power and/or economic expertise by the adversarial group. The main argument presented in the message was that without any change in the pension system, the economy would be hurt, which could affect prospects for reelection. The following message was the treatment one (the message to the control group omitted the text in bold):

I decided to send out the treatment and control messages in two forms, to increase the probability of deputies reading the messages. First, I sent printed copies to all the offices in the Brazilian Congress. Rather than using the mail, I hired two undergraduate students from University of Brasilia,⁷ who delivered the notes in person to each deputy's chief of staff. The printed messages were sent on Monday, July 8, two days before the scheduled vote.

Second, I sent the identical messages to the deputies' cell phones, using WhatsApp Messenger, hours before the voting on Wednesday, July 10. The App has a feature to check if the recipient has seen the message, although the user has the option to turn this feature off. In both the treatment and control groups, around 80% of recipients saw the messages. It is not possible to know if the other 20% did not see the WhatsApp message or had simply disabled the feature.

World Bank, Brazil has one of the highest costs of doing business in the world (World Bank Group 2021)

⁷I thank Lais Almeida and Joao Lucas for the assistance.



CT CS 000/19

Brasília, July 8, 2019

Subject: **Pension Reform Invitation**

Dear Deputy, this is Tatiana Ribeiro. I am the superintendent of the Competitive Brazil Movement, **a civil society organization that brings together 51 of the largest companies in the country, including multinationals.**

The Chamber of Deputies will vote on the Pension System constitutional amendment. As a citizen, I believe that this is an essential measure for the resumption of sustainable economic growth. All serious studies show that, without this reform, the country will not be able to resume growth and generate more jobs. The time to lay the foundations for a better future is now.

I invite you to vote for the proposal. I also call your attention to the fact that the withdrawal of states and municipalities from the project could compromise the entire basis of growth. I ask you to keep states and municipalities in the project. Here is a bit of our governance, operations and affiliates (<http://www.mbc.org.br/portal/quem-somos/>).

Respectfully,

Figure 5.4: The printed version of the letter sent to lawmakers two days before the voting. The WhatsApp version was sent on the morning of the voting.

The experiment presented some practical challenges. Because Brazil has more than 20 parties represented in the Congress, blocking the treatments by individual parties would have been problematic. Instead, I have blocked the deputies into three groups: government supporters, government opponents, and swing parties. As these blocks are not official in the Chamber of Deputies, I used one objective measure to create the blocks, as follows. In the majority of votes in the Chamber of Deputies, there is a registry of the government orientation, meaning, if the government asked deputies to vote AYE or NAY. Using all the individual roll-call votes for 2019, I calculated the proportion of times that each party followed the government orientation. I looked inside each party and calculate how many deputies voted following the government orientation. Then, I aggregated the proportion of times members of each party followed the government's directions.

To decide the cut point to classify the parties that support the government, the opposition, and the swing voters, I calculated the government support since the 1990s, with a moving average of one, three, and six months. Historically, parties from the Executive's coalition keep 80% or higher level of support and the opposition has a level of support below 25%. Parties with a level of support between 80% and 25% are thus categorized as swing parties.

I have registered not only a pre-analysis plan itself, but also the list of deputies who were selected to the treatment and control groups, by block.⁸ Unfortunately, it is impossible to rule out spillover effects. After all, deputies could talk to each other and show each other the messages they had received. However, there are some facts that make me think that this concern is minimal. First, the Deputies' offices are not distributed by parties. In fact, it is very rare that co-partisan colleagues are neighbors in the Chamber. Second, the phone messages were sent just hours before the voting, when these deputies were not on the floor of the Chamber. Third, the treatment was just a slightly different version of the same message. It would have taken a clear comparison of the letters or the messages to realize the key difference.

To recapitulate, I designed the experiment to assess how pro-change groups influenced lawmakers, by prompting treated politicians to consider the group's economic and political power. The estimation strategy is to calculate the ATE (Average Treatment Effect) for each block (government supporters, government opponents, and swing parties) and, then average it out for the whole Chamber of Deputies. I use two different outcomes. First, I measure how each individual deputy voted on the main text of the pension reform bill, in two different rounds of voting. Second, deputies also needed to vote on filibustering attempts by the opposition.

For the estimator, I calculate the ATE for each block and then average it across blocks, considering the relative weight of each group, to get the total ATE (Angrist and Pischke 2009; Gerber and D. P. Green 2012; Imbens and Rubin 2015).⁹ The estimator represents the relationship be-

⁸The pre-analysis plan can be found at: <https://osf.io/m9aru>.

⁹Four deputies who were initially assigned to the treatment group were replaced the day before the vote by four individuals who had been elected as deputies but had temporarily surrendered their seats in order to join the presidential cabinet. These four resigned their cabinet posts in order to return to the Chamber for this vote and therefore received the WhatsApp message, but not the hand-delivered hard-copy.

tween the overall ATE and the ATE within individual blocks, where J is the number of blocks, each block is indexed by j , and the weight $\frac{n_j}{N}$ denotes the share of all subjects that belong to block j (government, swing or opposition):

$$ATE = \sum_{j=1}^J \frac{N_j}{N} ATE_j$$

The standard error was also calculated for each block and then averaged for the whole result. The variance was estimated (conservatively) via the Neyman estimator (Angrist and Pischke 2009; Gerber and D. P. Green 2012; Imbens and Rubin 2015) for each block, where SE^2 is the variance estimator indexed by block:

$$SE(ATE) = \sqrt{(SE_{gov})^2 \left(\frac{N_{gov}}{N}\right)^2 + (SE_{swing})^2 \left(\frac{N_{swing}}{N}\right)^2 + (SE_{opp})^2 \left(\frac{N_{opp}}{N}\right)^2}$$

The pooled ATE for the vote on the main bill of the pension reform is 3.9. This means that deputies receiving the treatment message were 3.9 percentage points more likely to support the pension reform than deputies receiving the control message. This effect represents around 20 votes, which could – in principle – determine the success or failure of a policy change previously considered impossible. But in the case of the pension vote, with the 379 deputies who voted for

the proposal (71 more over the minimum threshold), the treatment effect did not decide the fate of the bill.

The direction of the effect is also consistent within the subgroups and followed the theoretical expectation registered in the pre-analysis plan. I did not expect to find any effect in the opposition parties, but only in the government and swing parties, given that all opposition parties had officially declared a unanimous position against the proposal early on in the discussion.¹⁰ As expected, the treatment effect is smaller among the government parties than among the swing parties. The reason I expected to see effects on the government parties was the historical level of defection in votes on "infeasible policies" (Botelho 2015; Limongi and A. Figueiredo 1999). For instance, when President Cardoso attempt to change the pension system in the 1990s, he faced over 20% defections among parties from his coalition and even from his own party. **Figure 5.5** presents the total effect and the effects by each of the subgroups, with 95% confidence intervals.

To calculate the p-value, I conducted a randomization inference scheme for all the blocks. I performed 100,000 re-randomizations in each block, calculated the ATE per block and the pooled ATE. The number of possible random assignments is around 3.04×10^{102} . I set the sharp null hypothesis to zero effect of the treatment (Fisher 1935; Imbens and Rubin 2015). The null is rejected with a p-value of 0.04.

I also test my hypothesis with a different set of outcomes. Before the voting on the floor, deputies needed to vote on filibustering attempts by the opposition. I collected 4,083 individual votes cast for these discussions. A vote to end the filibuster is a vote to support changing the status quo. Many times, lawmakers who do not want to disclose their votes simply support postponing the discussion. The costs of postponing the voting are lower than registering the vote. That is why analyzing this outcome is also a hard test, because the opposition could expect some support from the government and swing parties. The results are the same as the ones obtained by the previous analysis. The ATE is 3.8%, and the Fisher Exact p-values, calculated with 100,000 simulations, is 0.

¹⁰According to the pre-analysis plan, "I do not expect to have any effect on the opposition, due to their position against the reform".

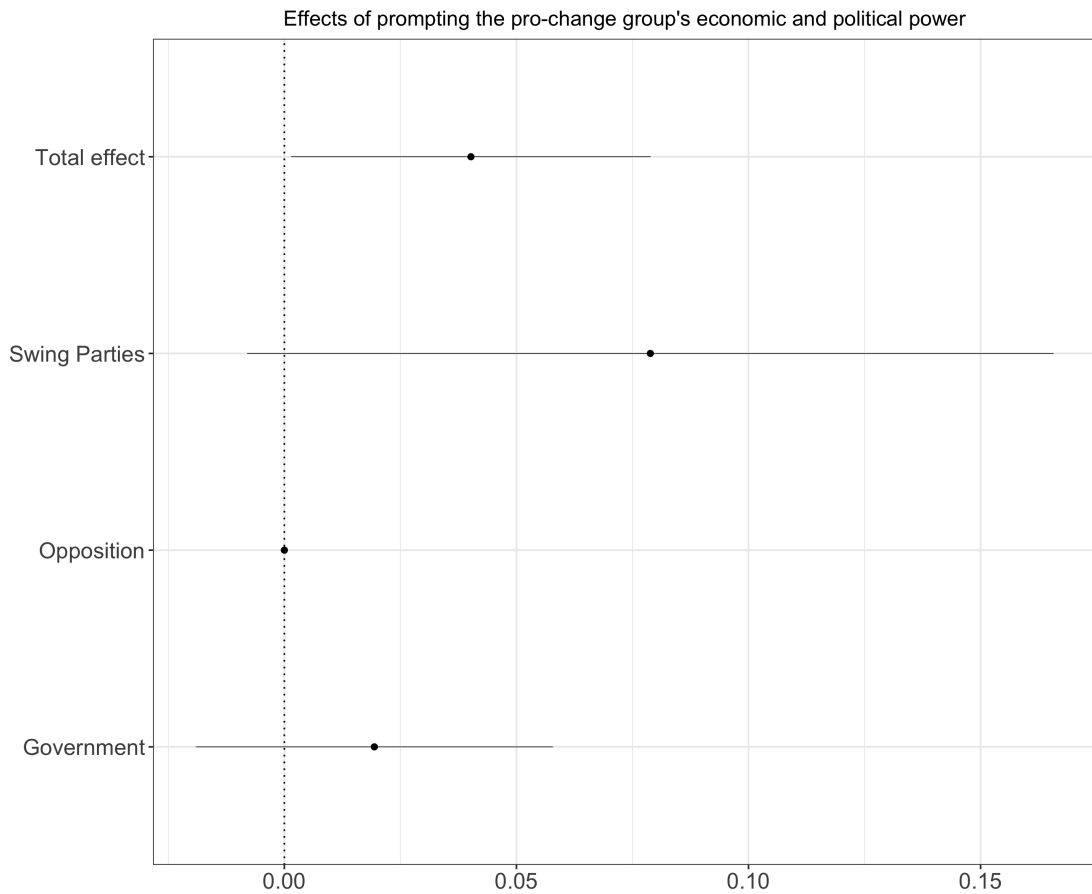


Figure 5.5: The ATE calculated for each block and the overall effect.

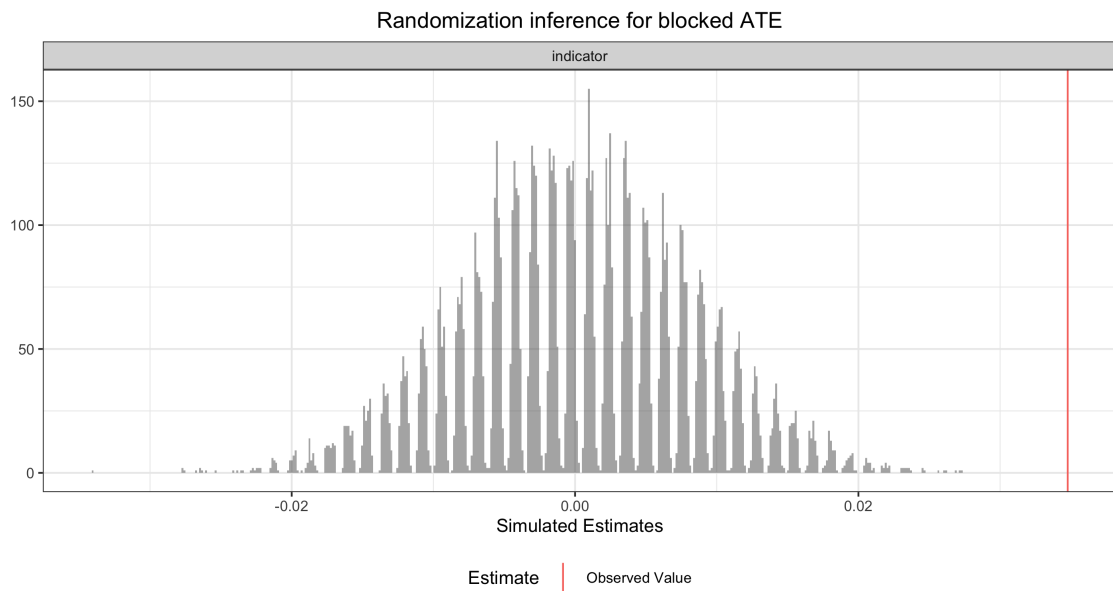


Figure 5.6: The fisher P-value for 100,000 re-randomizations in each block of the experiment.

5.0.3 Robustness checks

The result from the experiment supports my main hypothesis, indicating that the presence of a pro-change group offsets the pressure by the pro-status-quo group, creating the conditions for supposedly impossible policy-changes to become possible. Is there any possibility that the experiment failed and there was instead something systematically different between control and treatment groups that caused those who ended up in the treatment group to be more likely to supported the pension reform even before the random assignment?

I decided to run the experiment just two days before the voting for two reasons. First, a longer time between the treatment assignment and the voting on the floor would open the way for spillover effects and other possible cofounders. Second, by creating a harder condition to find any effect, it strengthens the results.

To test if deputies had already decided on supporting the change months before the treatment assignment, I use two different data sources. Prior to the experiment described above, I conducted three different surveys with deputies in the months leading up to the voting.¹¹ The results show that there was some uncertainty about the fate of the proposal as late as a few days before the voting. The surveys were conducted with between 150 and 170 deputies and the sampling was done considering the exact same three blocks from the experiment.

In March 2019, a month after the Executive sent its proposal to Congress, 77% of the deputies said they were against changing the status quo. Nevertheless, 57% said they expected that a watered-down proposal would be turned into law, while 42% expected it to be rejected completely. In other words, a radical change in the pension system still seemed infeasible.

By May 2019, there was more support, but not enough to guarantee the success of the bill. While 39% stated their support for the proposal, 43% were opposed and 18% undecided. At that point, however, 80% believed that at least some part of the status quo would be altered. In June 2019, three weeks before the voting on the floor, 53% of the deputies surveyed said they would support the proposal, while 36% were against it and 11% undecided.

¹¹I had help of undergraduate students from the University of Brasilia.

The same level of uncertainty was measured by leading national newspapers, who used their reporters on the ground to keep daily scores on the support for the bill. By March, 28% supported the proposal and by July the number had increased to 49%, still far below the 60% threshold needed to amend the constitution.

Of course, these survey results could be biased if there were systematic differences between deputies in the treatment and control groups. In this specific case, it is possible that certain groups of deputies decided their votes beforehand but for some reason they simply did not want to disclose it. In other words, their non-response rate may have been higher than for other groups, biasing the results. If we could run the perfect experiment to check for the difference in behavior between the treatment and control groups, we would like to see their pre-treatment votes. Of course, it is impossible to know how the deputies would vote before they actually cast their votes, but there is a way to estimate their latent behavior by using the newspaper tracking.

Months before the voting on the constitutional amendment *O Estado de Sao Paulo* and *Valor Economico*, leading national newspapers in Brazil, created online scores of the votes for the pension reform. The scores were updated whenever a deputy officially declared his/her vote to the newspaper's reporters or officially stated the vote through their press office.

On the night before I started the experiment, *O Estado de Sao Paulo* had 244 deputies declaring they were in favor of the text, or 47.5% (see Table 1). In the score by *Valor Economico*, called Pension Thermometer, updated on the morning of July 8th there were 133 favorable deputies, 119 partially favorable, 118 undefined and 143 opposed - and, thus, 49.3% at least partially in favor (Taquari 2019). Around 33% of the deputies did not want to disclose their votes.

YEA	NAY	Undecided	Not found	Refuse to say
244	100	26	66	77
47.5%	19.5%	5%	13%	15%

Table 5.1: The 'pre-treatment' votes according to *O Estado de Sao Paulo*.

I scraped that information for the day before of the treatment assignment to use as a proxy for the pre-treatment behavior. A Welch Two Sample t-test shows that there is no difference between the treatment and control groups, which indicates that the treatment group did not have a higher

number of supporters for the change before the treatment assignment. The vote declaration for *O Estado de Saulo* between treatment and control deputies are also balanced among the block groups, which is what we should expect, since the treatment is randomized at the block level. I use other information about deputies (age, gender, number of terms, if the deputy was reelected in the previous election and region of the country the deputy represents) for balance tests, as presented at **Appendix 5.2**.

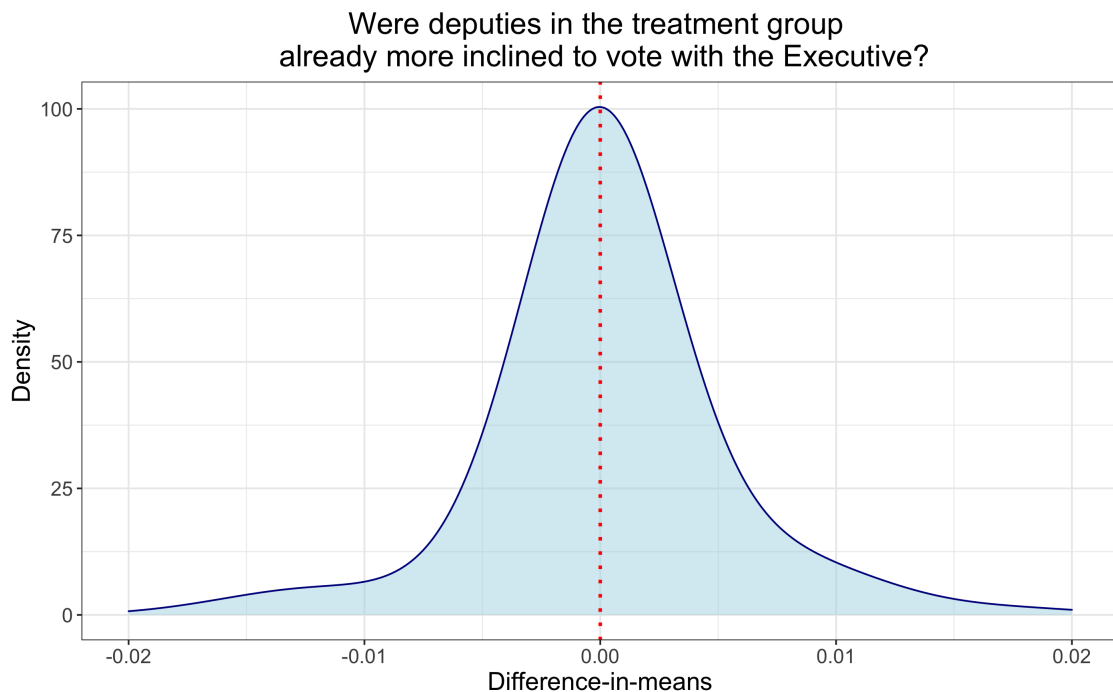


Figure 5.7: The difference between treatment and control groups occurs in the roll calls that were the target of the experiment and not on other bills.

I have also checked for systematic disparities in support for the Executive proposals before the pension reform went to the floor. If there is something different between treatment and control groups, within each block, we should see a higher level of support for the government’s proposal regardless of the subject, before and after the treatment was assigned. But this is not the case when analyzing 168,999 individual roll calls during the year of 2019. It would be problematic if the treatment groups systematically supported the presidential proposals more frequently, because that would be a sign that this group had a higher pre-treatment probability of supporting the pension proposal. The distribution in **Figure 5.7** shows that the difference between treatment and control groups is centered around zero when considering all the roll call votes in 2019. The pension voting

– which was the object of the experiment – was an exception in terms of the behavior of treatment and control groups of deputies. The data suggests that the difference between treatment and control groups occurs in the roll calls that were the target of the experiment and not on other bills. This is evidence of the treatment effect.

5.1 Conclusion

Legislators weigh many factors when deciding whether or not to support a major policy change. A long line of research states that certain policy changes are impossible (or at least exceedingly unlikely) because organized interest groups that want to keep the status quo are usually successful in lobbying lawmakers to oppose policy change. Much effort has been spent to explain policy persistence (Coate and Morris 1999) and the inherent institutional bias in favor of the status quo (Alesina and Drazen 1991; Fernández and Rodrik 1990).

This literature focuses on the political advantages that organized interests groups have over the ordinary citizens who would benefit from policy change but who are unable to overcome the collective-action problems needed to organize pressure for reform. When policy change would impose concentrated costs and produce only diffuse benefits, and especially when the costs are immediate and apparent and the benefits long-term and more amorphous, those privileged by the status quo can enjoy what Lowi (1969) called "permanent receiverships."

In this chapter, I argue that in such cases, the best hope to defeat the anti-change interests is the emergence (or entry) of a rival organized interest that prefers change and can outbid the usual winners. A change in the relative power of organized groups explains why certain policy changes that were previously considered infeasible happen. If the policy change ends up helping the average citizen, it is a by-product of this clash of organized interest groups, and not because politicians have purposefully chosen to favor the unorganized. As in many aspects of politics and economics, competition in the lobbying game can be good for ordinary citizens (Becker 1983; Catola and D'Alessandro 2020; Gawande, Krishna, and Olarreaga 2012; G. M. Grossman and Helpman 1994; Hillman, Van Long, and Soubeyran 2001).

I have presented several types of evidence that complement each other to support the claims.

I have collected extensive data on how these groups finance themselves, in addition to data on who enters Congress to lobby politicians. I find that the change in the Brazilian pension system coincides with the moment when the pro-change group became stronger than the pro-status-quo groups.

In addition, I provide one of the first experimental studies of the effects of lobbying on legislators. The decision to run the experiment days before the actual vote was risky because we should expect that any lobbying effect would have happened in the days and weeks before the voting on the floor of Congress. But it was necessary to make this decision to avoid any spillover effects and to decrease the probability of confounders after the experimental intervention, which could muddy any result before I was able to collect the dependent variable (the voting on the proposal).

The experiment shows that legislators are affected by perceptions of the power of different organized groups, and most likely understate the size of the effect. The experimental treatment was administered on the morning of the floor vote. Of course, if I'm right that the pro-change organized interests had gained the upper hand in terms of lobbying politicians, most of that effect would have happened in the weeks and months before the intervention. How many persuadable deputies had not already been persuaded? The low likelihood of any effect from this last-minute, modest intervention should increase confidence in the results.

One could view the experiment as a proof-of-concept that lobbying works. But it was not designed to specify exactly why it works. To pursue that question, then, I have designed a second experiment with MBC to tease out the mechanisms that explain why lawmakers listen to pro-change groups. The goal is to run a similar information-based experiment when Congress is discussing a large tax reform that will affect different business sectors differently. This is an opportunity for an even deeper investigation. Do politicians follow the advice of lobbyists because they expect direct support in return, say in the form of campaign finance or electoral mobilization efforts? Or do they respond to the economic heft and expertise of the organized groups and consider that what's best for the most important firms might also be best for economic growth or employment, and thereby reflect well on political incumbents? A corollary of the "economic importance" idea might be that politicians heed the policy demands of international firms that can credibly threaten to pull out of the Brazilian market unless the "Brazil cost" is reduced.

The findings presented in this chapter contribute to the literature on relevant changes in policies that affect the lives of millions of people. Pension-system challenges are not unique to Brazil. Pensions are among the most discussed and consequential policies around the rich world, increasingly so as their populations age. But reforming unsustainable pension systems is difficult everywhere, precisely because the beneficiaries of the status quo are well organized and thus politically advantaged. In principle, my explanation for the surprising Brazilian pension reform should travel to other countries with similarly dire pension situations due to the composition of their populations (see, e.g., [Economist \(2003\)](#)). The findings might also be generalizable to other policy areas.

5.2 Appendix

5.2.1 Point estimate and confidence intervals for the pre-treatment difference-in-means

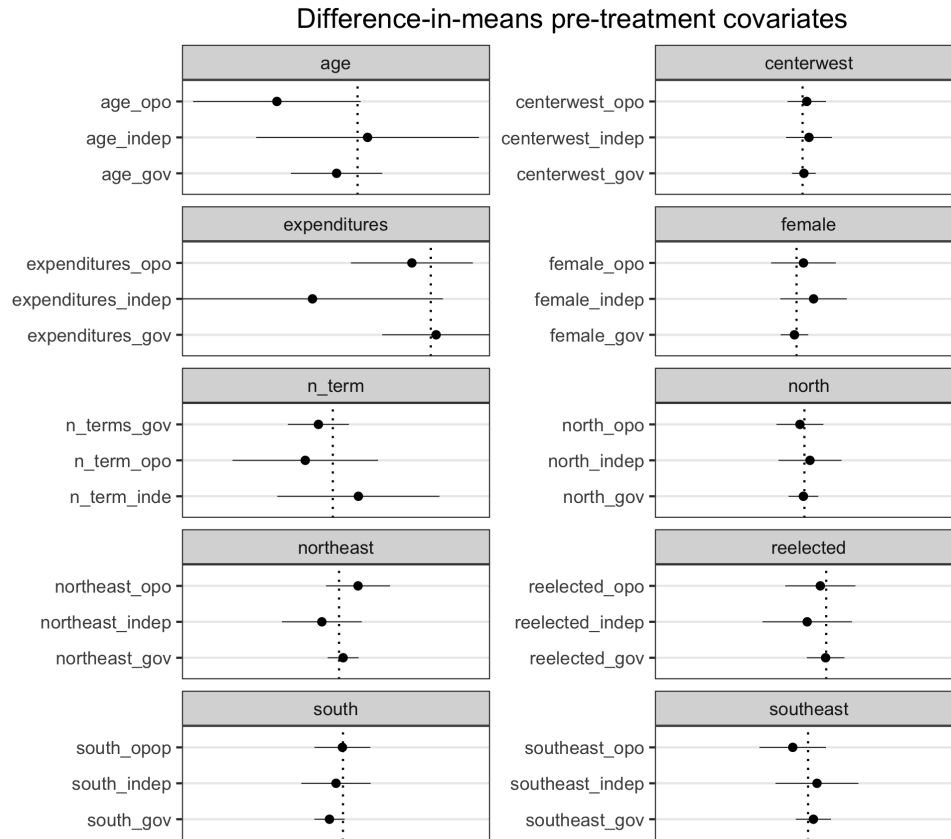


Figure 5.8: All the covariates are available in the Congress website: age of the individual deputy; the yearly expenditures of the deputy's office within the official budget; the region of the State that each deputy represented (North, Northeast, Central-West, Southeast, South); gender of the deputy; if the deputy was reelected in the previous election; number of terms the deputy has in the Chamber.

5.2.2 Balance tests for all the available pre-treatment covariates

Block	variable	mean treatment	mean control	p.value	ci.lower	ci.upper
Government	Age	48.70	49.83	0.37	-3.59	1.33
Government	Female	0.13	0.14	0.77	-0.08	0.06
Government	North	0.14	0.14	0.89	-0.08	0.07
Government	Northeast	0.28	0.25	0.61	-0.07	0.12
Government	Southeast	0.37	0.34	0.55	-0.07	0.13
Government	Central-West	0.07	0.07	0.82	-0.05	0.06
Government	South	0.12	0.19	0.08	-0.14	0.01
Government	Reelected	0.44	0.45	0.95	-0.11	0.10
Government	N_{term}	2.09	2.26	0.35	-0.53	0.19
Government	Expenditures	385,912	383,803	0.85	-19,255	23,471
Independent	Age	47.79	47.25	0.86	-5.46	6.53
Independent	Female	0.18	0.09	0.31	-0.08	0.26
Independent	North	0.12	0.09	0.73	-0.13	0.18
Independent	Northeast	0.30	0.41	0.39	-0.34	0.14
Independent	Southeast	0.36	0.31	0.67	-0.19	0.29
Independent	Central-West	0.06	0.03	0.58	-0.08	0.13
Independent	South	0.12	0.16	0.69	-0.21	0.14
Independent	Reelected	0.39	0.50	0.40	-0.36	0.14
Independent	N_{term}	2.27	1.97	0.53	-0.66	1.27
Independent	Expenditures	337,209	384,050	0.07	-98,520	4,836
Opposition	Age	52.70	57.04	0.06	-8.85	0.17
Opposition	Female	0.24	0.20	0.67	-0.13	0.20
Opposition	North	0.08	0.10	0.71	-0.14	0.09
Opposition	Northeast	0.42	0.31	0.24	-0.08	0.31
Opposition	Southeast	0.30	0.39	0.36	-0.28	0.10
Opposition	Central-West	0.06	0.04	0.67	-0.07	0.11
Opposition	South	0.14	0.14	0.97	-0.14	0.14
Opposition	Reelected	0.60	0.63	0.74	-0.23	0.16
Opposition	N_{term}	3.02	3.35	0.45	-1.19	0.54
Opposition	Expenditures	428,771	436,252	0.54	-31,628	16,665

Table 5.2: Variables are presented as %, with the exception of age (years) and expenditures (*Reais*).

5.2.3 Regression discontinuity with local linear specification

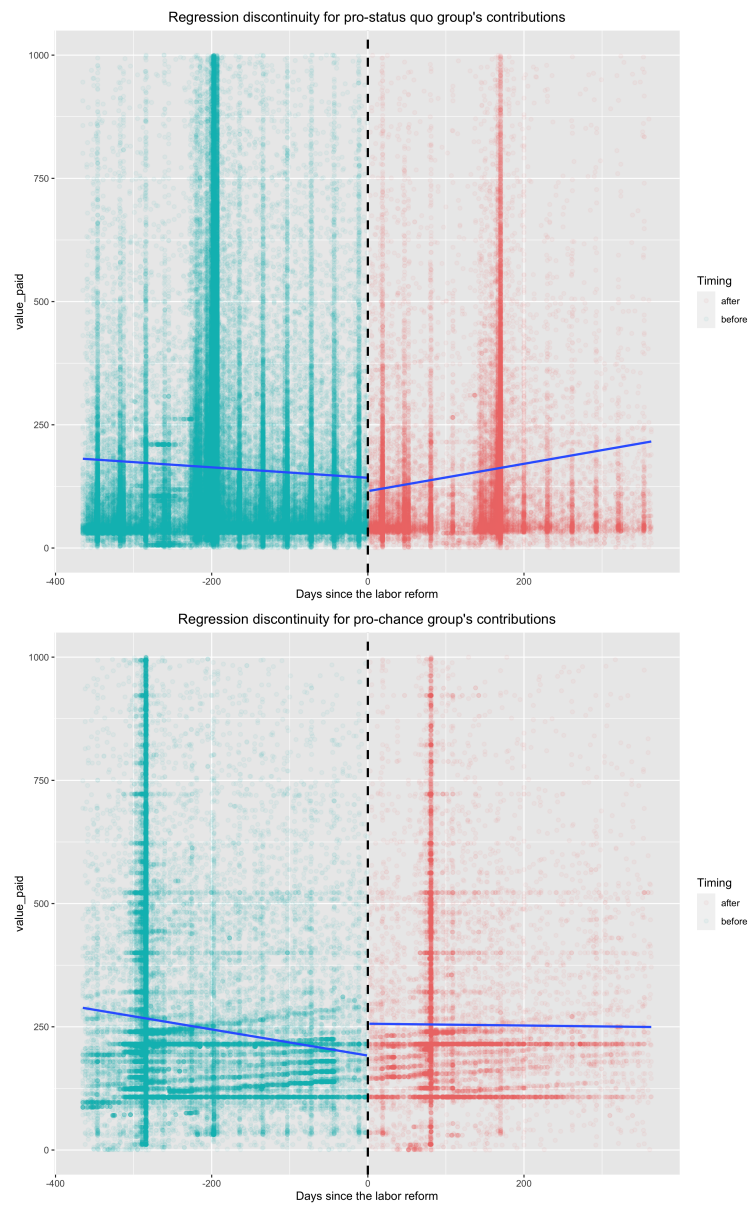


Figure 5.9: While unions see a decline in the average contributions at the cut point around the beginning of the new rules, the same is not true for companies. The cut point is the start of the new law.

CHAPTER 6

Do voters use information about legislators' policies position?

Evidence from three conjoint experiments

In the previous chapters, I have discussed how the presence of an adversarial interest group was a key component to explain why the pension reform happened in Brazil in 2019. **Chapter 2** discusses (1) the probability that voters will support a policy change (p), and (2) to what extent (ν). Two key assumptions were necessary to the argument. First, it assumes that that organized groups are able to influence policy by lobbying lawmakers. I used the experiment in the previous chapter to test that assumption. The second assumption is that voters will use information about policy positions in their voting choice.

The literature assumes that voters care about the policy positions of politicians. There are two possible justifications for this assumption. The first would be if voters are able to analyze politicians' records on policy positions on their own, and vote for the ones whose preferences are closer to their own. But the literature also tells us that most voters are "rationally ignorant" (Downs 1957). This means that voters do not have the time or the capacity to make these decisions by themselves. The second possible pathway is that voters use cues (from parties, campaigns, and organized groups) to make their voting decisions and therefore can be swayed by campaigns. This is why interest groups lobbying of politicians – and their threats or promises to intervene in campaigns are so consequential.

In this chapter, I use survey experiments to ask if voters actually use information about candidates' policy positions when making their voting decisions. I find that, in the vacuum of the experimental setting, most do not. If voters' decision cannot be explained by their independent evaluation of candidates' policy positions, it must be the case that the link between legislators' behav-

ior and voters' choices run through the persuasive impact of campaigns. I argue that interest groups are able to frame policy changes in ways that affect voters' perceptions and electoral choices. Interest groups can affect elections through campaign ads, rallies, and give-aways that affect vote choice. That is the reason why legislators consider the relative strength of these organized groups when deciding on policy changes that affects competing groups.

6.1 Information about policy issues and voters

A classical line of study investigates if voters actually use information about policy changes implemented by governments (Aldrich, Sullivan, and Borgida 1989; Converse 1964; Freeder, Lenz, and Turney 2019). One of the issues facing these questions is the methodological challenge for researchers. For instance, when using survey questions to test our hypotheses are we measuring the true preferences of voters or only the way they decided to answer a question at that particular time?

The central question for this literature is whether voters have stable, autonomous, or any attitudes about political issues including policies. Zaller (1992) argue that the majority of citizens have a pool of inconsistent views on policy issues and sample from these largely different opinions when answering survey questions. In Zaller's works, elite-driven communications impact public opinion. Yet this impact is mediated by political awareness. The consistency and salience of considerations are influenced by the level of awareness a person has regarding politics. Zaller, therefore, directly challenges the idea that voters have true preferences regarding policies. His model states that individuals have conflicting views on specific issues and the "winning" view is determined by what considerations are at the top of people's heads at any given time.

More recently, Freeder, Lenz, and Turney (2019) use surveys spanning decades in the United States and the United Kingdom to argue that individuals hold stable views only when they possess knowledge and agree with their party. Opinion instability would not arise from measurement error but from instability in the opinions themselves. In their calculation, only about 20%-40% hold stable views on policy issues.

A different perspective in the American Politics literature indicates that citizens hold strong

policy opinions and they are not captured due to measurement errors. Achen (1975) was the first to blame ambiguous survey questions for opinion instability. Thirty years later, Ansolabehere, J. Rodden, and Snyder (2008) argued that policy stability in broad topics arises when reducing measurement error by averaging multiple survey items.

Offering a new perspective, (Lenz 2013) argues that even though voters do assess politicians on their performance, their policy positions actually matter much less. When a policy issue becomes highly prominent, such as the case of the pension change in Brazil, voters rarely shift their votes to the politician whose position best agrees with their own. In fact, the reverse takes place: citizens first pick a politician and then adopt that politician's policy views.

Yet this foundational literature often fails to address questions about candidate choice. There is often a further but unexamined assumption that if voters do have any policy preferences, then the preferences will, automatically, affect their vote choices. However, that assumption itself needs to be unpacked and examined. On the one hand, voters could have stable policy preferences but nevertheless think it is more important to vote considering other cues—such as parties (Campbell et al. 1960; D. Green, Palmquist, and Schickler 2002; Lewis-Beck et al. 2008), cultural differences (Posner 2004), ethnicity (Posner 2005) or even facial appearance (Horiuchi, Komatsu, and Nakaya 2012) – rather than selecting the candidate who shares their policy preferences. On the other hand, if voters have preferences learned from political elites (i.e., they choose their candidate or their side and then adopt the policy preferences espoused by this side), they would vote for candidates who share their preferences but would not do so because of the preference Lenz (2013).

Researchers might use how voters answer survey questions such as "are you in favor or against" policies to draw inferences about how voters actually behave. However, it is important to disentangle how voters answer survey questions from how voters make voting decisions. For instance, it is hard to imagine voters positioning themselves against an anti-corruption law when asked about it in a survey. Nevertheless, this will not guarantee that voters will consider how a lawmaker voted on that law in the next election. Similarly, the recent changes in the pension system in Brazil mobilized public opinion for almost two years. When asked by survey companies if they supported or opposed the government's proposal, voters were offered clear options: yes, no, or do not know. In different surveys, fewer than 10% declared that they did not know their position

on the issue. Does that mean that voters use these policy positions when deciding their votes?

Survey questions asking about voters' views on certain policies might fail to get at the way voters make multidimensional choices. In the following sections, I present results from different survey experiments aimed to tackle this issue. I presented survey respondents with a hypothetical choice between two candidates for Congress. Each candidate was described in terms of randomly assigned characteristics, including policy positions. The respondent was asked with candidate would get their vote, and the randomization allows me to estimate the importance of each characteristic to the vote choice.

In the next section, I explain why voters are important to the theory presented in the previous chapter. In other words, why do we care about voters when thinking about organized groups and their influence over policy. After that, I present the theory and hypotheses about how much voters care about relevant and highly discussed topics in a multi-party presidential democracy. The final sections of the chapter present the empirical results and discuss its findings.

6.2 Connecting voters, lawmakers, and organized groups

The debate over policy views by voters is essential to democratic theory itself. When citizens lack meaningful views about policy issues "democratic theory loses its starting point" (Achen 1975). One foundation on which representative democracy rests is a close match between citizens' preferences and their representatives' actions (Dahl 1971; Pitkin 1967). Elections are the mechanisms to ensure this connection, because they help citizens to select representatives who advocate policies that correspond to their wishes (Mansbridge 2009; Przeworski, Stokes, and Manin 1999).

Thus, the responsiveness of government policies to voters' preferences is both an empirical and normative concern for theorists of democracy. Nevertheless, the results are not consistent across countries, time, and studies. That is why, according to many theories, voters rely on other type of cues to make their decisions. For instance, the question regarding party identification has been examined mainly in the United States, whereas topics such as ethnicity has been explored mainly in Africa.

Party ID is one of the most important variables considered in political science, because no other variable accounts as well or as consistently for political behavior (Huddy, Sears, and Levy 2013). Levels of partisanship signal the main lines of political positions: people who identify with a party typically vote for candidates from that party, while voters with no partisan identification tend to vote for candidates from many parties. Yet relatively little research has considered the generalizability of the findings outside the US and Europe, and more specifically in Brazil.

Samuels and Zucco (2014) explore the impact of party labels on attitudes in Brazil. Using two survey experiments, they find that both in-group and out-group cues shape the opinions of those who identified themselves with the two main parties in Brazil, PT and PSDB. However, those cues have no effect on nonpartisans, the vast majority of voters. In 2021, 61% of Brazilians say they do not have a preferred party (Datafolha 2021). The authors suggest that party identification can structure attitudes and behavior even in "party-averse" electoral environments.

Another way to connect voters and organized groups is to condition the effect of groups on policy issues on the level of public salience of a topic. On the one hand, different authors argue that the relative strength of groups increases when topics are hidden from the general public, allowing them to influence policy without any real challenge (Anzia 2013; Bawn, Cohen, et al. 2012; Kurella and Rosset 2017). Olson (1982) argues that groups such as farmers, industries, and unions have an incentive to lobby and influence policies in their favor. The result tends to be protectionist policies, hurting economic growth. These policies tend to create concentrated benefits, while the costs are diffused across all the voters. Consequently, there will be little public resistance to them. Thus, when voters are unaware of the consequences of policies, they might be hurt by them.

On the other hand, when an issue is salient to the public, organized groups have the opportunity to mobilize voters or use them to pressure politicians (Dahl 1956; Benjamin I Page, Robert Y Shapiro, and Dempsey 1987). For instance, Bromley-Trujillo and Poe (2020) argues that the salience of environmental issues influence climate policy adoption in the American states. The mechanism they propose is that environmental interest groups take advantage of issue attention to influence climate policy adoption. The paper finds evidence that states where climate change is perceived to be a problem, and where attention to environmental issues is high, are more likely to adopt greener policies.

In political science, salience is generally defined as the level of importance placed on a given issue, most importantly if it is used for candidate evaluations by voters (Burden and Sanberg 2003). Wlezien (2005) identifies two key sub-components of the concept: importance and problem status. Policy issues can be important to individuals, even if they are not viewed as a current problem. For example, voters consider the economy to be important, but they may not consider it to be a problem until unemployment or inflation rises. In addition, an individual may regard a policy issue to be a problem, without believing that the issue is currently important compared to other issues. For an issue to be salient, it should be both important and a problem. Only then will the issue gain the attention of society.

At the same time, voters gain and lose interest in a particular issue over time. Issue attention is defined by the relative priority and weight given to a specific issue among the universe of all possible issues. After all, an individual needs to allocate time and energy thinking about an issue (Downs 1972; Gupta and Jenkins-Smith 2015; Newig 2004). In the United States, several studies on the connection between public opinion and public policy rely on *The New York Times* citation index as a measure of issue salience (Epstein and Segal 2000; Haider-Markel and Meier 2003; Lax and Phillips 2012).

According to Downs (1972), public topics follow an issue-attention cycle. Within it, five distinct phases can be distinguished which may vary in duration according to each issue, but which habitually occur in the same order: the pre-problem stage; alarmed discovery and euphoric enthusiasm; a period marked by a growing realization of the cost of significant progress; gradual decline of public interest; and the post-problem stage.

Downs also lists three characteristics that help an issue to enter the issue-attention cycles: the issue does not affect the majority of the public as much as a minority; the possible solution from the issue provides significant benefits to the majority or a powerful minority of the population; and the issue is not intrinsically exciting enough to sustain popular interest for prolonged periods. Downs suggests that the media (and currently probably social media) plays an important role in stimulating public attention. Nevertheless, if the public loses interest in a topic, this will also influence the media, which will look for a new issue.

The existence of Downs' cycle has divided researchers. While some empirical studies corroborate the cycle (McCombs 1995; Newig 2004), some authors cast doubt that public attention follows a clearly discernible pattern (Guber 2001; Howlett 1997). Moreover, even when salience is high, government elites and organized groups that oppose policy action may work veto points to prevent adoption. In the United States issues such as gun control, climate change and immigration have been used as examples of this situation.

Assuming that issue attention exists and is an important component of policy-adoption by legislators, some studies find empirical connections between policy preferences and policy making. After examining public opinion and policy data for the United States from 1935 to 1979, Benjamin I. Page and Robert Y. Shapiro (1983) find relationships between changes in preferences and changes in policies, especially for large, stable opinion changes on salient issues. In their analysis, public opinion is a proximate cause of policy, affecting policy more than policy influences opinion. More recently, other scholars have demonstrated that the rise and fall of issue salience tends to correspond with changes in government policies (Wlezien 2005). Whether such correspondence exists and is generalizable is not a given.

In a way or another, all the literature reviewed here connects voters, interest groups and lawmakers. The role of this section is to connect voters with the theoretical framework presented in the previous chapters of the dissertation and the previous empirical findings. To recapitulate, I have postulated that when Congress is voting on a policy (e.g. a constitutional amendment) organized groups must decide if they are going to enter a game to influence lawmakers. These groups—by the definition of the game—DO care about that policy. So they will try to influence Congress. The questions are whether they face competition in doing so, and whether they succeed.

The first strategy groups might apply is to lobby politicians directly, asking for their vote for or against a bill. But these groups might also influence politicians' perception of how voters are going to receive the policy in the future, just as with the environmental example in the United States (Bromley-Trujillo and Poe 2020). As I discussed in the preceding chapters, these were the two main strategies during the pension discussion.

Lawmakers cannot be sure about how much their constituents will support their policy posi-

tions in the next election. Politicians care about the probability that voters will consider a policy change beneficial to them or not. In other words, politicians care about the public perception of certain policies and how voters might reward or punish them due to this perception. That is why organized groups try to influence the vision of politicians on the future assessment that general voters will make.

6.3 Hypotheses

The main puzzle of this chapter is if policy preferences affect voters candidates' selection. I have conducted three different conjoint experiments spanning a period of three years. The variation on the timing of the surveys aimed to test if voters change their weighting of politicians' policy choices, conditioning on the salience of the issue and on the type of the policy.

Asking voters directly about their positions on certain policy issues is not the best way to answer if they consider those positions when selecting candidates. Citizens might answer in a survey that they support or not certain law, for instance, but that does not guarantee that they are going to consider the same law when choosing a candidate. More importantly, this type of question does not make any direct connection between a politician position in a certain topic and how that position affects the behavior of voters who agree/disagree with that.

To correct operationalize the question if voters support politicians who have the same specific policy position as they do—or vote against those who have different positions—I designed different survey experiments, to isolate the effect of politicians' positions on different policy changes on voters' behavior. One of the challenges with surveys is that it is hard to isolate treatment effects. I used choice-based conjoint experiments because closely approximate real-world decision making if voters were making their decision in a vacuum, without campaigns (Hauser 2007). The experiments were based on the work of Hainmueller, Hopkins, and Yamamoto (2014). Because voters, interest groups, government officials, and other political actors form preferences and make decisions about alternatives which differ in multiple ways, political scientists have been increasingly

employing survey experiments in their research.¹

Even if voters do decide their votes for Congress on policy issues, it is hard to imagine that policy is the only factor on their minds when choosing a candidate. To properly isolate the effect of a similar policy position with politicians on voters' probability of voting on that person, it is necessary to vary other possible cues that might explain the decision. All the characteristics of candidates I used in the experiments are based in the literature on voters and lawmakers, especially in Brazil. The difference is that, while most of the previous studies look at each component independently, to my knowledge, this is one of first studies to test all of them together, aiming to isolate causal effects of candidates characteristics (including their policy views) on voter's choice.

First, following the work of Samuels and Zucco (2014, 2018), I test if party labels influence voters' decision for Congress or not. There are some parties, most notably PT, whose followers display typical behaviors of partisans (Guarnieri 2011; Samuels 1999; Samuels and Zucco 2015). More than that, the partisan influence might be a function of *petismo* versus *antipetismo*—i.e. those who consider PT as their preferred party and those who consistently vote against PT (Samuels and Zucco 2018).

After the Brazilian redemocratization at the end of 1980s, scholars pointed to the weakness of the country's party system. Electoral rules and other political institutions promoted individualism and undermined parties (Ames 2001). The country ended up with an "inchoate" party system (Mainwaring 1999) and this party weakness would constantly hurt the country's democracy (Kinzo 2004; Lamounier 1989; Mainwaring 1992; Mainwaring and Scully 1995; Weyland 1996). As summarised by D'Araújo (2009): "The parties and political rules reinforce the reproduction of political habits that do not contribute to the strengthening of the procedures and the content of democracy."²

¹The method was introduced in the early 1970s (P. E. Green and Rao 1971).

²Other scholars argue in the opposite direction (Limongi 2006): "There is no reason to treat the Brazilian political system as a singular one. Coalitions obey and are built according to party principles. The president, whose institutional power was enhanced by 1988's Constitution, monopolizes legislative initiative, which puts Brazilian system close to European parliamentary democracies." Despite the party system's fragmentation and relative ideological incoherence, these scholars argue that democracy functions in Brazil as well as in other countries (Alston et al. 2016; M. Melo and Carlos Pereira 2013; Montero 2014; Carlos Pereira and M. Melo 2012).

This line of work argues that parties have little impact on voter behavior in Brazil (Mainwaring 1992; Nadeau et al. 2017). Candidates' personal characteristics, policy positions, performance in office, and ability to deliver constituent service such as pork are some of the factors influencing voters (Ames, Baker, and Renno 2008): "Brazilian voters, we conclude, are eclectic, and their abilities are usually underestimated by the scholarly community(...). Our findings contradict the conventional wisdom by indicating an impressive degree of issue voting for both executive and legislative posts."

Samuels and Zucco (2018) acknowledge that the proportion of stable partisans is lower in Brazil than in other countries. But they propose a different classification of voters' orientations toward parties, dividing voters between those who identify themselves as hardcore partisans (like a party and dislike others), positive partisans (like a party without disliking others), antipartisans (dislike one or more parties without liking a party), and nonpartisans (indifferent toward parties). Because *petismo* and *antipetismo* are powerful psychological attachments, then Brazilians who affirm one or the other attitude should agree or disagree with everything associated with the PT – including policy positions.

Thus, factors such as Samuels and Zucco (2018), factors as "policy, performance, pageantry and pork" (Ames, Baker, and Renno 2008) do matter, but they matter much more for nonpartisan voters. For those voters who consider themselves aligned with a particular party, the perception of candidates' qualities, performance in office, and ability to "bring home the bacon" would be influenced by their party views. The endogeneity of attitudes and perceptions to partisanship has been studied extensively (Bartels 2002; Healy and Malhotra 2013; Tilley and Hobolt 2011). Yet Samuels and Zucco (2018) were the first to show that for Brazil.

To sum up, the goal of adding parties in my experiments is to test if policy positions have any effect on voter behavior, or if party cues overcome that. In addition, I build on the literature on incumbency advantage/disadvantage. There is an emerging literature that argues that legislators frequently have no advantage or a negative incumbency advantage (Ariga 2015; Cruz, Keefer, and Labonne 2016; Golden and Picci 2015; Kartik and Weelden 2019; Kla 2013; Klasnja and Titunik 2017; Klašnja 2016; Uppal 2009). Features of the Brazilian election system for federal deputies match what the literature associates with a negative incumbency advantage. Federal deputies are

elected via open-list proportional representation, with states acting as large, multimember districts (currently, the district magnitude ranges from 8 to 70). Brazil's electoral system promotes intra-party competition and transference of votes amongst candidates (Ames 1995a, 2001; Mainwaring 1998, 1999; Mainwaring and Scully 1995). Finally, Brazil is a developing country with members of Congress constantly being involved in corruption scandals, both features correlated with the incumbency disadvantage.

Contradicting these predictions and using causal-inference methods (regression discontinuity), Biderman, Avelino, and Desposato (2018) find a large and consistent positive impact of incumbency on all aspects of political careers, including vote share, re-election, and nomination for other offices. Incumbent legislators receive more votes, have greater chances of winning, have more campaign resources, and run for and win higher-value offices than non-incumbents. The authors attribute the incumbents' advantage to campaign expenditure advantages.

Some scholars link incumbency advantage to voter information. On the one hand, Ansolabehere, Snowberg, and Snyder (2006) trace the electoral advantages of US congressional incumbents to the greater coverage they receive in print media. Boas and Hidalgo (2011) find that control of community radio stations in Brazil increases incumbent vote share.

On the other hand, Klasnja (2011) concludes that an increase in political awareness/knowledge of basic political facts systematically reduces support for incumbents accused of corruption. Macdonald (2014) argues that incumbents enjoy a smaller incumbency advantage in Zambia in districts where citizens have greater access to radio. Banerjee et al. (2011) informed voters about incumbents' legislative past and the criminal records of incumbents and challengers, and found that voters only react to performance information along dimensions that have a clear and direct connection to their well-being.

Cruz, Keefer, and Labonne (2016) distributed brochures and visit households to increased voter's information about the types of public good provision mayors provide and to inform them of the availability of a large fund to finance provision of municipal public goods. To measure the salience of local development spending in household voting decisions, the authors asked respondents about six possible influences on their decision:

1. Whether candidates spend the municipal budget on things that are important to the household.
2. Preferences of friends and family.
3. Gift or money from the candidates before the elections.
4. The candidates' ability to use political connections to get money and projects for the municipality.
5. Fear of reprisal from candidates.
6. Approachability or helpfulness of candidates.

Voters rated how important each of these topics were on a 0 -4 scale, from "not important" to "very important". The results presented by the authors suggest that voters tend to be poorly informed about candidates promises. But the intervention increased voter knowledge: voters in treatment villages were more likely to know which candidates were promising to spend the largest share of the funding on any given projects. The treatment also affected how respondents decided which candidate to support. The treatment group was more likely to report that candidates' proposals for local development spending were important when they decided which candidate to vote for.

Another part of this literature connects the legislative experience of incumbents with their chances of reelection. Lee (2001) calculates that, in the United States, incumbency raises the probability of subsequent electoral success by about 0.40 to 0.45. Using simulations, the author attributes about two-thirds of the apparent electoral success of incumbents to voters' evaluation of politicians' experience.

Finally, I considered the specific effects of pork on voters' behavior. Pork and legislative experience might be perceived as the same thing by voters, but my experimental design clearly differentiate these two factors. In a seminal study, Ames (1995a) states that "pork buys deputies" in Brazil. The main point was that the executive uses pork to influence the votes of lawmakers. But does pork help these deputies and senators reelection? Previous observational studies found

that voters will reward lawmakers who successfully "bring home the bacon" (Ames 1987, 1995a, 2001; Ames, Baker, and Renno 2008; Filho 1994; Geddes 1996). Ames (1994) concluded that "politicians, faced with the institutional structure of Brazilian politics, find it necessary and feasible to trade blocs of votes for pork barrel and patronage." This effect might be heterogeneous across different types of deputies (Bickers and Stein 1996; Levitt and Snyder 1997). Ames (1995a) argues that Brazilian deputies who dominate geographic electoral bases are more likely to benefit from delivering pork, since it is easier for voters to note.

However, Samuels (2002) find no significant relationship between individual pork-barrel success and reelection success in Brazil. His answer is that Brazilian deputies do not trade pork for votes, they trade pork for money: pork-barrel success helps candidates raise funds from private-sector interests that profit from government contracts. It is worth noting that Samuels (2002) conducted his study before private-company campaign contributions were banned from Brazilian elections.

I considered all of the elements presented in this section to create credible candidates profiles in the three conjoint experiments used in this project (see next section for more information). The main goal was to test the hypothesis that, on average, voters actually do not consider candidates' policy positions when deciding how to vote. They might answer that they support or oppose a given policy when directly asked in a survey, but voting decisions are multidimensional. Nevertheless, I expected some heterogeneous effect of presenting information about a policy position of a candidate to voters. For instance, older voters, who were directly affected by changes in the pension system, might be more likely to punish candidates who voted in favor of the bill. Similarly, voters who say corruption was their main concern in a election might punish deputies in favor of a more lenient anti-corruption law.

To conclude, this section presented the general hypotheses that I will test. Each experiment was designed with small variations to answer specific parts of these questions:

1. **Policy-voting:** Do voter use candidates' policy positions in their decisions?
2. **Heterogeneous effect:** Are specific groups directly affected by the policy (e.g. older voters) more likely to change their behavior depending on the information about the politician's

position on that issue than groups not directly affected?

3. **Timing:** Will effects depend on the issue-attention cycles and can only be perceived when the topic is salient, either because it is a topic of the campaign or because it receives a lot of media coverage?
4. **"Pork buys voters":** Does informing a voter that a candidate is effective at bringing projects to the municipality through pork increases the probability of voting for that candidate?
5. ***Petismo vs antipetismo:*** Because PT and unions heavily campaigned against the pension reform, do *petistas* have a higher probability of punishing lawmakers who supported the bill?

6.4 Data Strategy and measurement

All of the experiments followed a similar structure, with small variations to test possible alternative explanations. Voters received two profiles of candidates with varying characteristics.

First, to test the new pension legislation directly, I ran a conjoint experiment in a national representative survey, three weeks after the pension constitutional amendment was approved in two rounds by the House of Representatives.³ The idea was to assess how much voters cared about the pension changes in a period when the topic was much on the news, right after the issue was approved by the deputies. In 2019, Brazil had no election, local or national.⁴ In terms of political timing, this survey was conducted far from any election, especially the national one, when federal deputies would run for reelection. From now on, this survey will be called **Pension-2019**. The main goal was to measure if any effect could be captured only when the topic was salient (Hypothesis 3).

³The survey was conducted by Ibpad with 1,008 voters, from August 28 to August 31 2019. The survey was conducted by phone and has respondents from 374 municipalities across all Brazilian states. I have conducted a post-stratification model, to re-balance the sample. All the results are presented with a post-stratification model. At the end, 31 respondents were excluded from the analysis because they did not have all the necessary information for a post-stratification model.

⁴A local election selected mayors in 2020 and the following Presidential election happened in 2022.

One possibility is that voters do care about changes in the pension system when the topic is salient, but not in the post-problem stage, even if only with time it is possible to assess the consequences of any policy changes in their life. To test that, the **Pension-2021** experiment was conducted on March 2021.⁵

As a robustness check on how much voters care about policy issues, I conducted a different survey to test a different salient topic and in a different political timing: the **Plea-Bargaining-2018** survey. Brazil held a general election in October 2018, to select its president and Congress. At that point, different surveys showed that corruption ranked at the top of voters' minds. A month and a half before the election, I included two questions in a national-representative survey.⁶ By that time, the presidential campaign was already ongoing and the first round would happen on October. Thus, not only was the topic salient at the time, but the election was a reality in people's minds.

In the next sections, I present the details of the experiments and discuss how the results support the theory presented in the first chapter of this dissertation.

6.5 The Pension-2019 experiment: when the topic is in the news

On July 9, 2019, the House of Representatives in Brazil approved in a first round of voting the constitutional amendment that changed the pension system in the country. These types of changes are rare and difficult in democracies, especially in countries with so many institutional veto points as Brazil (M. Melo 1997, 2002). One of the common explanations for why these changes are so difficult is that voters tend to punish politicians for these votes.

According to the **Pension-2019** survey, at that point, voters had high expectations for the results of the pension reform. For 56.1%, the reform would booster economic growth of the country, while 32.1% said it would hurt. For 4.9%, the impact on the economy would be a wash. This

⁵This survey was conducted by Atlas Intel with 1,800 voters. This survey was online, and voters could see on the screen the two profiles of candidates. I also applied a post-stratification model to balance the sample.

⁶This survey was conducted by Ibope, one of most traditional and reliable survey companies in the country, with 2,002 voters, between August 16 and 20, 2018. The experiment was conducted in person, with voters looking at tablets with the possible combinations of features of two candidates.

question shows that when asked directly about the policy issues, voters do have an opinion about it—which does not answer the question if this will influence their votes.

But how do voters behave when the voting pattern in the pension reform is presented to them combined with other information? Conjoint analysis offers complex combinations of candidate characteristics (attributes, positions) and lets respondents employ the facts that they find most relevant and weight them as they wish. My theory states that lawmakers' behavior will be affected not by what the average voter thinks about the policy change, but considering the expectation of the electoral consequence of the measure when voting on the topic. In that sense, the perception of lawmakers when voting on the topic might be affected by organized groups. When considering how voters react, I used the **Pension-2019** experiment to test the following hypotheses:

1. **Timing:** Because the topic is salient and at the top of people's minds, receiving a lot of media coverage, the candidates' position will affect voter behavior.
2. **Heterogeneous effect:** Those who have higher expectations about the impact of the policy on their lives will be more likely to base their voting depending on the information about the politician's position on that issue.
3. **"Pork buys voters" vs. experience:** Informing a voter that a candidate is effective at bringing projects to the municipality through pork increases the probability of voting for that candidate, and this is not because of the deputy's experience.
4. **Petismo vs. antipetismo:** Partisan effects are exclusive to supporters and detractors of PT.

Lawmakers do calculate the expected behavior of voters when deciding to vote on a policy change. If voters care about the pension reform when Congress is voting on the issue, this might affect the behavior of politicians because they can anticipate that will also be the case when the election comes – even if this is impossible to know and might not be true.

My main hypothesis is that the average voter would care about the pension reform when it was a hot topic, with daily coverage by the press, but not when the election was actually held, years later. Yet asking the question directly to the population is not the best way to assess if a lawmaker's

vote on the issue would affect how voters behavior. To isolate the treatment effect of the pension voting, the conjoint experiment was presented in the following way:

"If the election were today and you had to choose between these two federal deputy candidates seeking reelection, which one would you choose"?

The three sets of characteristics randomly assigned to the two candidates were:

1. **Party, using the 10 largest parties in Congress:** PT, PSL, MDB, PP, PTB, PL, PSD, PSB, PSDB, DEM, PRB and PDT. The idea here is to follow Samuels and Zucco (2018), who argues that partisan lines in Brazil are divided between PT and anti-PT.
2. **Experience:** a) Has experience as federal deputy for various terms, being responsible for projects of health and education to his city; b) Has experience as federal deputy for various terms; c) Has experience as federal deputy for various terms, focusing on national topics such as foreign affairs; d) Has worked as federal deputy for one term. The idea here is to vary the level of experience, including one type of experience (foreign affairs) that is not connected with pork.
3. **Vote on the pension reform:** a) Has voted in favor of the pension reform; b) Has voted against the pension reform; c) Has not voted on the pension reform.

The causal quantity of interest typically reported in these experiments is the average marginal component effect (AMCE) – the relative effect of presenting a given attribute level, holding all other attributes constant. To obtain the AMCEs for all attributes simultaneously, I use the same estimator proposed by (Hainmueller, Hopkins, and Yamamoto 2014): by running a single regression of the choice outcome on the sets of dummy variables for the attribute values. The outcome variable is which candidate does the voter i choose—and the voter could not choose the option "no candidate". The standard errors were clustered by respondent.

The AMCE for going from the reference category t_0 to the comparison category t_1 is given by the coefficient estimates on the respective dummy variable. The comparison categories (presented

as 0 in the graph below) are: DEM, has experience as federal deputy for various terms, and has not voted on the pension reform. The AMCE represents the marginal effect of some attribute averaged over the joint distribution of the remaining attributes. The estimator is calculated as the following:

$$\begin{aligned}
Candidate_j = & \theta_0 + \theta_1[PSDB] + \theta_2[MDB] + \theta_3[PT] + \theta_4[MDB] + \theta_5[PDT] + \theta_6[PL] \\
& + \theta_7[PP] + \theta_8[PRB] + \theta_9[PSB] + \theta_{10}[PSD] + \theta_{11}[PSL] + \theta_{12}[PTB] \\
& + \theta_{13}[pensionYES] + \theta_{14}[pensionNO] + \theta_{15}[experience_1ter] \\
& + \theta_{16}[experienceNationalTopics] + \theta_{17}[experiencePork] + \epsilon
\end{aligned} \tag{6.1}$$

Voting in favor of the new pension system or against it does not present any statistically significant effects when compared with having not voted on the pension reform. Both point estimates are substantively very close to zero. This means that informing voters about the behavior of the candidate on the pension issue does not affect vote choice. We need to remember that the survey was conducted very close to the date deputies approved the change in the pension system, when the topic mobilized public opinion. Around the time of the survey, the majority (69%) of Brazilians declared that they were aware of the changes in the pension system, of which 17% said they were well informed, 41% more or less informed and 11% poorly informed. A portion of 31% declared to have no knowledge about the subject—among the poorest, this number rose to 45% and among the least educated, to 50%. Among the most educated (93%) and among the richest (95%) said they were informed about the issue (Datafolha 2019). If we go back to the Downs (1972) issue-attention cycle, the topic was getting high attention in the news cycle.

The largest effect measured in the **Pension-2019** experiment is the capacity of the politician to "bring home the bacon". Voters are, on average, 19.6% more likely to vote for candidates who are able to bring pork projects to their precincts—with the upper bound at 25.2% and the

lower bound at 13.2%. The comparison category for this characteristic was simply informing voters that the candidate had experience as deputy for many terms. The other possible features (1-term experience as deputy or experience discussing national topics such as foreign affairs) are not different from the base category.

I take this result as evidence for hypothesis 3: informing that a candidate is effective at bringing projects to the municipality through pork increases the probability of voting, and this is not because voters consider deputy’s experience.

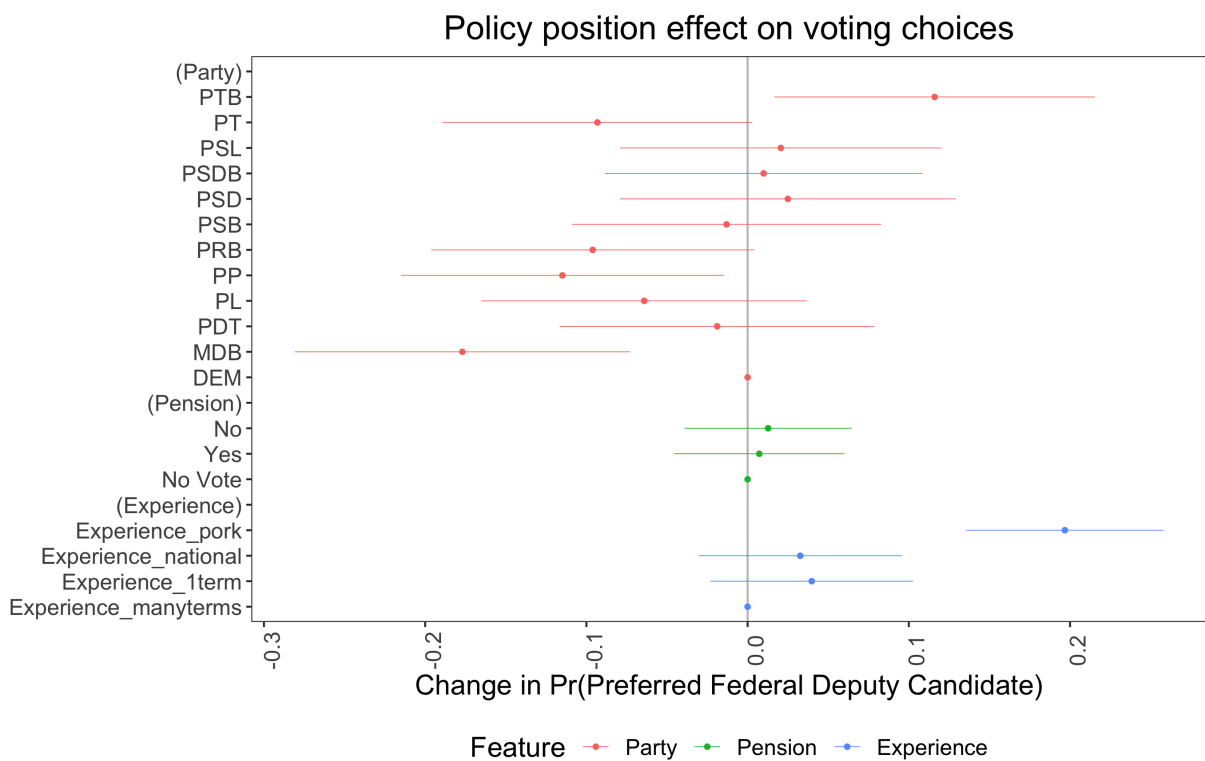


Figure 6.1: The 2019-experiment: Effects of candidate attributes on vote preference, considering the whole sample.

In addition, being associated with PT has a negative point estimate, but this is not statistically significant. The survey was conducted in 2019, a year after PT was defeated in a presidential election, in a moment when anti-PT sentiment was high (Nicolau and Nunes 2020; Samuels and Zucco 2018). In 2018, Jair Bolsonaro won the presidency running for PSL, a small right-wing party. In that year, PSL increased its number of deputies to 54, against only 4 in the previous election, and became the second largest party in the Chamber. Eduardo Bolsonaro, one of the

President's sons, broke the record for the most votes received by a federal deputy (1.8 million).

The result for PT is inconsistent with previous findings, including one of the experiments for this chapter (**Plea-Bargaining-2018**). One of the possible explanation is that varying so many parties influenced the results. In addition, the 2018 elections marked the apex of party fragmentation in Brazil. After the 2018 elections, 30 parties held at least one seat each in the Chamber of Deputies, a new record in the history of the country, against twenty-seven parties in the previous election (2014).

The level of fragmentation affected the size and heterogeneity of government coalitions. Cardoso's coalition for his first term (1995-1998) had 4 parties. In the second term (1999-2002), there were 6 parties. Lula da Silva formed an 8-party coalition in his first term (2003-2006) and a 7-party coalition in the second term (2007-2010), but with greater management problems (Abranches 2018). Rousseff's coalition, in the first term (2011-2014), was made up of 7 parties. In her abbreviated second term (2015-2016), it grew to 10 parties and, in her defense with the Senate, in the impeachment process, she complained that her coalition had grown to 13 parties and that she had lost the capacity for governance.

In general, the average size of the largest parties in the Chamber of Deputies (those with more than 25 deputies) dropped from 57 deputies (11% of the seats) in 1994 to 36 (7% of the seats) in 2018 (see the appendix for more details). With smaller parties dominating the Legislative, it became harder for governments to approve bills. According to one measure, the Executive's legislative success rate is significantly reduced with party fragmentation and the increase in the size and heterogeneity of coalitions. The project approval rate dropped from 92%, in Cardoso's first term, to 72% and 61%, in the two Rousseff administrations (Celina Pereira 2017).⁷

A similar fragmentation trend can be observed looking at PT. Even with four consecutive presidential election wins, the PT's seat share peaked at 18% in 2002 (91 deputies) and declined

⁷The study investigates the recent Brazilian political-institutional crisis, marked by the tensions between the government and the Congress. For this, the phenomena of the governability is analyzed from 1995 to 2016, which includes the two mandates of Fernando Henrique Cardoso, Luis Inacio Lula da Silva and Dilma Rousseff. The work proposes the so-called "diagnostic test of governability", composed by 13 (thirteen) indicators and different data for the period. The results indicate different degrees of governability in presidential administrations, with lower levels in Rousseff's governments, especially in the second term.

after that: 17% in 2010 (88 deputies), 13.5% in 2014 (70 deputies) and 11% (54 deputies) in 2018– which was very close to the 9.5% achieved in 1994 (49 deputies). Since winning the presidency for the first time, in 2002, the PT faced a "separation of purpose" (Samuels and Shugart 2003, 2010). Where the presidential candidates running under the party label performed better, PT's legislative candidates did worse.

Conjoint analysis also enable one to estimate AMCEs for theoretically relevant subgroups, or the conditional AMCEs (Hainmueller, Hopkins, and Yamamoto 2014). In other words, the treatment effects can differ depending on non-randomised characteristics of the voters. Similar to other studies, I use covariates measured from questions asked before the conjoint experiment was conducted. To test hypothesis 2 (heterogeneous effect) I use different survey questions to assess if there is any effect of informing voters about the position of the candidate on the pension reform, conditioning on the previous assessment of the voter on the economic measures implemented by the government.

The basic hypothesis is that those who had higher expectations about the impact of the policy on their lives also had a higher probability of considering lawmakers policy positions in making their choice. As the next figure makes clear, the patterns of support for deputies who vote in favor of the pension system are generally similar for respondents irrespective of their previous level of support for the economic policies of the government. Still, there is some evidence that those who previously disapproved of the economic policy of the government supported more candidates who opposed the changes in the pension system. These voters were also more likely to support PT candidates. This makes a lot of sense, because PT and other leftist parties campaigned against the changes in the pension system, aligning themselves to unions who mobilized their members against the constitutional amendment.

It is also worth noting that hypothesis 3 ("Pork buys voters") is supported by the results for all the subgroups. Independently of the position of voters on the economic measures adopted by the government, pork effectiveness increases the probability of voting for a federal deputy candidate by around 18%.

All in all, the evidence suggests that voters care more about the capacity of lawmakers to

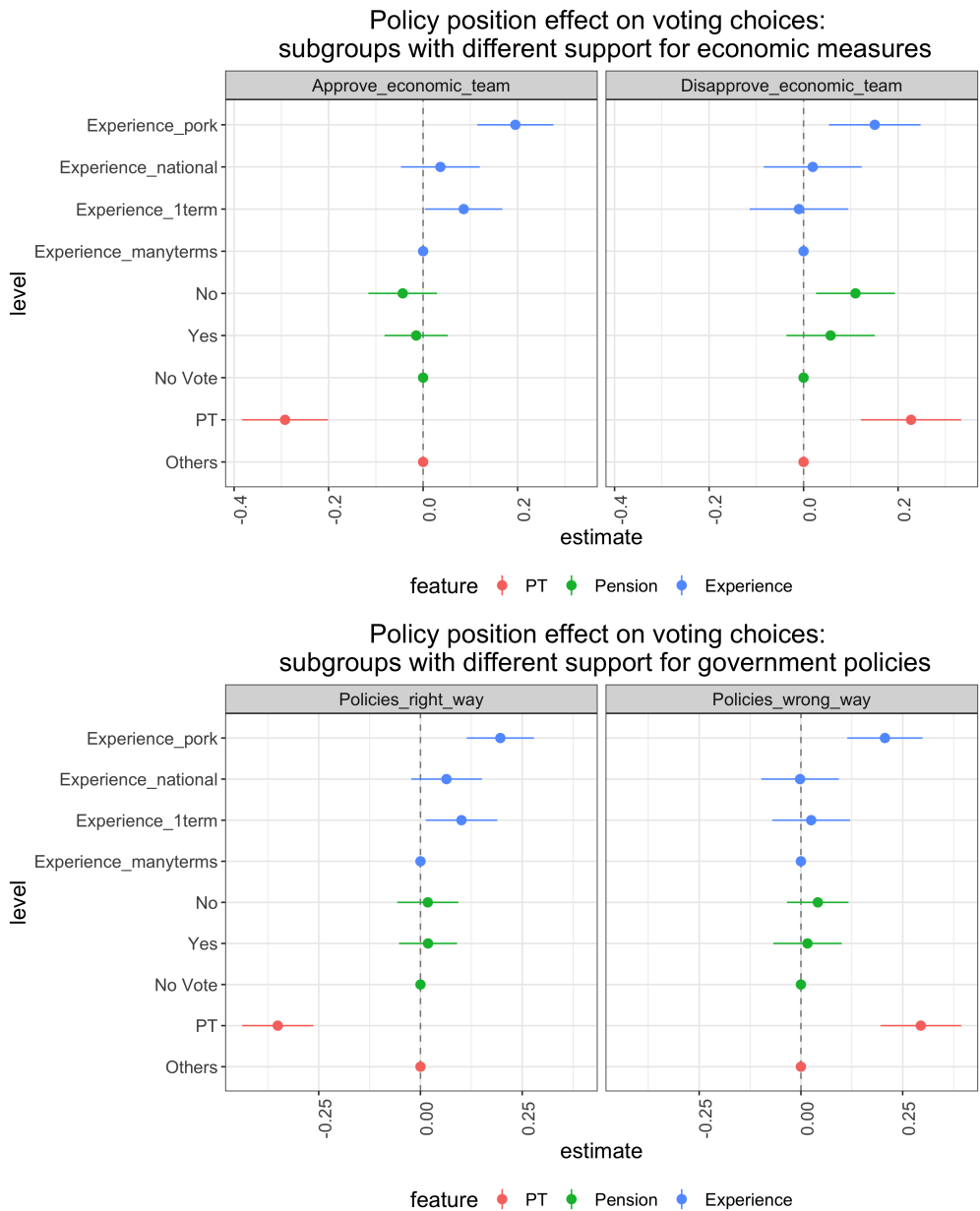


Figure 6.2: The 2019-experiment: Effects of candidate attributes on vote preference, considering groups that supported governments’ economic measures and those who opposed them.

bring projects to their districts than their positions on a policy change, such as the pension reform. There are some exceptions, though. Voters with a higher probability of supporting leftist candidates, especially from PT, had also a higher probability of supporting candidates who positioned themselves against the pension changes. This is very consistent with what I have shown in the previous chapters. The main strategy of unions and leftist parties was to threaten lawmakers, arguing that those who voted in favor of the pension changes would be punished while those who voted

against it would be rewarded.

6.6 The Pension-2021 experiment: when the topic is NOT in the news

The previous section presented initial evidence that general voters pay more attention to other characteristics of lawmakers rather than policy positions when deciding their votes. The exception were voters who supported PT – which is consistent with the strategy adopted by unions and parties who promoted the campaign "If you vote for the pension reform, you are not going to be reelected" to pressure deputies to vote against the bill.

But, no matter voters' ideological preferences, the most important factor in the voting decision is the capacity of a deputy to "bring home the bacon". One could conjecture that these results were a function of the timing of the survey, right after the approval of the measure, when the salience of the topic was high and the majority of voters expected the measure to produce economic growth, as promised by lawmakers and the Brazilian government, while PT supporters predicted a negative impact on the economy. One third of the population believed that the new law would hurt the economy, one of the arguments made by the opposition.

To deal with these concerns, the next experiment was conducted in a national representative survey collected during March 2021, a year and a half after the new pension system was put in place. At that point, the country's economy was suffering due to the coronavirus crisis and the pension topic had been out of the news cycle for almost two years.

The two hypothetical candidate profiles were shown side by side, allowing voters to compare the different characteristics for as long as they wanted.⁸ The **Pension-2021** experiment was used to provide further tests about the candidate's position on the pension policy change, and also all the other possible characteristics defined in this chapter.

In addition, taking advantage of the learning from the **Pension-2019** survey, I proposed to test how much voters care about pork projects compared with other relevant political brands, focusing

⁸The survey was conducted with 1,800 voters. Since internet surveys in Brazil have some issues with coverage errors (around seven out of 10 Brazilians are online, while nine out of 10 internet users access the web on a daily basis), a post-stratification model was applied with different auxiliary variables.

on ideological issues (family values and the legalization of marijuana), and economic positions (less taxation and public spending). Another difference was to omit parties in this round, but to include explicitly the relationship with president Jair Bolsonaro, which could be the defining characteristic for voters.

This time, parties were used to test heterogeneous effects. Before the experiment was presented to voters, two different questions about partisanship (pre-treatment) were presented to measure the levels of *petismo*, *antipetismo*, and non-partisanship. With those questions, I am able to test different behaviors among these subgroups (Samuels and Zucco 2018). To summarise, the experiment was designed to test the following hypotheses:

1. **Policy-voting:** On average, voters do not base their vote on the policy positions of candidates.
2. **Heterogeneous effect:** Specific groups directly affected by targeted campaigns against the pension reform were less prone to vote for candidates who supported the policy, specifically those who identify themselves with PT (i.e. *petistas*).
3. **Timing:** Effects will depend on the issue-attention cycles and can only be perceived when the topic is salient. When the topic is not salient we should not find any effect, no matter the groups.
4. **"Pork buys voters":** Informing a voter that a candidate is effective at bringing projects to the municipality through pork increases the probability of voting for the candidate even when comparing with ideological positions (family values and the legalization of marijuana).
5. **Older versus younger:** Since minimum ages for retirement were established, those most affected by the changes will be most likely to change their vote choice according to lawmakers' positions on the pension bill.

The **Pension-2021** conjoint experiment was presented in the following way:

"Next year, there will also be elections for federal deputy. Imagine that there are two candidates in the region where you live and you need to choose one of them considering the information presented below. Which of the two candidates would you choose"?

The four set of characteristics were randomly assigned to the candidates were:

1. **Experience as a deputy:** a) Candidate for re-election; b) Has no experience as a deputy.
2. **Focus of the term:** a) Protection of family and conservative values; b) Progressive Agenda and Marijuana Legalization; c) Investments in health and education in your region, through pork; d) Decrease in taxes and public spending.
3. **Behavior regarding the pension reform:** a) Voted in favor of the pension reform in 2019; b) Has not voted in the pension reform in 2019.
4. **Relationship with Bolsonaro:** a) Is an ally of president Jair Bolsonaro; b) Opposes president Jair Bolsonaro.

As in the previous experiment, the estimator is the AMCE, which represents the marginal effect of some attribute averaged over the joint distribution of the remaining attributes. The comparison categories are: Has no experience as a deputy, family values, has not voted in the pension reform in 2019, and opposes president Jair Bolsonaro:

$$\begin{aligned}
 Candidate_j = & \theta_0 + \theta_1[pensionYES] + \theta_2[incumbent] + \theta_3[marijuana] \\
 & + \theta_4[Pork] + \theta_5[Expenditures] + \theta_6[Bolsonaro] + \epsilon
 \end{aligned}
 \tag{6.2}$$

Similarly to the **Pension-2019**, on average, there is no distinguishable difference between the hypothetical candidates who voted for the pension and those who did not vote on the bill. Again, having the ability to bring projects through pork is relevant to change the probability that voters

will choose the candidate. This result holds if we consider both ideological positions (marijuana legalization or family values) as the comparison group.

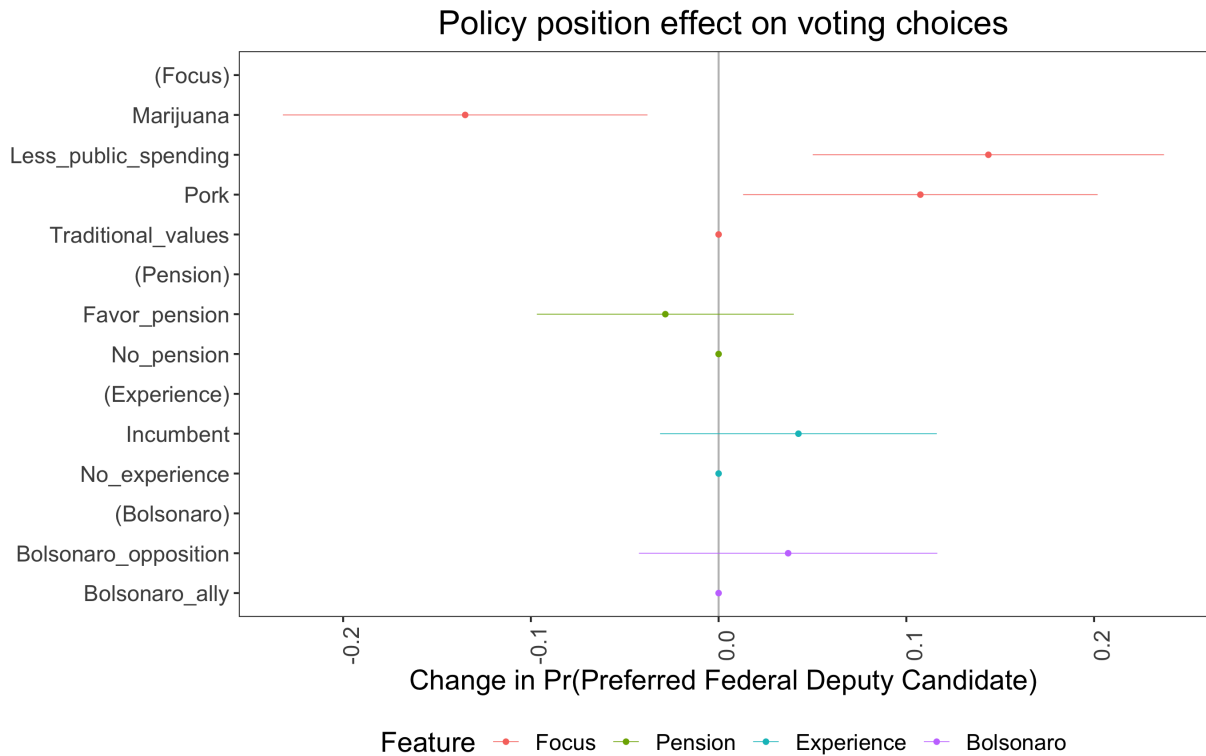


Figure 6.3: The **Pension-2021**: Effects of candidate attributes on vote preference, considering the whole sample.

The **Pension-2021** and the **Pension-2019** experiments indicate how, on average, Brazilian voters did not use information about how legislators voted on the pension reform when deciding their votes in the next election. A first conclusion could be that the threat presented by the anti-change group (the "vote you out" tactic) is not credible. Nevertheless, elections for Congress are not based on average effects. Brazil uses an open list proportional representation system with one of the largest district magnitudes in the world.⁹ As a result, candidates compete not only against contenders from other parties, but against their only party-members, since it is necessary to be on the top of the list to get elected. In this situation, losing even a couple of thousand of votes might make the difference between succeeding or failing to get elected. That is the reason why the threats

⁹The district for the Chamber of Deputies election is the whole state. The district magnitude varies from 8 to 70 seats.

of the anti-change group are credible, as far as politicians are considered. In the words of a federal deputy who failed in his attempt to be elected after voting for a pension reform in the 2000s: "It is very difficult to face a hundred billboards with your photo and the caption: 'traitor to the people'" (Giambiagi and Esterminio 2006).

In addition, the threat might be higher depending on what type of voters support certain candidates. For instance, a deputy whose base of support is formed by union members should fear more the possibility of being punished for voting for a pension reform than someone whose support come from pro-business voters.

In other words, it is necessary to test for the conditional AMCEs (Hainmueller, Hopkins, and Yamamoto 2014). To test that directly, I included in the survey a covariate asking directly if the voter considered herself a PT supporter (*petista*), a PT critic (*antipetista*) or non-partisan (*neither petista nor antipetista*). Positive partisanship is typically considered the psychological attachment to a larger group and a form of social identity (Haidt 2012). By contributing to the individual's sense of self, it motivates political engagement, and impacts vote choice (D. Green, Palmquist, and Schickler 2002; Johnston, Steenbergen, and Lavine 2012; Miller 1996).

Samuels and Zucco (2018) show that PT has the most consistent partisanship in Brazil. In fact, *petismo* is bounded just like partisan attitudes in less fragmented party systems. PT began attracting a wide base of partisan support in the 1980s, and for the next three decades *petismo* has spread among voters reflected the party's growing importance in Brazilian politics. By the mid-2000s, about 30% of Brazilians claimed to have PT as their preferred party. Currently, 24% of Brazilians say that PT is their preferred party and 61% declare they have no preferred party.

Nevertheless, considerably less research is done about negative partisanship –in Brazil or elsewhere. Voters' rejection of a particular party might also be a powerful tool for politicians. It is true that the Michigan School (Campbell et al. 1960) argued that partisanship could entail both positive and negative attitudes, but most research has explored the positive side of partisanship. There are some exceptions, in Brazil (Paiva, Krause, and Lameirão 2017; Ribeiro, Carreirão, and Borba 2017; Samuels and Zucco 2018) and elsewhere (Mayer 2017; Mike Medeiros and Noël 2014). In Brazil, the topic recently gained traction, due to the hypothesis that Bolsonaro's election could be

largely explained by the *antipetismo*. In a recent survey, 25% of those voters who declared to support the reelection of president Jair Bolsonaro said that the main reason was their "antipetismo". That was the most cited reason among all possibilities included in the survey (Quaest 2021).

If the party system in Brazil is divided among those voters who support PT, those who consider themselves anti-PT and those who do not hold any strong view regarding the party, I can use the question from the survey to test the hypothesis by calculating the conditional AMCEs for these three groups. During the 2019 pension reform discussion, PT campaigned alongside unions against the proposal – and the party voted unanimously against it in Congress. My hypothesis is that the position on the pension topic was conditioned on the view of voters regarding PT. In fact, among voters who chose PT as their favorite party, the probability of voting for a candidate who voted for the pension reform was 14.4 percentage points lower compared to a candidate who did not vote on the proposal. The position on the pension proposal is only relevant for the vote choice of PT supporters, while there is no effect on the choice of voters who prefer other parties or no party at all.

However, the question about positive partisanship does not allow to disentangle the effects of negative partisanship. In addition, there is a theoretical difference between asking voters about their preferred party and if they consider themselves as *petistas* or *antipetistas* (Samuels and Zucco 2018). Figure 5 shows, again, that only *petistas* use the information about the candidate's position on the pension reform when deciding their votes for Congress. A candidate who supports the pension changes has 14 percentage points less probability of being selected by a *petista*. *Antipetistas* and non-partisans do not use information about the pension policy position in their voting choice.

One possible alternative explanation is that voters make their choices for Congress not considering their view about PT, but their their evaluation of the president. If voters are "following the leader" (Lenz 2013), does that mean that they will adopt consider the president's policy position when choosing their candidates for Congress? After all, the pension reform was proposed by Jair Bolsonaro's government. In general, the relationship with the president does matter for the choice of deputies. Among those voters who support Bolsonaro, a candidate who opposes the president has over 40 percentage points less probability of being selected by voters. Similarly, among those voters who disapprove the president, a candidate who opposes the president has a higher probabilit-

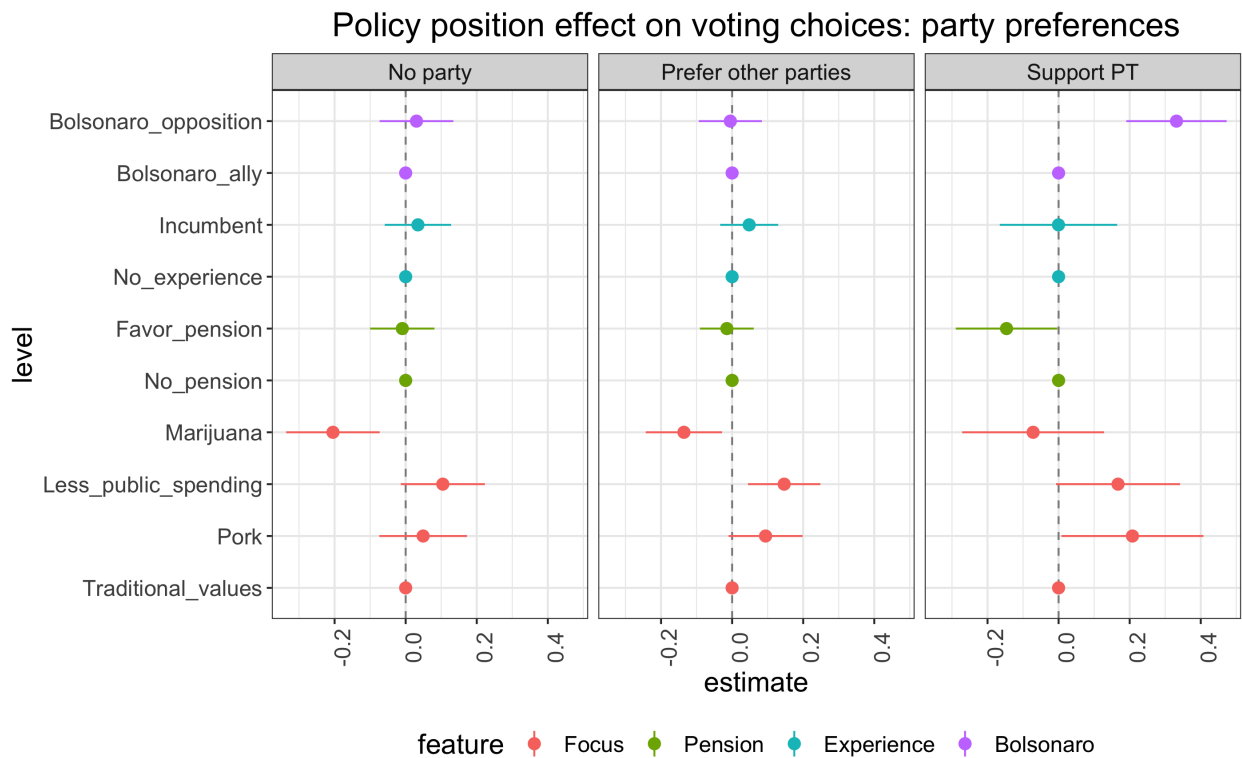


Figure 6.4: The **Pension-2021**: Effects of candidate attributes on vote preference, considering PT supporters, supporters of other parties, and non-partisans.

ity of being selected. However, among voters who approved Bolsonaro’s government, the position on the pension reform does not have any effect on the probability of voters choosing a certain candidate. This is not true for voters who disapprove the government, a group highly correlated with *petistas*. Within this group, a candidate who supported the pension reform had a lower probability of being selected by voters. This is consistent with the hypothesis that policy positions are only important for *petistas*.

Finally, it is plausible that the support for the new pension rules is lower among those who were immediately hurt by the changes (i.g. as retiring later). After all, for younger people, creating a minimum age for retirement that is higher than the previous rules might be too far away to make any difference in the present. But those who were closer to retirement might feel the costs much more. On the other hand, even if older voters do not consider the position of lawmakers when deciding their votes, this strengthens the argument I have presented. Because the pension reform created a minimum age for retirement that was higher than the previous rules (62 years for women

Policy position effect on voting choices:
petistas, antipetistas or non-partisans

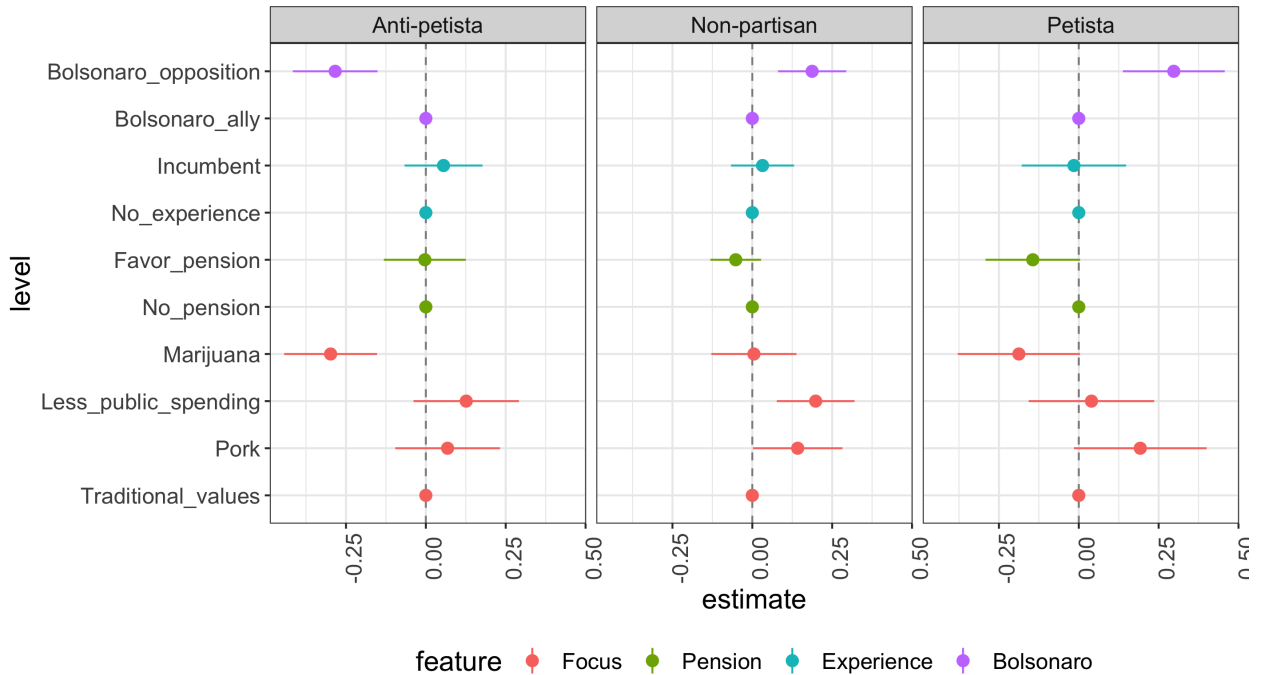


Figure 6.5: The **Pension-2021**: Effects of candidate attributes on vote preference, considering *petistas*, *antipetistas*, and non-partisans.

and 65 for men), I divided the sample into two groups of voters: those 45 years old or older, and those younger than 45. The age division into five groups¹⁰ is a standard practice in surveys conducted in Brazil, so it simple to combine these in the two groups I need.

The signals are in the expected directions (while younger people tend to support the change in the system, older people would punish candidates who voted in favor of the measure). Nevertheless, once more, there is no distinguishable effect for the position of the candidate on the pension issue, even for the older voters.

I take all the evidence presented in this section as further support for the argument that voters do not use information about candidates' policy positions to inform their voting choices. Voters might still have strong positions in the issues, but, at least, they just do not weight them heavily when voting. The results hold no matter how prominent the topic is in the news or how close is the election. The only exception seems to be partisans connected with PT.

¹⁰16-24; 25- 34; 35-44; 45-59; >=60.

Policy position effect on voting choices: subgroups with different support for E

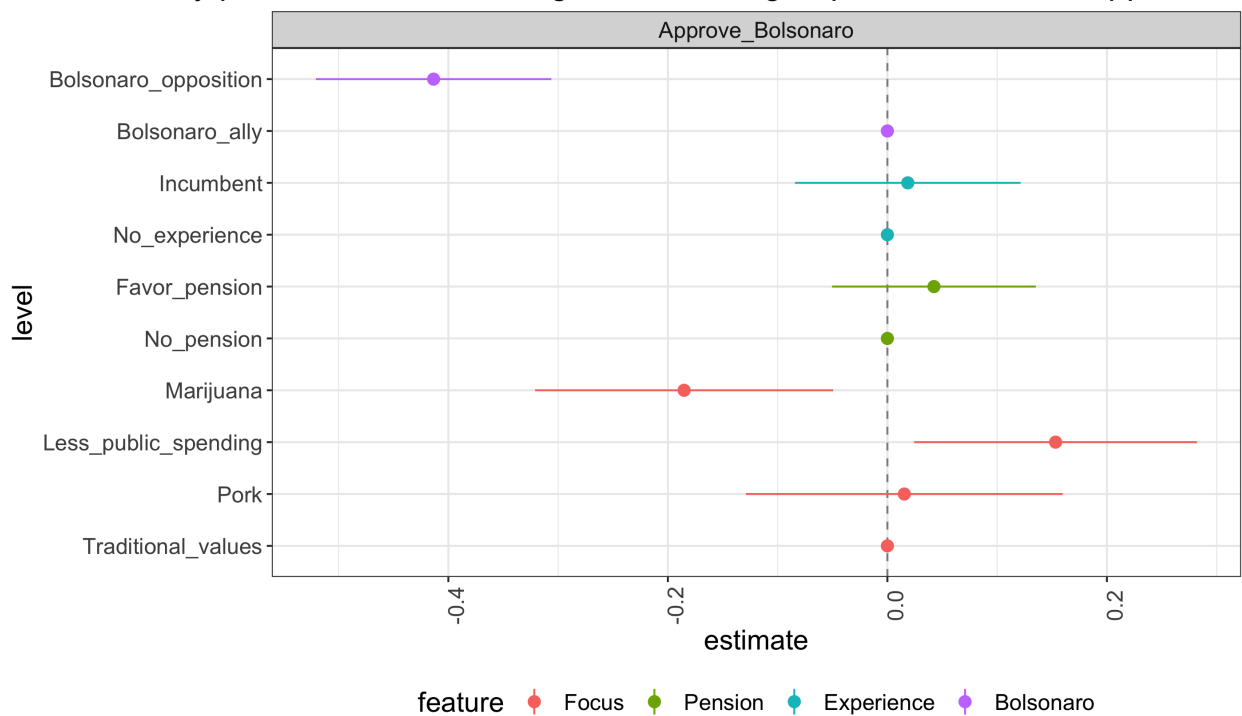


Figure 6.6: The **Pension-2021**: Effects of candidate attributes on vote preference, considering level of support for president Jair Bolsonaro.

These findings are important for this dissertation. While lawmakers might be afraid of voting on controversial policy topics when worried about the average voter, these worries are influenced by organized groups, which try to generalize their position to a large number of voters. Recollecting the sequential game presented in the theoretical chapter, lawmakers' behavior is influenced by their perception on how hurtful or beneficial a specific project might be to their electoral prospects.

6.7 The Plea-Bargaining-2018 experiment: a placebo test

Are all the results presented in the previous sections conditioned on the pension topic itself or only valid for congressional elections? Changing the pension system is a complex issue and it might be the case that voters do care about other salient topics when deciding on their representatives in Congress. In addition, do voters pay more attention to policy when selecting the president in comparison to Congress? To further test the hypothesis that the electoral importance of issue

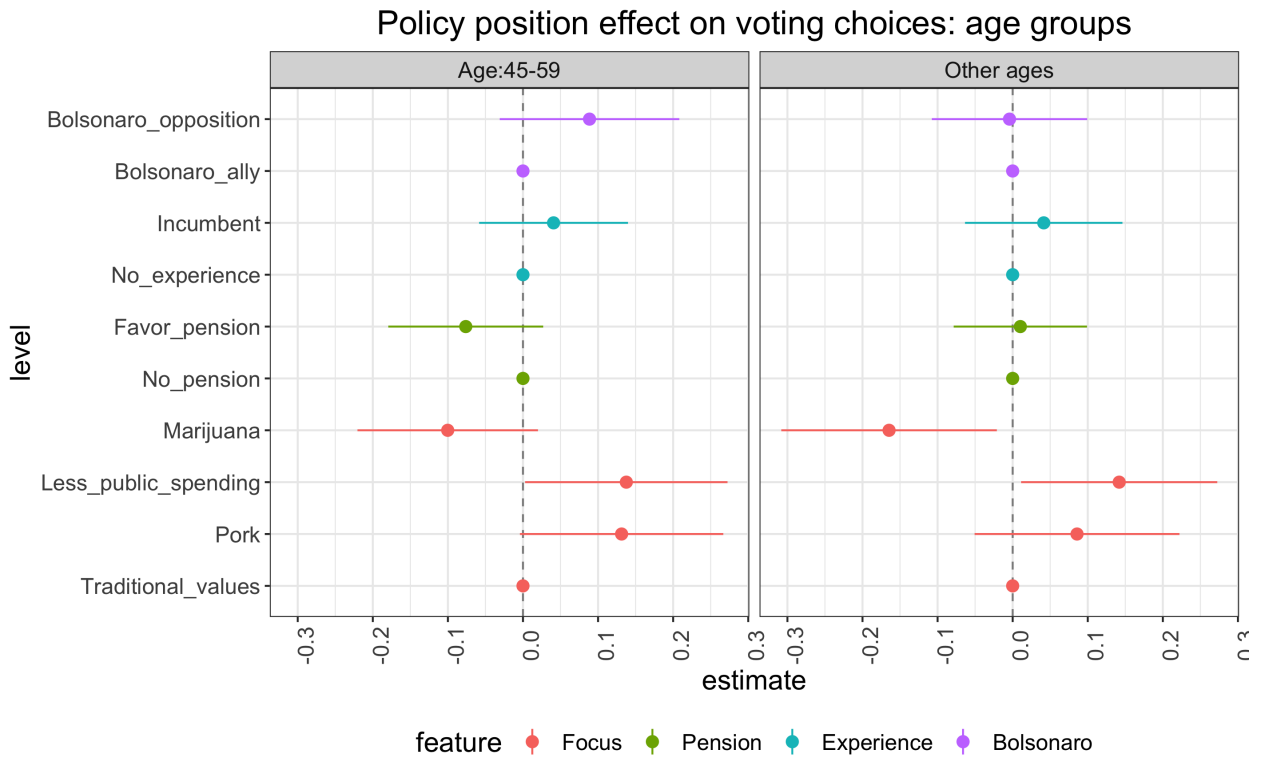


Figure 6.7: The **Pension-2021**: Effects of candidate attributes on vote preference, considering age groups.

positions depends on the topic, I propose a placebo test.

The **Plea-Bargaining-2018** experiment was conducted in person and the profiles of possible presidential candidates were shown on a tablet to voters. The survey was conducted during a highly contested national electoral campaign period, in 2018, when Brazil was choosing its president. Finally, the chosen topic was related to the largest voter concern at that time, corruption. The issue selected to measure voters' own preferences and then to weigh in their voting calculations was if politicians should keep or kill a plea-bargaining law, which was considered one of the most important tools to face corruption in the country.

For instance, a survey conducted in January 2018, 10 months before the election, showed that honesty was the main characteristic that Brazilian voters were looking for in a candidate (72%), and not being involved in the Petrobras scandal/Carwash Operation was frequently cited (11%).¹¹ "The survey highlights that honesty is far more important than the proposal, experience, or whether

¹¹For all the results, see Appendix B.

the politician is prepared or not", said the pundit responsible for the collection of the data at that time (Exame 2018a). But will voters clearly punish politicians who vote against anti-corruption bills?

The idea of my survey experiment is to isolate any possible effect of informing voters that the politician would work against the plea-bargaining law—which at that point was a real possibility (Bergamo 2018). I avoided using the word "corruption". After all, studies have shown that respondents say that they are against corruption in surveys, which is not confirmed in real life experience (Dunning et al. 2019; Winters and Weitz-Shapiro 2013).

The plea-bargaining law is a complex topic, but after the 2013 protests it became part of the daily-life discussions in the country (i.e., it entered the issue attention cycle).¹² As a crude proxy to measure the salience of the topic, I use the number of Google searches for the expressions "plea," "plea-bargaining," and "what is plea-bargaining". Google trends only shows data for popular terms, so search terms with low volume appear as "0" (see the Appendix C for the results). The plea-bargaining term reached a large popularity on Google in 2017 and 2018, while it was nonexistent before that.

The **Plea-Bargaining-2018** experiment was designed to test the following hypotheses:

1. **Policy-voting:** Voters do condition their vote on the policy position of candidates when the topic is salient.
2. **Knowledge:** Those with higher knowledge of the topic have a higher probability of using it in their vote.
3. **"Pork buys voters":** Informing the voter that a candidate is effective at bringing projects to the municipality has an independent, positive effect.

My strategy was to vary three characteristics, including party, experience/capacity of delivering goods for the constituents, and the main treatment: informing the voters if the politician would

¹²Even the most influential comedy Youtube channel in Brazil produced 5 videos talking about plea-bargaining, with over 22 million views.

act against or for the plea-bargaining law. The inclusion of the variation on the experience issue was an attempt to isolate the capacity of politicians to bring pork, a traditional driver for vote. The candidates were also presented as politicians who had previously served as Federal Deputies, which mimicked the profile of Jair Bolsonaro, who ended up elected president. The treatment given to respondent i is the j_{th} profile in her k_{th} choice task by a vector T_{ijk} , whose l_{th} component T_{ijkl} corresponds to the l_{th} attribute of the profile.

The question introduced in the survey was very straightforward:

"I would like you to imagine two candidates for president who are running for the October elections and who have already been federal deputies for several terms. Which one would you rather be elected president"?

The characteristics that were randomly assigned to the candidates were:

1. **Party:** PT, PSDB, MDB
2. **Plea-bargaining:** a) Promise to keep the plea-bargaining law; b) Promise to end the plea-bargaining law
3. **Experience:** a) Has experience as federal deputy, being responsible for projects of health and education to his city; b) Has experience as federal deputy

These characteristics were presented in the standard conjoint setup, with no unrealistic combination. In this first question, voters are asked to choose between the two candidates, a "forced-choice" design that enables to evaluate the role of each attribute value in the assessment of one role relative to another. They could also choose neither of the candidates.

To obtain the AMCEs for all attributes simultaneously, I follow the same estimator proposed by Hainmueller, Hopkins, and Yamamoto (2014): by running a single regression of the choice outcome on the sets of dummy variables for the attribute values. The outcome variable is which

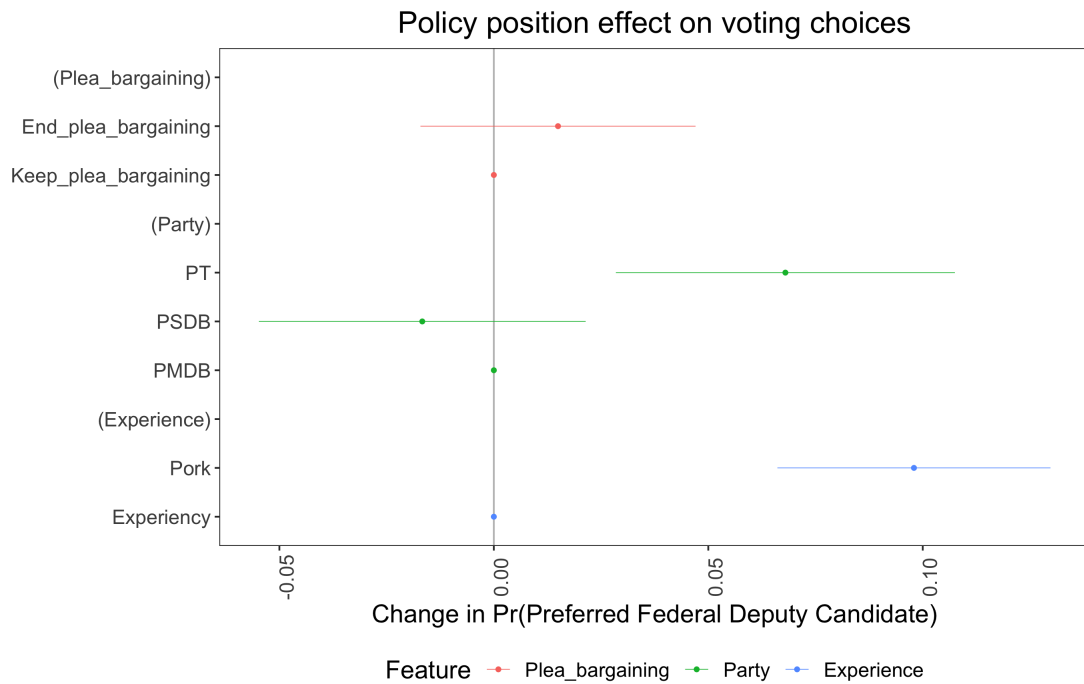
candidate does the voter choose, including the option "no candidate". The standard errors were clustered by respondent. Since I am using dummy variables for all the categories, the ACME for going from the reference category t_0 to the comparison category t_1 is given by the coefficient estimates on the respective dummy variable. The comparison categories (presented as 0 in the graph below) are: MDB, "has experience as federal deputy", and "promises to keep the plea-bargaining law".

The AMCE represents the marginal effect of some attribute averaged over the joint distribution of the remaining attributes. The estimator is calculated as the following:

$$\begin{aligned}
 Candidate_j = & \theta_0 + \theta_1[PT] + \theta_2[PSDB] + \\
 & \theta_3[Pork] + \theta_4[EndPleaBargaining] + \epsilon
 \end{aligned}
 \tag{6.3}$$

While previous surveys showed that the general population was very concerned with corruption in the 2018 election, in this survey respondents preferred candidates with higher experience, who showed the capacity to bring projects to the municipalities or states using pork. In fact, candidates with experience in bringing home projects are 9.8% more likely to be supported by the voters.

Even though the population constantly pointed out corruption as one of the main issues in Brazil during the election, being associated with killing the plea-bargaining law did not hurt a candidate; in fact the point estimate is positive (albeit not statistically significant).



To test conditional effects among subgroups, I included in the survey a question to test the different levels of knowledge regarding the plea-bargaining law among voters. The question was asked before the experiment. Voters could choose among the following options:

1. **I know the rules well:** The person declares to know very well how the plea-bargaining law in Brazil works (11% of the sample).
2. **I know more or less the rules:** The person declares to know a little about how the plea-bargaining law in Brazil works (26.3% of the sample).
3. **I know only by hearing about it:** The person declares to have heard about it, but does not know how the plea-bargaining law in Brazil works (23.7% of the sample).
4. **I do not know the rules:** The person declares to have no knowledge about the law (32.5% of the sample).
5. Don't know how to answer/ did not answer (6.5% of the sample).

The test for these conditional AMCEs considers two categories: voters with at least some

knowledge about the law (items 1 and 2), and all the other respondents (items 3 to 5). Even if we did not group these voters and use all five categories, the results are the same.

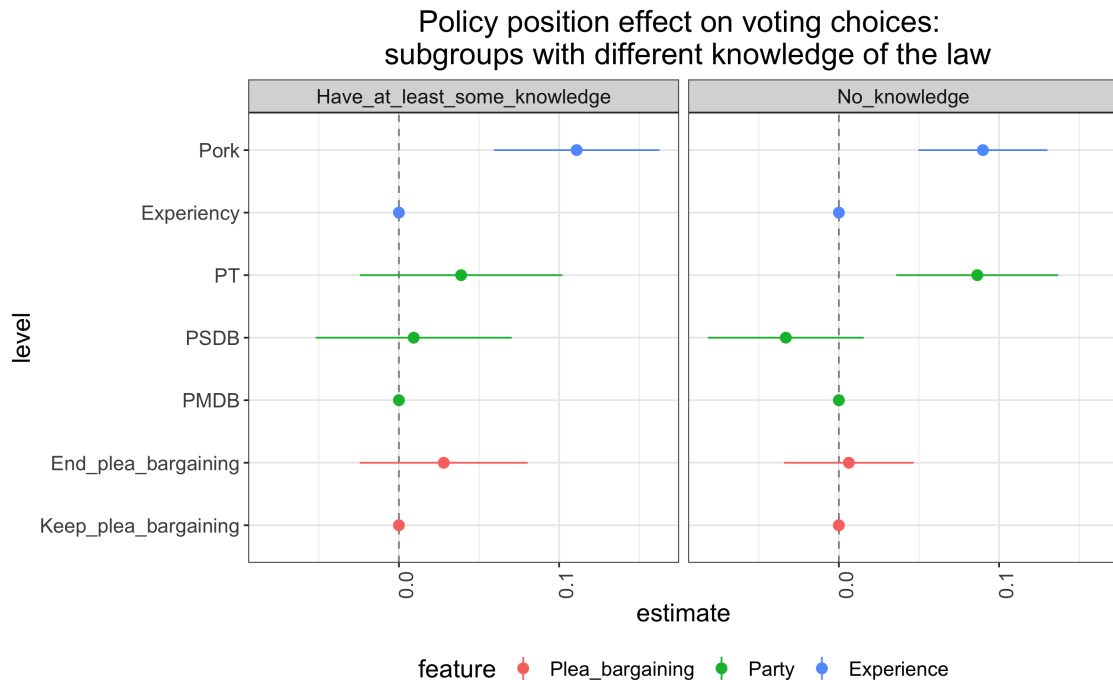


Figure 6.8: The 2018-Experiment: Effects of candidate attributes on vote preference, considering effects among those who know the plea-bargaining law and those who do not know.

Even among the respondents who say that they understand the plea-bargaining law well or somewhat well, there is no effect of the declared position of the candidate on the topic. Among those who have little or no knowledge about the law, there is also no effect when comparing those profiles who promised to kill the law with those who would keep it.

One noticeable difference is that voters who have little or no knowledge about the issue are more likely to choose a PT candidate. This happens because the low level of knowledge about the plea-bargaining law is highly correlated with income and education—and PT has a higher level of support among the poor.¹³ This indicates that voters are not able to hold politicians accountable on these complex topics involving anti-corruption practices, even when they say they are knowledgeable about them.

¹³This is consistent with the literature, that shows how PT performs better among poorer and less educated voters.

6.8 Discussion

The results for all the experiments presented in this chapter are in line with the current literature on information to voters and accountability. As shown by Dunning et al. (2019), civil society organized groups and international donors consistently advocate using voter information campaigns to improve democratic accountability. But this large and coordinated study finds no evidence overall that typical, nonpartisan voter information campaigns shape voter behavior – even though their exploratory and subgroup analyses point out certain conditions under which informational campaigns might be more effective.

All of the evidence presented in this chapter support the hypothesis that on average, the electoral prospects of lawmakers are not affect by voters’ evaluations of their policy decisions. In fact, when deciding whether to vote on a policy change, such as a constitutional amendment, lawmakers can only make an imperfect assessment on how voters will behave in the following election. That is exactly why I have modeled the probability of voters’ supporting or opposing a politician after a policy vote as a random event (see chapter 2). The results are also very consistent across different levels of salience, different timing regarding election and different methods, as shown in the next table:

Experiment	Variable	AMCE	p.value	ci.lower	ci.upper
Plea-Bargaining-2018	End Plea	0.015	0.36	-0.017	0.047
Pension-2019	PensionYes	0.007	0.87	-0.046	0.061
Pension-2021	PensionYes	-0.028	0.41	-0.096	0.040
Plea-Bargaining-2018	PT	0.068	0	0.028	0.107
Pension-2019	PT	-0.093	0	-0.228	-0.036
Pension-2021	Bolsonaro-opposition	0.037	0.37	-0.042	0.116
Plea-Bargaining-2018	Pork	0.097	0	0.066	0.129
Pension-2019	Pork	0.196	0	0.136	0.252
Pension-2021	Pork	0.108	0.002	0.05	0.23

Table 6.1: A summary of comparable findings from all the experiments

One of the main arguments presented by the supporters of changing the pension system in Brazil was that this was an essential measure to promote economic growth. This idea was part of the messages sent by organized groups, as shown in the experiment described in the previous

chapter. On the other hand, unions and leftist parties argued that voters would be harmed by the pension changes (e.g., they would have to retire later than expected) and should punish those lawmakers who supported the change. The results from the conjoint experiments indicate that this effect only exists for partisans of PT.

As a consequence, when Congress is voting on issues that divide interests, organized groups try to influence lawmakers assessment about how voters are going to behave in the future (next election). Commonly, those in favor of maintaining the status quo mobilize their members with two goals. First, threaten those candidates who draw a meaningful share of their votes from that group (e.g., lawmakers elected with the support of unions). But more importantly, mobilize to give the impression that a large share of the population will punish lawmakers electorally—even those who does not get any votes directly from the group.

But as discussed in the previous chapter, the few studies that tried to test the hypothesis that lawmakers are punished for voting in favor of pension changes did not find any clear correlation between voting for a pension reform and being punished by voters (Nery (2017)). This project provides more robust evidence that voters do not punish or reward lawmakers due to their behavior on even objectively important policy changes.

Traditionally, bills are approved without any knowledge of the majority of population. As demonstrated by (Limongi and A. Figueiredo 1999), on ordinary legislation, party leaders might use strategies such as calling for symbolic voting or final voting directly on the thematic committees, without the necessity of sending the topic to the floor. When target policies that benefit specific groups face no opposition and no publicity, it is easier to approve a change in legislation. Yet constitutional amendment should face a different game. Not only do these proposals need three-fifths majorities in both houses and through two rounds of voting but they are only approved with roll-call voting, which increases the clarity of responsibility.

6.9 Conclusion

The experiments described in this chapter show that most voters do not consider policy if they are making decisions on their own with no input from groups that are trying to influence their votes

(i.e., in the experimental setting). The results from the survey experiments suggest that, because voters do not seem to make policy assessments independently, they instead use cues provided by interest groups they trust or other information provided by campaign advertising to decide how to vote. By funding campaign advertising and other efforts to reach voters with persuasive communications, interest groups have power to influence politicians.

All of these results speak with different parts of the literatures on politics, elections, and policy making, but in the context of this dissertation they fulfill one specific role. My theoretical argument is that lawmakers fear that voters might be influenced by campaign efforts and group mobilization even if they do not understand policy changes, such as the pension system or anti-corruption law. This fear is used by organized groups, who promise to punish those who vote against the status quo, and reward those who defend it.

Incumbents know that voters can be persuaded by groups and campaigns. That is why, especially given the supermajority requirements of a constitutional amendment vote, proponents would be best served to "buy" deputies' votes with promises of pork. Yet, as the pension example shows, even this tool is not sufficient in some cases. That is why competing organizing groups are key actors to counterbalance the pressures from those groups who aim to keep the status quo.

6.10 Appendix

6.10.1 The most important characteristics voters wanted when selecting candidates in 2018

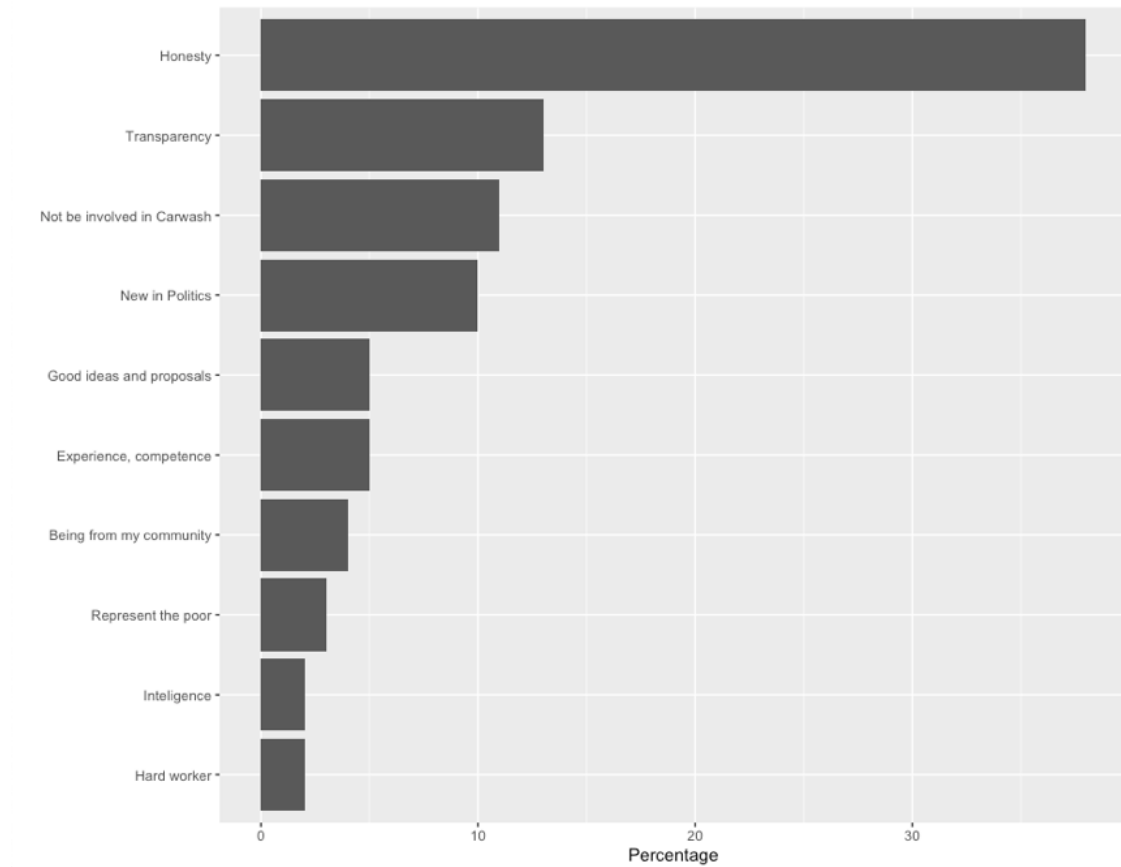


Figure 6.9: Source: Ideia Big Data survey from January, 2018, with a sample size of 5,003

6.10.2 Popularity of terms related to plea-bargaining law

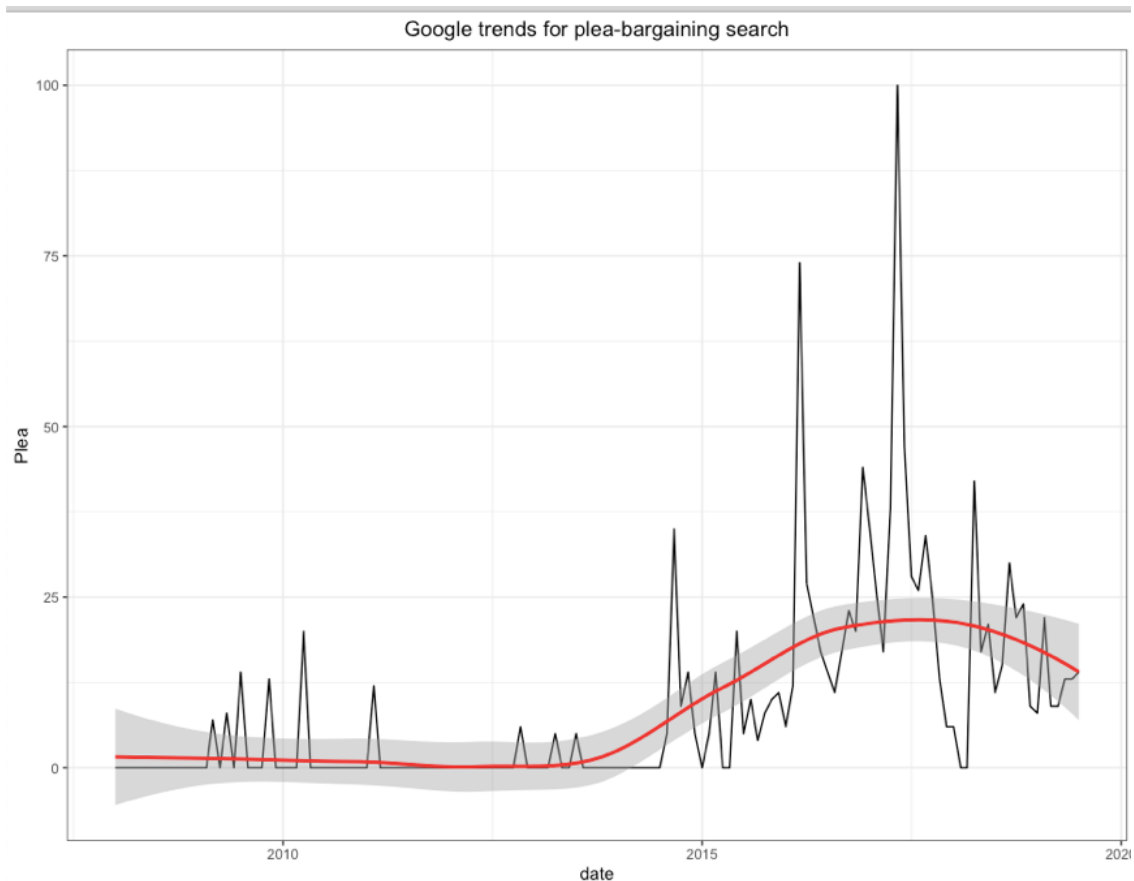


Figure 6.10: Google does not show the absolute number of searches, but each data point is divided by the total searches of the geography and time range and it represents to compare relative popularity. The resulting numbers are then scaled on a range of 0 to 100 based on a topic's proportion to all searches on all topics. Different regions that show the same search interest for a term don't always have the same total search volumes. Trends only shows data for popular terms, so search terms with low volume appear as "0"

6.10.3 Google search for the terms "plea", "plea-bargain," and "what is plea-bargaining"

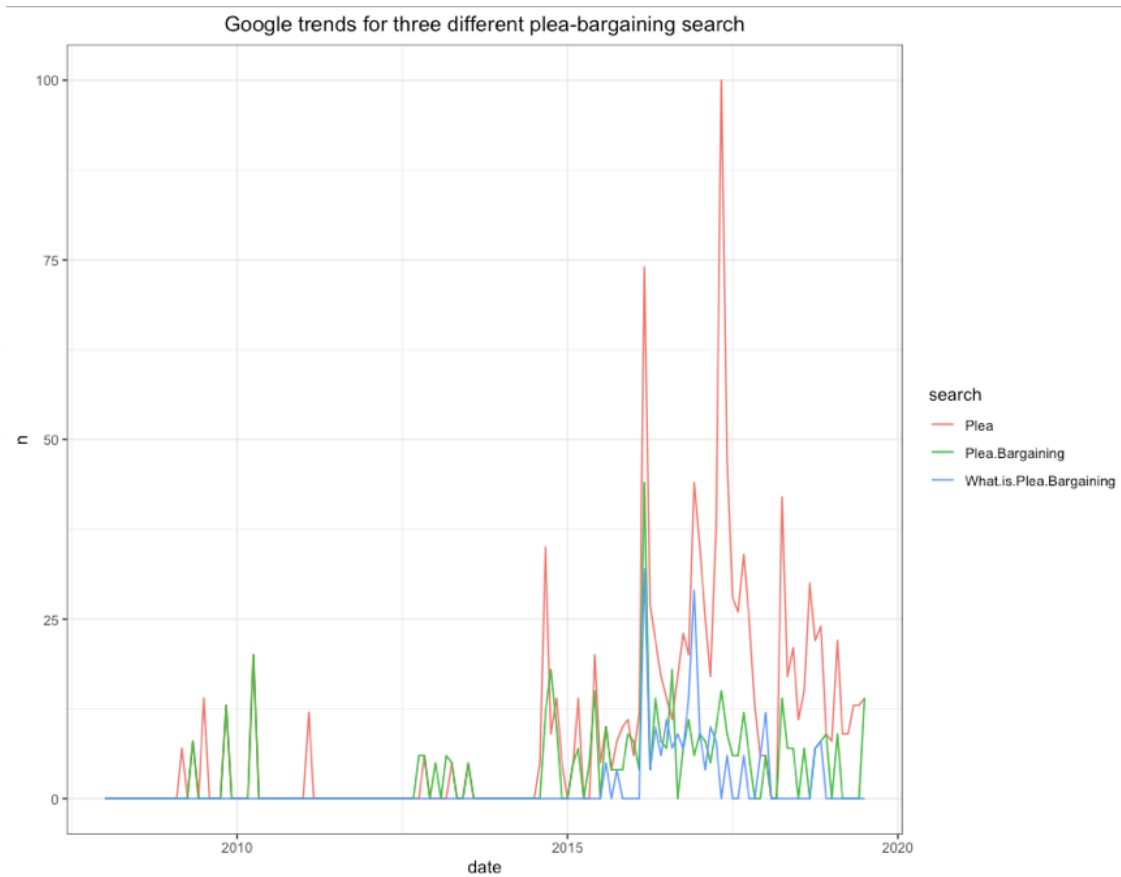


Figure 6.11: Google search for the words "plea," "plea-bargaining ," and "what is plea-bargaining ". The plea-bargaining term reached a large popularity on Google in 2017 and 2018. The monthly average search of the expression was always between 10,000 and 100,000

6.10.4 Different levels of voters' knowledge about the plea-bargaining law

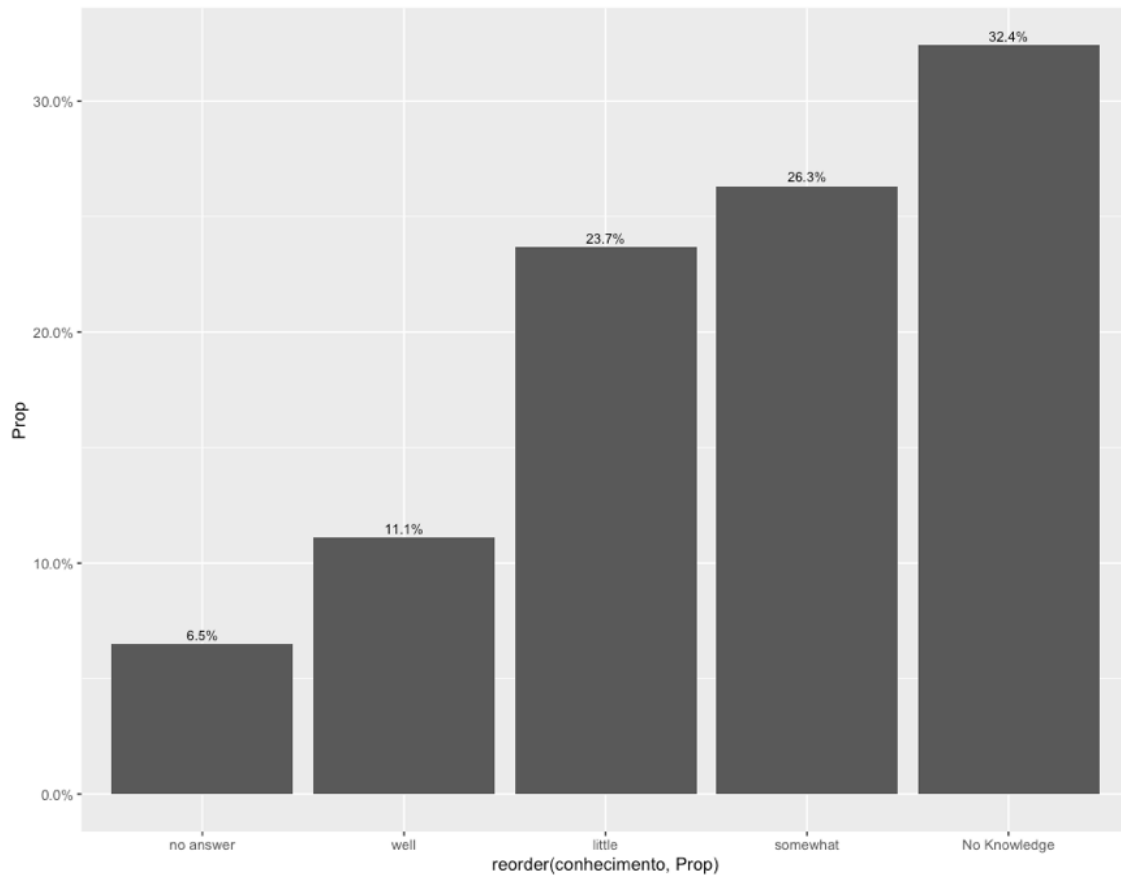


Figure 6.12: Data from the **Plea-Bargaining-2018** survey.

CHAPTER 7

Conclusion

Under what conditions will politicians support politically challenging policy changes? This dissertation builds on a classic assertion in Political Science. It is axiomatic that organized interest groups can obtain and protect policies that are generally unpopular or inefficient for the economy as a whole because their opponents cannot overcome their own collective action problems. However, sometimes we do see policy changes that overturn targeted benefits to privileged groups. My work explains how a long-victorious special interest can be overcome by a newly organized (and newly advantaged) rival. In these cases, when facing two potential support groups (or opponents) making opposite policy demands, legislators have to choose which group to please and which to disappoint. The pro-status-quo group uses a strategy that threatens legislators with the loss of votes. To win this competition, pro-change lobbyists have to convince politicians that there is more to gain electorally from voting for the reform than from voting against it. I argue that a new balance in the relative power of competing organized groups is a key component to make politically costly policy changes possible.

I investigate this puzzle using a major pension reform in Brazil as my case study. A key element to explain why policy changes previously considered unlikely sometimes happen is the presence of a new strong and organized group pressuring for change. Building on insights from research on public opinion and organized interest groups, I develop an explanation connecting voters, groups, and legislators. Investigating how groups influence the political process helps us to understand the quality of democratic representation.

I use a mixed-methods approach that combines experimental evidence, observational data, and qualitative interviews. I evaluate the relative strength of the pro-change and anti-change groups, analyzing data on their financing and access to politicians. By experimentally manipu-

lating information to politicians, I also assess how the salience of the strength of organized groups influences the behavior of legislators. Finally, I use survey experiments to assess how much voters use information about politicians' policy position on their choices.

The research presented in this dissertation is an attempt to fill gaps in both the literature on organized groups and the literature on public opinion. It does so by exploring how organized groups are a key component to explain why policy changes usually considered politically difficult sometimes happen. In addition, it shows how, sometimes, these organized groups use the threat of voter mobilization to try to block policy changes, even if voters, on average, do not use information about legislators' policy positions when deciding their votes.

7.1 Contribution and Implications

The explanation I develop in this dissertation might be applicable to different policy areas. For example, disputes between pro-change and pro-status-quo interest groups are an important aspect in environmental policy. If the argument presented in my dissertation is generalizable, then policy change will require that organized interest groups with the right economic incentives enter the lobbying game and outbid the big polluters. Thus, my study points to a more general theory of major policy change.

Policy change might not come about because unorganized, ordinary voters managed to overcome their collective-action problem to demand it. Rather, the policy debate featured a clash of organized interests in which the demands of the newly victorious organized group happened to coincide with some of the interests of ordinary voters. The business interests pushing for reform sought to reduce the overall costs of the pension system to the national budget and for the economy as a whole because these would reduce the cost of doing business in Brazil. If doing so will improve the welfare of the average voter – at the expense of reducing the benefits to previously privileged groups of voters – then that is a by-product of the clash of organized interests, not the reason for it. Still, that clash of organized interests focused on convincing politicians of the likely electoral consequences of their policy decision, how policy change (or its absence) would play in the court of public opinion.

Understanding how influential organized groups are over policy is important for many reasons. For instance, this is one of the mechanisms to increase economic inequality around the world (Bartels 2016; Ehrlich 2011). The higher the level of organization and political power the most influential these groups are, the more they are able to bias the public budget in their favor. To be clear, companies are not pressuring for policies that might impact the general population out of the kindness of their executives. What this dissertation argues is that, under special circumstances, this will happen if the right incentives are aligned. For example, analyzing large health and education policy changes in Latin America, J. M. Nelson and Kaufman (2004) explain: "The fate of large-scale reforms, as was noted, turned on whether they could be bundled with other objectives sought by actors that were not directly linked to the social sector itself".

My work contributes to our understanding of representation, accountability, and policy making. Organized interest groups can obtain and protect policies that are generally unpopular or inefficient for the economy. I show that this situation might be reversed under certain circumstances. This dissertation provides evidence for how a long-victorious special interest can be overcome by a newly organized (and newly advantaged) rival. In short, it takes an organized group to beat an organized group.

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