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# **Institutions, Development and Living the Good Life in Ecuador**

**A Political-Economy Analysis of Policy Making Under  
the Buen Vivir Development Paradigm**

Universität Hamburg  
Fakultät für Wirtschafts- und Sozialwissenschaften  
Dissertation

Zur Erlangung der Würde eines Doktors der  
Wirtschafts- und Sozialwissenschaften

„Dr. phil.“

(gemäß der PromO vom 24. August 2010)

vorgelegt von

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Hamburg, den 03.07.2019

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Disputation: 24.02.2020

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## A Political-Economy Analysis of Policy Making Under the Buen Vivir Development Paradigm

Jan Bellgardt

This study employs a political-economy perspective on the link between the new institutional setting emerged under the paradigm of *Buen Vivir* (good living) and the improved development indicators in Ecuador. Existing research provides strong empirical evidence for institutions-development correlations. However, the mechanisms of how political institutions affect public policy outcome, such as development, remain uncertain. The approach of Spiller and Tommasi deems the capability of institutions to facilitate intertemporal transactions important for producing high quality public policy. Drawing on the SP model, positive political theory and the theory of repeated games, this mixed-methods case study aims on revealing the institutional incentives and constrains aligning actors in Ecuador to more cooperative policy making. Comparing the institutional settings of 1998 and 2008, I argue that the microfoundations of policy making created in 2008 foster more long-term cooperation among political actors and facilitate high quality public politics, while the subsequent amending of the constitution impaired the system of checks and balances with negative impact for policy-making capacities.

Keywords: *Buen Vivir, Ecuador, Institutions, Constitutionalism, Democratization, Development Model, Correísmo, Comparative Political Economy*

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## List of Abbreviations

<b>AP</b>	Alianza PAIS ( <i>Alianza Patria Altiva y Soberana</i> )
<b>BTI</b>	Bertelsmann Transformation Index
<b>CC</b>	<i>Corte Constitucional</i>
<b>CEAACES</b>	<i>Consejo de Evaluación, Acreditación y Aseguramiento de la Calidad de la Educación Superior</i>
<b>CEL</b>	<i>Código de Ética de la Legislatura</i>
<b>CNE</b>	<i>Consejo Nacional Electoral</i>
<b>CNJ</b>	<i>Corte Nacional de Justicia</i>
<b>CONAIE</b>	<i>Confederación de Nacionalidades Indígenas del Ecuador</i>
<b>CONGOPE</b>	Consortium of Autonomous Provincial Governments of Ecuador
<b>COOTAD</b>	<i>Código Orgánico de Organización Territorial, Autonomía y Decentralización</i>
<b>CORDICOM</b>	<i>Consejo de Regulación y Desarrollo de la Información y Comunicación</i>
<b>CPCCS</b>	<i>Consejo de Participación Ciudadana y Control Social</i>
<b>CSMI</b>	Civil Service Merit Index
<b>ED</b>	Executive Decree
<b>ELITES</b>	<i>Observatorio de Elites Parlamentarias de América Latina</i>
<b>EIU</b>	The Economist Intelligence Unit
<b>EPS</b>	<i>Economía Popular y Solidaria</i>
<b>FH</b>	Freedom House
<b>FHI</b>	Freedom House Index ‘Freedom in the World’
<b>GAD</b>	<i>Gobiernos Autónomos Descentralizados</i>
<b>GCR</b>	Global Competitiveness Report
<b>GDP</b>	Gross Domestic Product
<b>GFW</b>	Global Forest Watch
<b>HF</b>	Heritage Foundation
<b>HRW</b>	Human Rights Watch
<b>IDB</b>	Inter-American Development Bank

<b>IFAD</b>	International Fund for Agricultural Development
<b>ILO</b>	International Labour Organization
<b>IMF</b>	International Monetary Fund
<b>INEC</b>	Instituto Nacional de Estadística y Censos (Ecuador)
<b>IBP</b>	International Budget Partnership
<b>IDB</b>	Inter-American Development Bank
<b>IEPS</b>	<i>Instituto Nacional de Economía Popular y Solidaria</i>
<b>IMF</b>	International Monetary Fund
<b>IPD</b>	Institutional Profiles Database
<b>ITT</b>	Ishpingo-Tambococha-Tiputini (oil fields in Yasuni)
<b>JD</b>	Juris Doctor
<b>LAPOP</b>	Latin American Public Opinion Project
<b>LB</b>	Latinobarometro
<b>LOC</b>	<i>Ley Organica de Comunicación</i>
<b>LOEI</b>	<i>Ley Organica de Educación Intercultural</i>
<b>LOEPS</b>	<i>Ley Orgánica de Economía Popular y Solidaria y del Sector Financiero Popular</i>
<b>LOES</b>	<i>Ley Orgánica de Educación Superior</i>
<b>LOFL</b>	<i>Ley Orgánica de la Función Legislativa</i>
<b>LOPC</b>	<i>Ley Orgánica de la Participación Ciudadana</i>
<b>LOREYTF</b>	<i>Ley Orgánica de Responsabilidad, Estabilización y Transparencia Fiscal</i>
<b>NIE</b>	New Institutional Economics
<b>Obs, obs</b>	Observation
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>PAIS</b>	<i>Patria Altiva y Soberana</i> (Proud and Sovereign Fatherland)
<b>PII</b>	Party Institutionalization Index
<b>PITF</b>	Political Instability Task Force
<b>PPI</b>	Parliamentary Power Index
<b>PPT</b>	Positive political theory
<b>PRS</b>	Political Risk Services Group

<b>QUAL</b>	Qualitative components
<b>quan</b>	Quantitative observations
<b>RSF</b>	Reporters sans frontières (Reporters Without Borders)
<b>SENESCYT</b>	<i>Secretaría de Educación Superior, Ciencia, Tecnología e Innovación</i>
<b>SENPLADES</b>	<i>Secretaría de Planificación y Desarrollo</i>
<b>SEPS</b>	<i>Superintendencia de Economía Popular y Solidaria</i>
<b>SP</b>	Spiller and Tommasi
<b>SSE</b>	Social and Solidary Economy
<b>SUPERCOM</b>	Superintendencia de Información y Comunicación
<b>TSC</b>	Transparency and social control branch of government
<b>UEP</b>	<i>Unidades Económicas Populares</i>
<b>USD</b>	United States Dollar
<b>USEIA</b>	United States Energy Information Administration
<b>VAI</b>	Voice and Accountability Index (World Bank)
<b>VU</b>	Vanderbilt University
<b>WB</b>	World Bank
<b>WMO</b>	World Markets Online- Global Insight Business Condition and Risk Indicators

# 1 Introduction

## 1.1 Background

Ecuador illustrates the story of a country that reflects many characteristics of Latin American politics. With its long tradition of pre-Columbian worldviews and more than 200 years of democracy, Ecuador has produced well-designed institutions. However, it also underwent several periods of political instability, economic imbalance and the political under-representation of substantial parts of its people.

After experiencing 19 constitutions in the past two centuries, and five presidents in the last eight years, voters approved a new constitution in September 2008:<sup>1</sup>

*We women and men, the sovereign people of Ecuador recognizing our age-old roots, wrought by women and men from various peoples, celebrating nature, the Pacha Mama (Mother Earth), of which we are a part and which is vital to our existence [...] hereby decide to build a new form of public coexistence, in diversity and in harmony with nature, to achieve the good way of living, the *sumak kawsay* [...].*

The Montechristi Constitution promises to aspire to a 21<sup>st</sup>-century way of development, promoted as the *revolution ciudadana* (citizen's revolution). It also promises to respect the ethics of the Andean indigenous majority, in that it ought to pursue the *sumak kawsay* or *buen vivir* (good living).<sup>2</sup>

To achieve these goals, the paradigm of Buen Vivir is codified in more than 75 constitutional articles that encompass basic rights, such as food, housing, education, and health. In addition, cultural, social and biocentric rights, such as ancestral knowledge and the right of nature to regenerate, are considered (Walsh 2010). Furthermore, Buen Vivir envisions implementing a multicultural and plurinational set-up of the state.<sup>3</sup> Multiculturality is understood as cultural, social, economic and legal

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<sup>1</sup> Preamble of the Constitution of 2008, herein referred to as Montechristi Constitution.

<sup>2</sup> Constitution of the Republic of Ecuador of 2015, Title II (2): Rights of the good way of living.

<sup>3</sup> Plan Nacional para el Buen Vivir 2013-2017: 24, 27, 29.

equality of all ethnic groups. By contrast, plurinationality implies a decentralization of the state in terms by strong administrative and budgetary federalism (Vial Cossani 2013; Bowen 2015). In this vein, the *revolution ciudadana* promised to fight poverty, foster democratic participation, and give greater attention to environmental protection (Lang 2019).

These policy goals corresponded with the political agenda of Rafael Correa, who was sworn into office as president in 2007. Educated in Europe and the United States, Correa had served as the Minister of Economy and Finance in the Palacio cabinet. He later ran for office and transformed his social movement, Alianza PAIS (*Patria Altiva y Soberana*, Alliance Proud and Sovereign Fatherland), into a party that came to dominate the constitutional assembly and general politics in Ecuador. Correa's campaign and his early years in office gained broad attention in Latin America and around the globe. His populist style of policy making rejected many previously accepted neoliberal policies – such as free trade, austerity politics, and privatization of the public sector.

These postulations signaled a shift from the prevailing growth-based development concept of the Washington consensus to a more social movement, with an approach driven by social policy. Correa's reshaping of Ecuadorian politics seems to fit the pattern of a style of policy making in Latin America referred to as the “New Left” and “Left Turn”.<sup>4</sup> In effect, similar elements of leftist and socialist politics were observed in Bolivia under Evo Morales and in Venezuela under Hugo Chavez (Becker 2014). All three countries have in common that they adopted new constitutions: Venezuela in 1999, Ecuador in 2008, and Bolivia in 2009. These brought significant change to the political system, and economic reforms (Nolte and Schilling-Vacaflor 2012).<sup>5</sup> Some scholars emphasized the significance of the resulting “juridification”, and

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<sup>4</sup> These terms are used, for instance, by Castañeda (2006), Schamis (2006), Cameron and Hershberg (2010), Escobar (2010), Arsel (2012), Ellner (2013), and Eaton (2014).

<sup>5</sup> Weyland (2013: 19) claims that even without major constitutional changes (but with an absorption of ideas of left politics) Nicaragua under Daniel Ortega, Brasil under Lulu da Silvas and Roseneff, Argentina under Nestor Kirchner and Christina de Kirchner, Uruguay under Tabaré Vazquez, and to some extent in Chile under Ricardo Lagos and Michelle Bachelet could also been subsumed under the broader

contextualized the wave of new constitutions as “New Constitutionalism” or as “New Latin American Constitutionalism” (Hirschl 2004; Noguera Fernández 2012).<sup>6</sup>

The Left Turn and New Constitutionalism both seem fueled by the desire for new development paradigms, which aim to overcome the traditional challenges of political instability, economic imbalance and deficient participation. The Latin American attempt to improve policy making coincides with the academic debate on the role of institutions for development. The consequences of alternative institutional settings brought fruitful discussions and consensus regarding the importance of institutions for development.<sup>7</sup> Venezuela, Ecuador and Bolivia all enacted new constitutions and pursued political agendas that were clearly influenced by socialist political ideology (Becker 2014). However, only Ecuador and Bolivia experienced a positive economic growth trajectory and made substantial progress in improving development indicators (Table 1). Closer examination of the figures measuring democratic transformation and good governance reveals that Ecuador and Bolivia also experienced substantial improvement in their institutional performance. This observation might suggest that it is not the mere existence of institutions that matters, but rather their functioning and their ability to induce better policy making. Although several qualitative and quantitative studies have shown that institutions influence policy outcomes, research explaining exactly how they do so remains fragmentary. Drawing on the link between institutions and policy outcome, this study is aimed at illustrating how the institutional system of Ecuador contributes to better public policy.

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definition of the left turn. Before new ideas of left politics in Latin America gained momentum, Cuba with its decade long leftist policies was one of the few countries not experimenting with neoliberal reforms.

<sup>6</sup> Following Habermas (1987: 356) I use juridification as a term for ongoing transformation of social practice into legal arrangements, or in other words the general proliferation of formal rules in politics. I explicitly not include the tendency of court-based management of political controversies labelled as judicialization by Hirschl (2008b: 120).

<sup>7</sup> See 2.1.1.



**Table 1:** Economic, developmental and institutional performance 2008-2015 in comparison

Dependent Variables	Venezuela	Ecuador	Bolivia
<i>Economic figures</i>			
GDP growth (current prices, USD) in %	1,60	41,07	54.32
GDP per capita (PPP) growth in %	-8.91	25.43	34.51
Unemployment Rate in % (2008/2015)	7.3/ 14.0	5.9/ 6.4	4.4/ 4.0
<i>Developmental figures</i>			
Poverty ratio change in %	+ 19,49	- 36,7	- 32,6
HDI (2008/2015)	0.69/ 0.76	0.69/ 0.73	0.64/ 0.66
<i>Institutional performance figures</i>			
GCR Institutions Rank (2008/2015)	134/ 140	129/ 105	131/ 110
BTI Democracy Status	5.65/ 4.52	6.15/ 5.70	6.40/ 7.10
TI Corruption Percept. Index (2008/2015)	1.9/ 1.7	2.0/ 3.2	3.0/ 3.4

*Source:* World Bank, IMF.

## 1.2 An Institutional Economics Approach to Political Systems Analysis

Posing a similar question, a study on Argentina by Spiller and Tommasi (2003, 2007) created a theoretical framework that provided insights on how institutions affect the policy making process. The seminal work of Spiller and Tommasi was linked to a large-scale research program of the Inter-American Development Bank (IDB) recording democratization in Latin America.<sup>8</sup> The IDB's research was based on a mixed-method approach producing macro and micro level insights on institutional and governmental performance. For this study, I apply Spiller and Tommasi's political economy perspective on policy making to the transformation context of Ecuador. In that sense, the institutional system created under the regime of Buen Vivir potentially restructured the incentives and constraints of the policy-making game in Ecuador, and thus aligned actors to more intertemporal cooperation.

While many policy issues under the Correa government seemed well coordinated and consistent with the political agenda and legal framework, some of them turned out

<sup>8</sup> See Stein et al. (2005), Stein et al. (2008).

to be inconsistent over time<sup>9</sup>. Under the Correa administration, Ecuador experienced growing disaffection between the government and social movements, budgetary problems due to the volatile crude oil price, infringements of environmental rights (Martin 2011, Kulakowski 2016), a perception of autocratic tendencies (*correísmo*) and an economic liberalization in favor of colonial power-structures labeled as *restauración conservadora* (Acosta 2013b).

### 1.3 Overview of the Dissertation and Logic of the Research

The central idea of the structure of this study is to compare Ecuador's institutional systems of 1998 and 2008, and outline the improved cooperation dynamics that manifest in the policy-making process after 2008. Chapter 2 summarizes the literature on the institution–development nexus, and identifies the latest research on the political transformation of Ecuador under the Correa administration. Chapter 2 also identifies the knowledge gaps and infers research questions that address the gaps.

Chapter 3 presents the theoretical framework used for examining the institutional setting and the policy-making process in Ecuador. Chapter 4 explains and justifies the methods used for the analysis. The main part of the dissertation comprises Chapters 5, 6, and 7, and a final summary and conclusion is provided in Chapter 8.

In Chapter 5, I contextualize the Buen Vivir in relation to the New Left, New Constitutionalism and Latin American populism. I delineate its development from an Andean worldview to a political concept. Moreover, I outline the new technical features of the legal framework and provide a data-based overview of the institutional and development performance of the Buen Vivir model.

In Chapter 6, I describe a mixed-method approach to examine the configuration and functioning of political institutions in Ecuador. Drawing on quantitative and qualitative data, I reveal the incentives and constraints for long-term cooperation of the respective actor groups in Ecuador. The actors considered in Chapter 6 include the president, the legislature, the judiciary, and social actors. In Chapter 7, I interpret and

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<sup>9</sup> See, for instance, Basabe-Serrano (2014b), Bebbington (2012), Becker (2012), Weyland (2013) and Conaghan (2015)

discuss the findings of Chapter 6 from a systemic perspective, and evaluate the policy-making capacities of the new “rules of the game”.

#### 1.4 Significance of the Research and its Contribution to Policy

The broad context of this study is comparative political theory and development economics. Scholars widely agree that there is no general development model that brings improvement in people’s living conditions, but that working institutions (among other factors) do contribute to achieving this.<sup>10</sup> The performance of institutions in Ecuador could thus contribute important lessons for the debate on institutions and development.

Specifically, this study adds knowledge regarding the research program of the IDB for democratization in Latin America.<sup>11</sup> Completed in 2008, the IDB study did not record the development of Ecuador under the Buen Vivir paradigm. However, the IDB intends to update the study and extend its scope to countries in Central America. Jones (2017, p. 48) commented on the content of the study and stated that “the need for a revision to the original chapter is the greatest for Ecuador and especially for Venezuela [...]”

Beyond that, the case of Ecuador is particularly relevant as it not only addresses the traditional materialist goals of development cooperation but also includes new ways to tackle the challenges of globalization. Topics include climate change and environmental protection, cultural diversity, imbalances in world trade, democratization, and democratic backsliding. These issues are relevant not only for developing countries but for all nations. Most importantly, many developing countries struggle to effectively tailor their constitutions to address social challenges. The case of Ecuador could contribute to best practice and enable knowledge transfer in that field.

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<sup>10</sup> See 2.1.1.

<sup>11</sup> Stein et al. (2005), Stein et al. (2008).

## **2 Current State of Research and Research Gap**

This chapter provides an overview of the rich literature on institution-focused research approaches to public policy and state capacities. As this study examines how the institutional system of Ecuador contributes to public policy, two points must initially be clarified. These points are 1) whether the current state of research on political economy provides sufficient theory to analyze the link between institutions, policy making and policy outcome; and 2) whether this approach has already been applied to the case of Ecuador. The chapter concludes with a discussion of the research gap in this field, and formulates the refined research questions arising from this gap.

### **2.1 Literature Review**

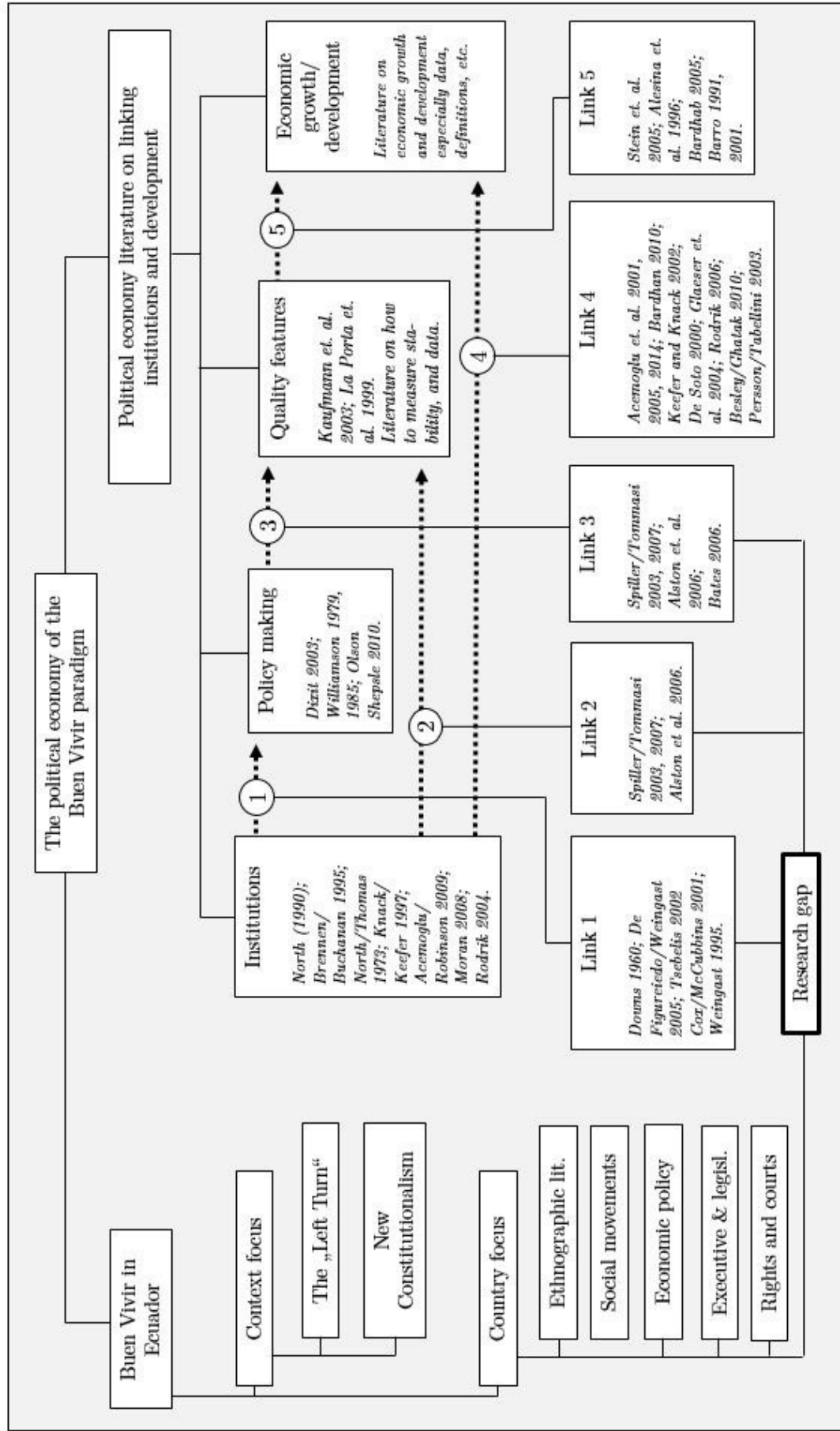
#### **2.1.1 New Institutional Economics in the Development Context**

Is there empirical evidence for the link between institutions and development? Poor performance in improving development indicators has many potential reasons, including human capital, geographic disadvantage, and culture. Hence, before arguments are elaborated about how institutions foster development through good policy making, it must be clarified whether institutions are indeed a fundamental cause for development. Another way of saying this is: Do institutions really matter?

Developing countries are often characterized by states that are unable to directly provide public goods or to facilitate an environment that incentivizes the production of private goods (Bates 1983, 2006, 2009; Rodrik 2004). Scholars have discovered several elements of a working institutional setting, which can be categorized as follows (Knack and Keefer 1997; Acemoglu and Robinson 2009):

1. Market (or economic) institutions
2. Political institutions
3. Informal institutions and social capital

Figure 1: Map of literature and research gap



Source: Author's contribution

### 2.1.1.1 Market Institutions

This study emphasizes the importance of non-market decision making in public policy. Market rules play a minor role in the Buen Vivir case. However, market institutions and political institutions are characterized by strong interrelations, just as the economy and politics always affect each other (Weingast 1995), and these linkages should not be ignored. As Moran (2008: 145) stated,

*The interactions between “economic” and “political” institutions are complex not only because the political shapes the fate of the economic, but also because economic institutions are critical to the fate of political institutions [...]. In advanced capitalist democracies the shaping influence is at its most obvious in the link between electoral success and perceived economic performance. But this is only the most immediately visible – and possibly transient – connection. There are bigger stakes than simply the fortunes of particular governments. The fates of whole state constellations may turn on the nexus between the economic and the political.*

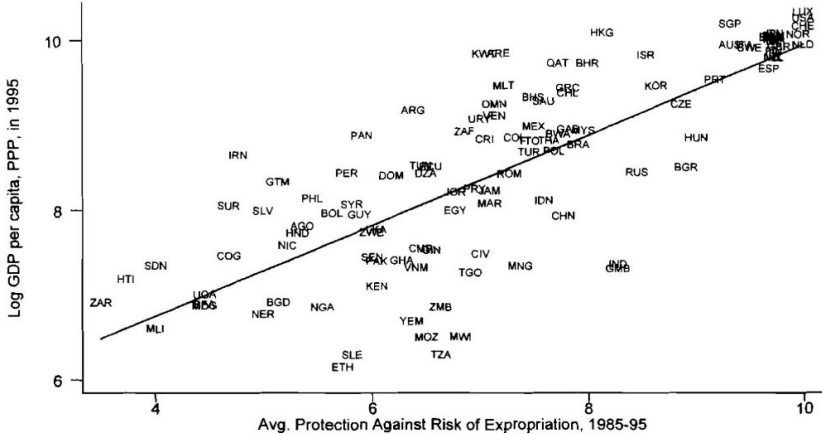
Therefore, I briefly highlight the effect of market institutions on development. In their endeavor to provide a fundamental causation of development, North and Thomas (1973: 2) commented that "the factors we have listed (innovation, economies of scale, education, capital accumulation, etc.) are not causes of growth; they are growth." Referring to this point, Acemoglu et al. (2005: 389) stated that not input factors but "differences in economic institutions are the major source of cross-country differences in economic growth and prosperity."

These related arguments underpin the idea that market institutions are a major driver of growth and development. As Bardhan (2010: 1) pointed out, institutions could additionally mediate the effect that geographical, cultural or historical variables exert on growth and development. Scholars and international organizations nowadays widely agree that market institutions are a basic requirement and catalyst for growth and development. However, the growth-enhancing effects of a free market are not automatic (OECD 2010: 6). Nonetheless, market institutions specifically (rather than the general concept of the rule of law) were found to foster development through the market. Based

on the liberal ideas of Hayek (1960), certain elements of market institutions have been empirically proven to foster development. These include guaranteed property rights,<sup>12</sup> facilitation of contraction by low transaction costs,<sup>13</sup> rules for macro-economic stability,<sup>14</sup> free trade,<sup>15</sup> and a non-discriminatory social order.<sup>16</sup>

Among the market institutions mentioned, guaranteed property rights are the most fundamental for economic actors (Keefer and Knack 2002). Figure 2 illustrates the effect of property rights on economic productivity. In line with the argument by de Soto (2000), who identified a lack of property rights as the major barrier for development,<sup>17</sup> Acemoglu et al. (2005) demonstrated relevant empirical correlations. They reported a close correlation between average protection against the risk of expropriation through property rights for 1985–1995, on the one hand, and on the other

**Figure 2:** Property rights and income



Source: Acemoglu et al. 2005, p. 403.

<sup>12</sup> See, for instance, Knack and Keefer (1995), Soto (2000), Acemoglu and Johnson (2005), Soto and Cheneval (2006), Besley and Persson (2009), Besley and Ghatak (2010).

<sup>13</sup> See, for instance, Ostrom et al. (1993), Williamson (1994), Cooter and Schäfer (2012), McCartney (2015: 212), Kovac and Spruk (2016).

<sup>14</sup> Scholars agree that rules targeting marco-economic stability are crucial for long-run growth: Fischer (1991: 360), Loayza et al. (2007).

<sup>15</sup> For the effects of trade on development see, for instance, Bardhan (1970), Dollar and Kraay (2004).

<sup>16</sup> As, for instance, Forsythe et al. (2000), Esteve-Volart (2004, Morrisson and Jütting (2005), World Economic Forum and Havard University (2014) analyse, non-discriminative social order could have formal and informel characteristics, but in any way impede development.

<sup>17</sup> Soto (2000), Soto and Cheneval (2006).

the log gross domestic product (GDP) per capita PPP in 1985.

In summary, scholars widely agree on the importance of a solid framework of working market institutions for economic growth and development. This need surpasses the complexity and potential reverse causalities of market institutions and growth.

### **2.1.1.2 Political Institutions**

Improving market institutions is a necessary but not sufficient condition for fostering development. After a wave of reform for market institutions in developing countries framed under the Washington Consensus, scholars were disappointed by the outcomes of purely market-focused development instruments (Rodrik 2006). Stieglitz (1998: 1) stated that “the instruments it chose to focus on – trade liberalization, privatization, and macroeconomic stability – although important, sometimes confused means with ends, and in any case ignored other equally important instruments.” These equally important instruments were called “second-generation reforms” and were supposed to shed more light on the need for better interactions between political institutions, market institutions, and private sector initiatives (Rodrik 2004: 10).

According to Acemoglu (2009: 783), political institutions “correspond to the rules and regulations affecting political decision making, including checks and balance against presidents, prime ministers, or dictators, as well as methods of aggregating the different opinions of society (e.g. electoral law).” Attempts to categorize, measure and evaluate political institutions or the respective government have led to various functional clusters and categories.<sup>18</sup> Among these, the governance indicators by Kaufmann et al. (2003) are used as a reference by the World Bank and several scholars:<sup>19</sup>

1. Voice and accountability
2. Political stability

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<sup>18</sup> Kaufmann et al. (2009: 5) link governance and institutions as follows: “We define governance broadly as the traditions and institutions by which authority in a country is exercised”.

<sup>19</sup> See, for instance, Glaeser et al. (2004), Easterly et al. (2006), Dixit (2015).



3. Government effectiveness
4. Regulatory quality<sup>20</sup>
5. Rule of law
6. Control of corruption

Considering Kaufmann’s indicators, clearly political institutions ought to facilitate a framework to govern conflicts among political actors. In addition, they should integrate society and align policy making to purpose, rules, and standards of efficiency.

My review of literature found empirical evidence for the linkage of high-quality political institutions on the one hand and development and growth on the other hand. Referring to accountability,<sup>21</sup> Bates (2006: 30) studied 46 African countries and reported that “governments that are subject to electoral competition and that are thereby rendered politically accountable are more likely to produce collective goods rather than to extract private benefits.” Empirical evidence for a political stability–growth nexus is provided by Alesina et al. (1996: 205), whose sample comprised 113 countries between 1950 and 1982. They reported that “Political instability reduces growth. This result is particularly strong for the case of unconstitutional executive changes such as coups, as well as for changes that significantly changes the ideological composition of the executive.”<sup>22</sup>

Government effectiveness was characterized by Glaeser et al. (2004: 282) as an outcome variable and was correlated with economic growth.<sup>23</sup> Regarding the effect of the rule of law on economic growth, scholars have found a significant effect – but have

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<sup>20</sup> Herein Regulatory Quality is not referred to as a political institutions as these are “policies and regulations that permit and promote private sector development” (Kaufmann et al. 2009: 6) and thus are market institutions.

<sup>21</sup> For Schedler et al. (1999: 13) accountability and not power is the key variable of political science. They define accountability as “the continuing concern for checks and oversights, for surveillance and institutional constraints on the exercise of power.”

<sup>22</sup> This argument is supported by Feng (1997: 414).

<sup>23</sup> For further proof of correlation between government effectiveness see, for instance, Easterly et al. (2006: 113). Opposite findings of Kurtz and Schrank (2007: 548) are based on limited two-year time horizons.

also described problems related to the complexity of the concept (Haggard and Tiede 2011). The negative effect of corruption on economic growth was underlined by Barro (1991), Mauro (1995), Bardhan (1997), Tanzi and Davoodi (1998), Vaal and Ebben (2011), and d’Agostino et al. (2016). Their findings reflect the broad consensus that corruption is a major barrier for development.

This summary of empirical evidence for the importance of political institutions highlights only some of the main studies in this field. All of them point in the same direction, namely that political institutions are the decisive element in constraining power and incentivizing policy makers to produce a public policy that stimulates economic growth and development. However, it is not only formal rules that facilitate a productive environment but also informal rules.

### **2.1.1.3 Informal Institutions and Social Capital**

The OECD defined social capital as “networks together with shared norms, values and understandings that facilitate co-operation within or among groups”.<sup>24</sup> This capital could play a crucial role in promoting intertemporal transactions between political actors and development. The interactions between institutions, social capital, and economic performance or development have been the subject of intense debate for decades. Early on, the modernization theory of Lipset (1959) claimed that the emergence of institutions is the result of democratic transition, which occurs due to a multivariate set of conditions that comprise economic performance and social capital.

With social capital becoming a popular concept among social scientists, scholars like Bourdieu (1986), Coleman (1988), Putnam (1993) and Sen (1999) stressed that social capital implies credit and trust, which facilitate cooperation and productivity. The argument was that trust lowers the transactional costs related to contraction and contract enforcement. In line with this argument, a recent cross-country study by Kovac and Spruk (2016) underlined these findings by showing a negative effect of increasing transaction costs on economic growth. Studies by North and Thomas (1973), Acemoglu et al. (2001) and Glaeser et al. (2004) were supported by a cross-country

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<sup>24</sup> Quotation from Keeley (2007: 103).

study by Acemoglu et al. (2014). The authors presented evidence that institutions fundamentally determine economic growth and thus development.

Similarly, Knack and Keefer (1997), Durlauf and Fafchamps (2005) and Fafchamps (2006) empirically examined the causation of social capital in development. Referring to the effects on market performance, Fafchamps also linked social capital to policy making. Fafchamps (2006: 1196) stated that “Investing in social capital should be seen as a complement to investing in government capacity. The two cannot and should not be separated.”

Summarizing the relationships among informal social institutions, formal institutions, and growth, Easterly et al. (2006: 113) noted that “more social cohesion leads to better institutions, and that better institutions in turn lead to higher growth. This is true regardless of how we measure institutions.”

#### **2.1.1.4 Conclusion: Institutions do Matter**

Following the milestone work of the authors who paved the way for political economy as a modern subject in social science, scholars have identified crucial institutions for producing public and private goods. The policy-making process implies – and governs – several lines of conflicts. These conflicts occur especially between policy makers and the ruled population, but also among competing policy makers (Persson and Tabellini 2003). Institutions, as the rulers of the game, should outbalance these non-market decision-making conflicts and should align economic actors and policy makers to achieve inclusive and sustainable development.

Scholars nowadays widely agree that if institutions are designed in a way that they manage to achieve this, they cause strong effects related to economic growth and development. As Rodrik et al. (2004: 135) stated, the importance of institutions over effects of integration or geography is that “the quality of institutions trumps everything else.” The fact that there is no standard set of institutions to stimulate growth and development highlights the need for in-depth analysis of such institutional details.

### 2.1.2 Institutions that Influence Public Policy Outcome

Because institutions are important for development, it is essential to identify and utilize the theories, assumptions, and mechanisms for institutional analysis. Doing so provides understanding of which institutions influence public policy outcome, and how they do this.

The strands of institutional research are diverse, with scholars focusing on a myriad of subsystems, mechanisms, and individual actors of policy making. Various methods are used, ranging from purely ideographic qualitative approaches to large-scale data-based empirical work and mathematical modelling. To structure those lines of research in a systematic overview, it is reasonable to show the different focal overlaps and methods of research on institutions.<sup>25</sup> The following list provides a summary.

1. The most traditional line of research addresses the correlative dimension of the institution–development nexus. Such research should detect the **consequences of different institutional variables** on governance or economic indicators, from a comparative perspective. The standard approach is to use mathematical modelling and large-scale cross-country regressions.
2. A second line of research addresses the causal dimension of the institution–development nexus. By asking how institutional variables affect policy outcomes at a micro level, such studies **focus on the process of policy making**. This research typically uses small samples or case studies, and can explain the dynamic interaction between actors within the policy-making process.

Most of this research analyses the structural elements of political systems (e.g. the executive, legislative, or judicative parties). Other studies analyze functional sets of institutions (e.g. voting law and district magnitudes) or specific problems addressed by institutions (e.g. regulation, tax law, and environmental rights).

The first line of cross-country research provides several regularities between institutional variables and public policy outcome. Lijphart (1999) drafted a basic

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<sup>25</sup> A similar approach of structuring the literature is followed by Persson and Tabellini (2003: 12).

institution-based typology of political systems. Distinguishing between majoritarian and consensus democracies, he argued that in majoritarian democracies, single parties can dominate politics; in contrast, in consensus democracies, institutions enable minor groups to aggregate and pursue their political interests (Immergut 2010: 231). Many studies since then have empirically elaborated the effects of institutions on policy making. Table 2 presents a summary of Voigt's (2011) survey on the effects of specific constitutional rules and institutional features on public policy and economic variables. Among the scholars mentioned, Persson and Tabellini (2003) contributed a seminal research framework. They showed the effect of electoral systems (majoritarian or proportional) and type of regime (presidential or parliamentary) on policy outcomes. Their insights have been widely discussed – for example that presidentialism led to a smaller government and lower social spending.<sup>26</sup>

Drawing on Persson and Tabellini (2003) and Kaufmann et al. (2005), Voigt and Blume (2012) identified three dimensions of federal systems that had significant economic output. These were local elections for municipal governments, the veto power of federal units regarding federal-level legislation, and the fractionalization of parliament. These dimensions were positively correlated with labor and total factor productivity, but were also associated with expansive fiscal policy and low government efficiency.

All those studies had in common that they explained policy outcomes with institutional features and incentive structures at the micro level of the political system. However, this perspective is not fine-grained and institutional features of the political system are highly stylized. As Voigt (2011: 211) commented, regarding the prevailing use of dummy variables in the first-mentioned line of research: “By necessity, dichotomous variables do not allow taking institutional details into consideration. But if God (or the devil) is in the details, perhaps the details are worth a little of our time.” This focus on the institutional details within a political system, and on the dynamics of the policy-making process, is provided by the second line of research.

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<sup>26</sup> Persson and Tabellini (2003). For critical review of those effects see, for instance, Acemoglu (2005), Blankart and Koester (2006).

**Table 2:** Survey on the effects of constitutional rules on public policy and economic variables

Dependent variables	Constitutional rule	Source	Result	# of countries, method, period, ...	
<b>I : Macro outcome variables</b>					
1   Economic growth	(Factual) Judicial independence	Feld and Voigt (2003)	+,*	OLS, N = 73	
	Decentralization (of revenue)	Enikolopov and Zhuravskaya (2007)	-,	OLS, N = 73	
	Decentralization (of revenue)	Thießen (2003b)	-,*	GLS, N = 26	
	Decentralization (of revenue)	Thießen (2003b)	Hump-shape	Panel, N = 26, 1975–1995	
	Decentralization (of spending)	Davoodi and Zou (1998)	-,(*)	N = 46	
	Decentralization (of spending)	Thießen (2003a)	+,*	OLS, N = 25	
	Number of veto players	Henisz (2000)	+,*	OLS, N = 82, 1965–1990	
2   Per capita income	Proportional representation	PT (2003)	+, (*)	OLS, N = 74	
3   Labor productivity	Proportion of individually elected candidates	PT (2003)	+,*	OLS, N = 73	
	Size of electoral district	PT (2003)	-,*	OLS, N = 73	
	Presidential form of government	PT (2003)	-,(*)	OLS, N = 74	
	Presidential form of government	Blume et al. (2009a)	-,_	OLS, N = 79	
4   Total factor productivity	Proportional representation	PT (2003)	+,_	OLS, N = 73	
	Proportion of individually elected candidates	PT (2003)	+,_	OLS, N = 72	
	Size of electoral district	PT (2003)	-,*	OLS, N = 72	
	Presidential form of government	PT (2003)	-,_	OLS, N = 73	
	Presidential form of government	Blume et al. (2009a)	-,*	OLS, N = 79	
	Direct democracy (fiscal referendums)	Feld and Savioz (1997)#	+,*	GLS, N = 26	
	<b>II : Fiscal policy variables</b>				
1   Government revenue	Proportional representation	PT (2003)	+,_	OLS, N = 76	
	Proportional representation	Blume et al. (2009a)	+, (*)	OLS, N = 78	
	Presidential form of government	PT (2003)	-,*	OLS, N = 76	
State and local tax revenue	Presidential form of government	Blume et al. (2009a)	-,_	OLS, N = 78	
	Decentralization	Feld et al. (2003)#	-,*	Panel, TSLS, N = 26, 1980–1998	
	Direct democracy (initiative)	Matsusaka (1995)#	-,*	Panel, OLS, N = 49, 1960–1990	
2   A. Central government expenditure	Direct democracy (mandatory fiscal referendums)	Feld and Kirchgässner (2001)#	-,*	Panel, OLS, N = 26, 1986–1997	
	Proportional representation	PT (2003)	+,*	OLS, N = 80	
		PT (2003)	-,*	OLS, N = 80	
	Bicameral legislature	Bradbury and Crain (2001)	-,*	WLS, N = 37, 1971–1989	
		Plümper and Martin (2003)	-,*	OLS, N = 83, 1975–1997	
	B. Total government expenditure	Proportional representation	Blume et al. (2009a)	+,_	OLS, N = 77
		Presidential form of government	Blume et al. (2009a)	-,_	OLS, N = 77
		Federalism ("own source" revenue)	Rodden (2003)	-,*	Panel, N = 44, 1980–1993
	C. State and local gov. expenditure	Direct democracy (mandatory referendums)	Blume et al. (2009a)	-,*	OLS, N = 62
		Direct democracy (possibility initiative)	Blume et al. (2009a)	+,*	OLS, N = 62
Direct democracy (initiative)		Matsusaka (1995)#	-,*	Panel, OLS, N = 49, 1960–1990	
3   Budget deficit	Direct democracy (mandatory fiscal referendums)	Feld and Kirchgässner (2001)#	-,*	Panel, OLS, N = 26, 1986–1997	
	Proportional representation	PT (2003)	+,*	OLS, N = 60	
4   Composition of government spending	Direct democracy (frequency of use)	Blume et al. (2009a)	-,*	OLS, N = 45	
	A. Transfers (social security plus subsidies to firms)	Proportional representation (district size)	Milesi-Ferretti et al. (2002)	+,*	OLS, N = 40
B. Social security and welfare	Proportional representation	PT (2003)	?,_	OLS, N = 56	
	Presidential form of government	PT (2003)	-,(*)	OLS, N = 56/69	
<b>III : Governance variables</b>					
1   Corruption	Proportion of individually elected candidates	PT (2003)	-,*	WLS, N = 68	
	Size of electoral district	PT (2003)	+,*	WLS, N = 68	
	Presidential form of government	PT (2003)	-,_		
	Presidential form of government	Gerring and Thacker (2004)	+,*	WLS, N = 125	
	Presidential form of government	Lederman et al. (2005)	+,*	Probit/OLS, 1987–1997	
	Bicameral legislature	Testa (2009)	-,*	Panel, N = 34, 1996–2000	
	Federalism (fiscal decentralization)	Treisman (2007)	No effects, _	OLS, N = 54, 2005	
	Direct democracy (initiative)	Alt and Lassen (2003)#	-,*	OLS, N = 45	
	2   Graft	Proportion of individually elected candidates	PT (2003)	-,*	WLS, N = 78
		Size of electoral district	PT (2003)	+,*	WLS, N = 78
Presidential form of government		PT (2003)	-,*	WLS, N = 78	
Presidential form of government		Blume et al. (2009a)	-,_	WLS, N = 79	
Number of veto players		Panizza (2001)	-,*	TSLS, N = 111	
<b>IV : Others</b>					
1   Legitimacy of constitution/state					
2   Propensity to cheat on taxes	Direct democracy (mandatory referendums)	Blume et al. (2009a)	-,*	OLS, N = 49	
3   Reported life satisfaction ("Happiness")	Direct democracy	Frey and Stutzer (2006)#	+,*	WLS, N = 6,134	
	Direct democracy (various measures)	Lascher and Wassmer (2007)#	No effects, _	Various, N = up to 2,324	
	Direct democracy (various measures)	Blume et al. (2009a)	No effects, _	OLS, N = 54	

+/- = sign of coefficient in corresponding regression; \* = claimed to be significant; (\*) = marginally significant; \_ = claimed to be insignificant "#" refers to within country studies

Source: Voigt (2011: 214-216).

The second line of research focuses on the institutional features of policy-making process, also referred to as “the policy-making game.”<sup>27</sup> This configuration of the political system is, according to Tsebelis (1995, 2002), determined by “the interaction of the law making institutions, that is, the veto player.”<sup>28</sup> In that sense, a constitutional setting could lead to state “ungovernability” – that is, indecisiveness, irresoluteness, and balkanization. This can happen when “a polity has both many institutional veto points and political actors with diverse interests controlling this veto points” (Cox and McCubbins 2001: 31). In an in-depth case study on Argentina, Spiller and Tommasi (2003, 2007) focused even more finely on the level of “political microfoundations.”<sup>29</sup> Highlighting the diverse interests of actors, they found that the incentives of policy making in Argentina led to short time horizons and partisan behavior, and therefore hindered intertemporal cooperation.

Many of the ideas in this second line of research provide a basis for a research program that linked specific quality characteristics of public policy (e.g. stability or enforcement) to policy outcomes (Stein et al. 2005; Stein et al. 2008). Such research provides insights and powerful instruments for understanding how institutions affect public policy outcomes, and which institutions can align policy makers to high-quality outcomes. However, Spiller and Tommasi (2007: 4) acknowledged that “this ‘archeological’ approach requires a deep immersion in the working of politics and policy making in each country studied.”

In summary, the literature on how institutions affect public policy is able to explain specific interrelations and dynamics, such as executive–legislative games, from a comparative perspective. Those correlations can explain cross-country regularities and provide a basic theoretical framework. However, they lack explanatory power regarding country-specific phenomena, as they are often highly stylized. Nevertheless, the strand of research that focuses on institutional details provides a path for

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<sup>27</sup> Tsebelis (2002: 19), Stein et al. (2005: 17), Spiller and Tommasi (2007: 13), Caruso et al. (2013: 18).

<sup>28</sup> Tsebelis (2002: 283). The dynamics of veto power especially in presidential systems are also illustrated by Cox and Morgenstern (2001), Shuart and Haggard (2001) and Tsebelis (2002).

<sup>29</sup> Spiller and Tommasi (2007: 2).

understanding country-specific linkages between institutions and policy outcome. Hence, details of the Ecuadorian institutional setting must be explored.

### **2.1.3 Literature on Ecuador and the Buen Vivir**

A review of the literature on Ecuador is necessary to record institution-focused research on transformation in Ecuador. Therefore, I identify studies that link the country's institutional setting and policy outcomes.

When Buen Vivir is discussed as an alternative development model, the transformation of Ecuador is often reflected in a broader Andean or Latin American context. This context emphasizes the parallels and differences in opting for institutional reforms commonly referred to as *Nuevo Constitucionalismo* (Nolte 2009, Lustig 2009, Corrales 2012, Saguier 2012). However, Buen Vivir as a political concept features specific characteristics that make it stand out among new constitutional projects in the region. Buen Vivir is an indigenous cosmology transferred into a political concept in the states of Ecuador and Bolivia. Gudynas (2011: 443) noted the following points regarding the distinction between the ethnographic and the political approach:

*In the new Constitution of Ecuador the conceptual framework is different. Although Buen Vivir is referred to an indigenous concept, the sumak kawsay of the kichwa, is described as a set of rights, which include those referred to health, shelter, education, food, environment and so on. Thus, Buen Vivir is not an ethical principle for the state as in Bolivia, but a complex set of several rights, most of them found in the Western tradition, although fitted in a different framework.*

This description underlines two main elements of the Ecuadorian paradigm that the social science research community focuses on. The first is the juridification of rights in a constitutional framework, which means institutions; the second is rights that specifically target the improvement of living standards, which means development. The duality of the intellectual problem was also described by Walsh (2010: 20): "To what extent does this new binary Buen Vivir-development enable a de-envelopment of the



developmentisms present and past? And, to what measure does the new paradigm (paradogma?) in Ecuador suggest a disentanglement of the colonial matrix of power?”

In line with this account, Grugel and Riggirozzi (2012) proposed two pillars that post-neoliberal projects have in common. The first pillar represents a changing attitude to citizenship, drafting new state–society relations (institutions), and the second is a more pro-active economic and social policy of the state (development). These authors had in common that they wanted the institutional framework to moderate the interests of actors on the one hand and (post-) development policy outcome on the other hand. However, the research conducted so far has posed suitable questions rather than providing solid answers.

Many contributions that adopt a holistic view to the problem have lacked a detailed examination of the policy-making process within the institutional framework, and thus failed to explain the institution–development nexus. The comparative IDB study on institutions and policy making served that purpose, but did not cover the era of the new Ecuadorian development paradigm (Stein et al. 2008; Stein et al. 2005).

Although no studies have linked the institutional system to development output, several authors have devoted attention to particular elements of the legal framework. Barrera (2012) and Basabe-Serrano (2014a, 2014b, 2016) highlighted how efficiently Ecuador’s juridical system enforced the rules granted by the legal framework and operated to provide checks and balances within the political system. Hausmann and Klinger (2010), Samaniego and Tejerina (2010), Giovannini (2012), Scarlato (2013), and Weck and Landín (2014) briefly analyzed the economic and social policy instruments of Ecuador to provide initial descriptive insight regarding the model of social and solidary economy. The political economy of reformed regulation in education was examined by Baxter (2016: 221), who stated that –

*advancing quality reforms politically may first require the concentration of power, particularly in contexts where there are strong veto actors, gridlock and a contentious view of the reform package. However, compliance as a top down governance strategy does not necessarily lead to better outcomes over time, particularly in contexts characterized by higher levels of diversity and complexity.*

Although Berdegué et al. (2015: 2) alluded to the nexus of spatial diversity and rural development, they also highlighted the importance of agent–institution–structure interactions for development in Ecuador:

*While such territorially uneven development is partly related to the distribution of geographical assets and the effect of exogenous trends and shocks on territories, the more significant explanations lie in the spatially uneven effects of deeply rooted social structures and institutional arrangements that constrain socially inclusive economic growth. Specific social actors invest significant resources and energy to sustain these structures through the institutions that create or reproduce them.*

This study draws on wide literature that describes in detail the ethnological, cultural, and philosophical basics of the concept (Acosta 2006, 2009, Cortez and Wagner 2010, Fatheuer 2011, Jameson 2011, Thomson 2011, Villalba 2013, Hidalgo et al. 2014, Vanhulst and Beling 2014). Relevant sociological research – especially regarding social movements from which the Buen Vivir partly originates – was performed by Almeida and Johnson (2006), Montufar and Bonilla (2008), Zamosc (2009), Becker (2010), Bowen (2011), and Collins (2014). Closely connected to this line of research are studies focusing on Rafael Correa’s “permanent campaigning” (Conaghan and La Torre 2008; La Torre and Ortiz Lemos 2016) and on his interpretation of the president’s role within the political system of Ecuador (Conaghan 2008, 2012, 2015, 2016).

Contradicting policy goals and inconsistent policy measures become obvious in the disputes on environmental and resource policy, and in the subsequent protest of many indigenous social movements. This line of conflict was reflected by the political divergence of former President of the Ecuadorian Constituent Assembly, Alberto Acosta, on the one hand, and the government led by President Rafael Correa on the other hand. The cleavages that manifest in this split reflect the political system’s dysfunction in providing Buen Vivir to all groups of society. This is especially true because the rural majority of Ecuador’s population associates subjective wellbeing not

only with rising income but also with intact ties between their community and the land (Guardiola and García-Quero 2014). This phenomena has recently been critically studied with a focus on ambiguous policy instruments and contradictory development goals (Arsel 2012, Becker 2012, 2013, Eaton 2013, Villalba 2013, Basabe-Serrano and Martinez 2014). Among Ecuadorian researchers, this development is described as *Correísmo* (Alvarez et.al. 2013) and *restauración conservadora* (Acosta et. al. 2014).

Emphasizing this problem, Bowen (2011b) argued that although indigenous actors were successfully integrated into the multicultural market democracy, elites retained their political and economic power. In that context, extractive policies are a recent field of dispute, showing the continuity or return of former state–society relations. Arguing that further political protest is hard to predict, Bebbington and Humphreys Bebbington (2011: 142) noted that “What seems far clearer is that this is a pattern that translates into replays of long histories of colonialism, of violent incorporation of peripheries, and of resource dependence. In that regard, the post in post-neoliberalism seems to count for too little.” Corrales (2013b: 151) similarly stated that “Today, neoliberalism is neither triumphant nor dead.”

Many other authors have supported the position that a full transformation from neoliberalism to post-neoliberalism has not been completely realized, and that postcolonial structures persist (Valdivia 2008, Montufar and Bonilla 2008, Basabe-Serrano 2009, Kennemore and Weeks 2011, Arsel 2012, Becker 2012, Hogenboom 2012, Radcliffe 2012, La Torre 2013, Novo 2014, Bowen 2015, Shade 2015, Conaghan 2016). In related research, Boelens et al. (2015: 290) studied the management of water resources in Ecuador. They argued, with regard to the Correa administration, that “rather than relying on a bazaar-model it seeks to build a particular authoritarian (and hybrid) state-centered cathedral model to conduct water user collectives and society at large.” A slightly different argument was presented by Gargarella (2013, 2015). Reflecting on the contemporary constitutionalism in Latin America from a comparative perspective, Gargarella (2013: 185, 186) noted as follows:

*Notably, legal reformers concentrated most of their energies in the creation of new rights, leaving the organization of powers basically untouched. [...] By acting in this way, legal reforms maintained the closed “doors of the engine room” of*

*the Constitution: the core of the democratic machinery was not changed, the engine of the Constitution did not become the main object of their attention, as if their mission concluded with their work on the rights section; as if the main controls could only be touched by the closest allies of those in power.*

Gargarella discerned partial progress in expanding the rights of indigenous people especially, despite the structure of power – namely the persisting authority of the president – remaining unbalanced. However, his study did not explore the dynamics within the democratic machinery.

The arguments summarized above illustrate that the Buen Vivir development paradigm was initiated by bottom-up social movements but strategically executed as a top-down policy reform. Depending on the policy field the execution was swinging between liberal and state-centered policy instruments. These studies, however, have not identified the independent variables that could show whether the Correa administration has acted in an authoritarian or neoliberal manner. They also have not explained the cooperation dynamics of political actors in the institutional setting outlined.

## **2.2 Conclusion and Refined Research Questions**

In summary, the existing research on Ecuador's development paradigm, Buen Vivir, has been fragmentary. Various studies have examined single aspects of the concept, like its historical and cultural dimensions, the role of social movements, and to some extent its linkages with other Latin American transformation processes. Some have offered critical reflection of selected policy issues. However, recent studies did not clarify a link between the institutions set up by the Correa government and improved development indicators.

Institutions, development, and the good life (pursuing *buen vivir*) are three domains that are scientifically linked in this study. By drawing on the empirical institution–development nexus of recent literature, I explore how the political system of Ecuador facilitates high-quality policy making and hence contributes to

development. The following main research question is intended to close the knowledge gap, and further sub-questions to be investigated in this study are listed below.

**Why is the public policy in Ecuador of better quality since the new Buen Vivir approach was set up?**

- What is the Buen Vivir paradigm, as a political concept?
- Which new institutions were created by the Buen Vivir transformation?
- To what extent has the quality of public policy improved since 2008?
- To what extent has the level of development improved since 2008?
- What are the institution-related incentives and constraints of political actors in Ecuador as created under the framework of 2008? How were they altered before 2017?
- How did the institutional setting of 2008 facilitate more intertemporal transactions (long-term cooperation) among political actors, compared to the 1998 framework?
- To what extent do the arguments in this study confirm findings regarding decentralization, *correísmo* and power-seeking?

### 3 Theoretical Framework

This chapter introduces the theoretical framework applied in this study. In the following I will outline the basic concepts of political economy and positive political theory and explain the model that I used for my research.

#### 3.1 The Basic Concept of Political Economy

“Political economy” refers to the application of economic thinking to political science (Mueller 2007). The development of political economy as a discipline draws on centuries of work investigating the rationality of interaction between rulers and the ruled population.<sup>30</sup>

The perspective of methodological individualism in politics leads to two subdisciplines of political economy: public choice and constitutional economics.<sup>31</sup> Where rules are the explanatory variable for public policy output, both subdisciplines are commonly referred to as new institutional economics (NIE). Public choice encompasses all theories that explain the behavior of political actors within an exogenously given set of rules. By contrast, constitutional economics examines the rationality and fairness of choosing certain rules, using positive analysis and normative argument (Voigt 1997).

Public choice theory derived from work on social welfare functions, and seeks to explain how individual preferences aggregate to social choice (Bergson 1938, 1954; Samuelson 1947; Schumpeter 1950; Arrow 1951). The idea of an economic, individual-centered approach has been highly productive in describing and explaining collective non-market decision making. In his classic work *An Economic Theory of Democracy*, Downs (1957) illustrated the bargaining dynamics in policy making, with parties competing for voters much like companies compete for customers. Several scholars have since described the underlying economic logic of political interaction from the

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<sup>30</sup> See, for instance, Weingast and Wittman (2009a: 3).

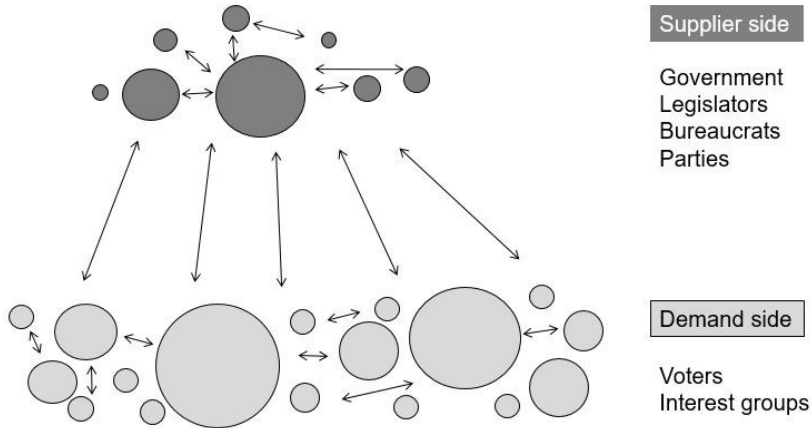
<sup>31</sup> Still there is no absolute consent about the separation of the two subjects. This study follows the mainstream approach of a separation of constitutional economics and public choice (Buchanan 1987a).

perspectives of different actors (Olson 1965; Riker and Ordeshook 1968), Niskanen 1971; Ostrom 1990). As Buchanan and Tullock (1962: 248) pointed out,

*One of the great advantages of an essentially economic approach to collective action lies in the implicit recognition that ‘political exchange’, at all levels, is basically equivalent to economic exchange.*

If market logic is applied to non-market phenomena in politics, or if politics is understood as a “political market,” political actors represent the supplier side; they provide goods that are demanded by voters or interest groups. However, competition for the utility that generates scarce resources in the political game causes conflict, which necessitates complex bargaining (Figure 3). According to Persson and Tabellini (2003), these conflicts can emerge for example between political actors struggling for power or bargaining interests; between political actors as producers, versus voters as consumers of public and private goods; and between different interest groups that compete for patronage of political actors.

**Figure 3:** Conflicts and bargaining between actors over policy issues



Source: Author.

The main instrument for coordinating these interactions are rules (Wicksell 1958; Brennan and Buchanan 1985; Buchanan 1987b; Greif 1998; Weingast and Wittman 2009b). In political economy, all formal and informal rules are institutions. As historian Douglass North (1990b: 3) stated,

*Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction. In consequence, they structure incentives in human exchange, whether political, social, or economic.*

Economists neglected the question of why and how institutions emerge. Coase (1937, 1960) demonstrated that externalities caused by market imperfection could be internalized by the actors involved, if property rights are allocated and exchangeable without transaction costs. However, “when transaction costs are significant, then institutions matter“ (North 1992: 6). This account created a new perspective on political economy by emphasizing that rules are not exogenous but subject to optimization under economic rationality (Shepsle 1989). Coase’s contractarian perspective influenced Buchanan and Tullock (1962), who made constitutional theory amenable for economic analysis. This approach “attempts to explain the working properties of alternative sets of legal-institutional-constitutional rules that constrain the choices and activities of economic and political agents.”<sup>32</sup>

This study uses basic insights from constitutional economics and public choice theory to explain policy making in Ecuador. However, the theories of political economy need to be refined and complemented by analytical tools from the field of positive political theory – which is discussed below.

### **3.2 Positive Political Theory**

Drawing on insight from political economy, positive political theory (PPT) uses formal models to study political complexity that manifests in the aggregation of individual preferences towards collective choice. When institutions are considered, positive political theory reveals the dynamics and causality within the political process, and thus detects how political institutions affect public policy outcome.

The basic assumptions of PPT incorporate the idea of methodological individualism and conceive a setting of actors in a world of scarcity and competition.

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<sup>32</sup> Buchanan 1987a: 585.



In this world, the overall goal of individuals is to survive.<sup>33</sup> The solution to achieve this survival is cooperation. However, the insecurity inherent in cooperation is ineffective and costly. Therefore, rules are set up to decrease insecurity and render cooperation more likely and more efficient. In this environment of incentives and constraints, actors make reasonable decisions (rational choice) and “[do] not just act, they interact” (McCubbins and Thies 1996: 16). The later alludes to the assumption that all who opt for alternatives depend on the anticipated choices of others. The behavior of the depicted actors was characterized by Ménard and Shirley (2008) as follows:

- Incomplete information
- Limited mental ability<sup>34</sup>
- Transaction costs<sup>35</sup>

It is feasible to transfer this rather abstract vision of human existence and interaction to actual policy making. Political actions occur within a market, where cooperation is obvious in the exchange of political products that are either demanded or offered. Specifically, political exchange appears for example in the swapping of mandates for political power or resources for rights of groups and individuals. This cooperation potentially generates added value and leaves all parties better off. However, political interaction implies the risk of market failure, such as rent-seeking, externalities or principal-agent problems due to power-concentration, marginalization of minorities, or information asymmetry. Hence, institutions should prevent market failure and maximize their welfare by fostering efficient generation and optimal allocation of public

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<sup>33</sup> The basic idea of having a rule-based society dates back as early as Thomas Hobbes’ idea of the social contract. His state of nature comes close to modern economist assumptions of market participants acting in a world of scarcity and competition with the overriding aim to survive (Lake 2009; Shepsle 2010).

<sup>34</sup> See, for instance, Simon (1955), Tversky and Kahneman (1974).

<sup>35</sup> Transaction costs are ex-ante and ex-post costs of market-participation, such as costs for information, conclusion, and enforcement. See, for instance, Williamson (1981, 1985).

and private goods. In addition, they should nurture accountability, enforcement of contracts, and protection of property rights.

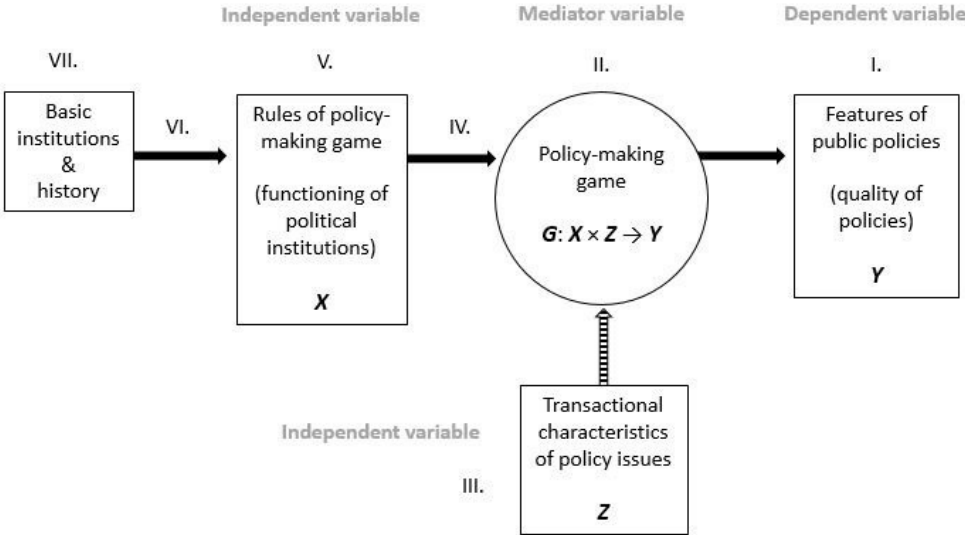
To understand the influence of rules on public policy outcome in Ecuador, a PPT model is required that facilitates a political system analysis from an overall perspective. In addition, the model should integrate the micro perspective of political exchange within the policy-making game.

### 3.3 The Model of Spiller and Tommasi

#### 3.3.1 Theoretical Framework

Spiller and Tommasi described a theoretical framework that merges the aspects of a political system’s institutional configuration, the policy-making game, and public policy output. This model contributes to a comparative analysis of “policies’ political microfoundations” (Spiller and Tommasi, 2007: 2) and thus explains how institutional settings determine political behavior and policy output. Figure 4 illustrates the logic of the model and depicts how institutions affect policy outcome.

Figure 4: The framework of Spiller and Tommasi



Source: Based on Spiller and Tommasi 2001: 8; 2007: 14.

According to Spiller and Tommasi (2007: 13), the dependent variable  $Y$  (I.) reflects the quality dimension of public policy output. Unlike earlier researchers, who focused

on quantitative dimensions of policy outcome such as economic growth or budget deficits (see 2.1.2, Table 2), Spiller and Tommasi examined the quality features of public policies. Referring to Stein et al. (2005: 17), these properties encompass:

- **“Stability:** the extent to which policies are stable over time
- **Adaptability:** the extent to which they can be adjusted when they fail or when circumstances change
- **Coherence and coordination:** the degree to which policies are consistent with related policies, and result from well-coordinated actions among the actors who participate in their design and implementation
- **The quality of implementation and enforcement**
- **Public regardedness:** the degree to which policies pursue the public interest
- **Efficiency:** the extent to which they reflect an allocation of scarce resources that ensures high returns.”

The variable  $Y$  (I.) depends on the policy-making game  $G$  (II.) played on policy issues with specific transactional characteristics  $Z$  (III.). This scenario is formally denoted as  $G: X \times Z \rightarrow Y$ . The behavior of the actors is constrained and incentivized by the rules of the policy-making game  $X$ , which determine available strategies and consequent payoffs (IV.).

In line with insights on institutional path dependence (North 1990b; David 1994; Sydow and Schreyögg 2010), basic institutions and history (VII.) inherit a pattern of foundations and beliefs in which the rules of the policy-making game (e.g. as manifested in a constitution) evolve (VI.). Two examples related to this study illustrate how basic institutions today coin political rules. The first is Latin America, where long-standing democratic traditions played a significant role in determining new constitutional designs in the context of the recent *Nuevo Constitucionalismo* (see 5.1). The second is the case of Ecuador, where the development paradigm of *Buen Vivir* draws on the Andean indigenous cosmology of *sumak kawsay* (see 5.2.1).

The working of a country’s political institutions determines the rules of the policy-making game (IV.). To understand the configuration or constellation and

workings of political institutions, certain factors must be revealed. According to Spiller and Tommasi (2003, 2007) these include incentives, preferences, payoffs, constraints, timing and observability of key institutional players such as:

- Power and responsibility of the executive
- Actors, arenas, policy orientation, and veto points in legislative process
- Nature of the party systems, time horizons, and expertise of legislators
- Professionalism and the long-term orientation of bureaucracy
- Independence and enforcement ability of the judiciary

In summary, the main argument made by Spiller and Tommasi (2003, 2007) is that policy making is the outcome of intertemporal transactions among political actors within the policy-making game. Hence, the critical characteristic of a political system is its ability to facilitate and incentivize long-term cooperation. This account strongly corresponds to the endeavor of understanding the transformation-triggered institutional and developmental trajectory of Ecuador, a country previously shaped by a decade of political continuity.

### **3.3.2 The Policy-Making Process**

In the light of the argument outlined above, the decisive characteristic of a political system is its ability to maintain cooperation between political actors. To understand the dynamics of political exchange, Spiller and Tommasi (2003, 2007) drew on insights from repeated oligopoly games. The policy-making process represents the complexity of individual strategic choices that, from a systemic perspective, result in general equilibrium (Stein, 2005: 16).

This approach – based on repeated game theory – is particularly fruitful, as most political transactions are not realized as spot transactions with immediate payoffs. Rather, they constitute and require a potentially indefinite series of successive bargains (Ordeshook 1986). Politicians in an aggressive election campaign, for instance, could consume the benefits from strategic positioning in case of success right away. However, the benefits accruing from the implementation of the election campaign's promises,

such as re-election, necessitates complex bargaining. Therefore, “actors must consider not only the immediate consequences of their choice, but also the effect of the choices on the long-term relationship” (Morrow 1994: 260).

Due to payoff structures, retaliation options and reputation, long-term cooperation in repeated games occurs when actors have incentives to care for constructive relationships in the long run. In addition, they show patience by not discounting future payoffs too optimistically, and they face threats of costly punishment for deviation (Dixit 1996: 71). Correspondingly, Spiller and Tommasi (2007: 4) described the situation as follows:

*cooperative equilibria are more likely to exist if the number of actors is small, the actors interact repeatedly, the immediate benefits of deviating from cooperation are relatively minimal, deviations from cooperative behavior are easily observed, and there are credible enforcement mechanisms to penalize those who deviate from cooperation.*

Drawing on similar attempts (Alesina 1988; Dixit et al. 2000; de Figueiredo 2002; Dixit 2003; de Figueiredo and Weingast 2005; ), Spiller and Tommasi (2007: 28) stylized policy making as a non-cooperative game constrained by contracting moments.<sup>36</sup> In a setup of two political actors ( $i = A, B$ ) who opt for a policy  $y_t$  repeatedly at any stage game over time, each player tries to maximize the utility function, as follows<sup>37</sup>:

$$V = - \left[ \sum_{t=0}^{\infty} \delta^t E[L_i(y_t, \theta_t)] \right]. \quad (I)$$

Here  $\delta \in [0, 1]$  relates to the discount factors of future payoffs (patience). An expectation operator  $E$  denotes the expected value of the loss functions  $L_i(\cdot)$  that

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<sup>36</sup> Spiller and Tommasi (2007: 35) define the contracting moment as “moments of major institutional definitions” or as “an agreement among the parties that will affect their ability to make decisions at the implementation stage.”

<sup>37</sup> See Spiller and Tommasi (2007: 29). A similar logic of modelling utility is applied by Ordeshook (1986: 25), Morrow (1994: 38), Dixit et al. (2000: 538).

depend on the collective decision for a policy  $y$ , and on economic shocks  $\theta$ .<sup>38</sup> Shocks, which are independently distributed over time in the model, have explicit relevance for policy making in Latin America (Hausmann and Gavin 1996; Caballero 2000; Gelos and Werner 2014). Countries like Ecuador, for instance, highly depend on the global economy, as the recent fluctuation in oil prices showed.

Given the mathematic modelling, Spiller and Tommasi summarized five main results. The first two results emphasize the discount factor and the last three consider transactional environments as determinants for policy making:

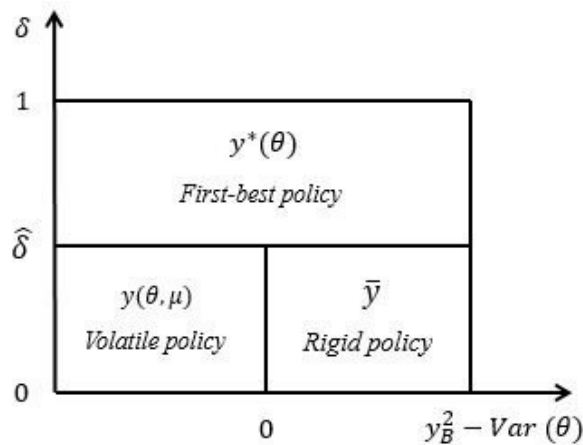
1. First-best policies are a function of *economic* but not *political* shocks.
2. First-best policies can be attained when players are sufficiently far-sighted.
3. In bad transaction environments, policies may depend on the realization of political shocks.
4. In bad transaction environments, policy makers may impose rigid rules to prevent opportunism by other parties.
5. As a result, in bad transaction environments, some policy may be too volatile while others are too rigid. (SP 2007: 38, cited here verbatim).

Figure 5 illustrates these points. Above the threshold value  $\hat{\delta}$ , political agreements are self-enforcing and players realize first-best policies. In that scenario, policies can adjust to changing circumstances and political opportunism is unlikely. However, below  $\hat{\delta}$ , policy-making actions do not induce equilibrium. Therefore, policies are subject to political opportunism and thus too volatile, or they are too rigid and lack adaptability. In effect, both scenarios provide limited means for long-term cooperation and hence lead to low-quality policy outcomes. This account is in line with Cox and McCubbins' (2001: 29) view of the trade-off between the dimensions of decisiveness and resoluteness: "Polities that chose to locate at either extreme will be ungovernable."

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<sup>38</sup> See Spiller and Tommasi (2007: 29).

**Figure 5:** Breakdown of Spiller and Tommasi’s basic model



Source: Spiller and Tommasi (2007:38).

In an extension of their model, Spiller and Tommasi (2007: 46) described precisely how to transfer the results of the basic model into conditions that make cooperation more likely. In turn, this renders good policy making more likely too:<sup>39</sup>

- Low short-run payoffs for non-cooperation,
- A small number of political actors and good aggregation mechanisms,
- Strong intertemporal linkages among political actors,
- Well institutionalized arena for political exchange,
- Policies and moves of actors are widely observable,
- Effective delegation and enforcement technologies exist (e.g. judiciary or bureaucracy).

These conditions, depending on the functioning of political institutions, correspond to panel IV in Figure 4. In summary, the logic of repeated games reflects the policy-making process as a series of strategic interactions, in which utility-seeking actors opt for stable and adjustable policies in the long run – if the rules of the policy-making game foster cooperation. Nevertheless, different policy issues addressed within the same institutional setting could lead to varying policy outcomes due to specific transactional characteristics of the policy at stake.

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<sup>39</sup> See also Stein and Tommasi (2006), Stein et al. (2005: 19) and Stein et al. (2008: 16).

### 3.3.3 The Role of Transaction Costs

In relation to the game theoretic approach mentioned above, Dixit (2003: 108) commented on the costs incurred in policy making:

*Economic policy as practiced in almost all countries is an equilibrium outcome of a political process, which is influenced by many costs of negotiating and implementing agreements, most notably costs of coping with the information asymmetries and costs of making commitments credible.*

These costs are commonly referred to as transaction costs (North 1990a). Widening the early narrow concept of transaction costs that centered on contracting of firms (Coase 1960; Arrow 1969; Cheung 1969, 1983), scholars generalized the concept to a broader perspective, as “complex organizations serve a variety of economic and noneconomic purposes.”<sup>40</sup> Since then, several authors have referred explicitly to the structuring role of transaction costs in policy making (Weingast and Marshall 1988; Dixit 1996; Williamson 1999; Epstein and O'Halloran 2000; Dixit 2003; Berggren and Karlson 2003; Wood and Bohte 2004; Berggren and Karlson 2003; Gilligan 2009; Libecap 2014). Williamson (1985: 388) gave the following broad definition of transaction costs:

*Transaction costs of both ex ante and ex post kinds are distinguished. The ex ante costs are those incurred in drafting and negotiating agreements. They vary with the design of the good or service to be produced. The ex post costs include the setup and running costs of the governance structure to which monitoring is assigned and to which disputes are referred and settled; the maladaptation costs [...]; haggling costs that attend adjustment (or the lack thereof); and the bonding costs of effecting secure commitments.*

In this vein, the notions of negotiation, governance structure, and – especially – the variation of costs depending on the goods at stake strongly relate to the model of Spiller and Tommasi. As they noted (Spiller and Tommasi 2007: 46), “The political

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<sup>40</sup> Williamson 1985. See also Eggertsson (1990), Allen (2000).



implementation of deals that sustain policies with different transactional complexities will lead to politics with different features.” Elaborating on these findings, Spiller and Tommasi (2007: 13) outlined items of transactional characteristics that affect the policy-making game:

- Intertemporal patterns of payoffs for different political actors
- Number and cohesiveness of political actors
- Degree of irreversibility of assets involved in the policy
- Duration of policy exchanges
- Measurability of performance
- Observability of shocks
- Urgency of need for implementation
- Degree to which policy benefits broad or narrow interests

In summary, transactional characteristics are an important element of policy making. They ought to be considered when explaining the institutional–policy nexus.

### **3.3.4 Linking the Quality of Public Policy and Development**

In their model, Spiller and Tommasi emphasized the influence of institutional configuration on the quality dimension of public policy, and neglected quantitative properties such as growth rates and national income. However, the broader Inter-American Development Bank research program that Spiller and Tommasi were involved in highlighted the statistical ramifications of the qualities of public policy for development indicators (Stein et al. 2005; Stein and Tommasi 2007). Table 3 illustrates how quality features of public policies relate to economic development; here, 14 of the 16 correlations were statistically significant. For the Latin American sample specified in the top portion, the correlations were higher than for the sample from other developing countries. This result was due to similarities between the Latin American countries considered (Stein et al. 2005: 139). Nevertheless, the statistical finding confirm a clear link between the quality of public policy and development as outlined by other researchers in similar studies (Kaufmann et al. 2003; Glaeser et al. 2004;

Easterly et al. 2006; Dixit 2015).<sup>41</sup> Although the operationalization of institutional quality remains a challenge (Fabro and Aixalá 2013), scholars widely agree that not only the existence of institutions matters but that specific characteristics, such as credibility or stability, induce the benefits of efficient policy making (Rodrik 1989; Persson and Tabellini 1994; Weingast 1995; Hall and Jones 1999; La Porta et al. 1999; Aghion et al. 2004; Bardhan 2005; Bates 2006; Keefer and Vlaicu 2008; Haggard and Tiede 2011).

In summary, there is a clear link between institutional quality and economic development. This study, in consequence, draws on the model of Spiller and Tommasi and existing research on institutions and development.

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<sup>41</sup> See 2.1.1.2.

**Table 3:** Simple and partial regressions for quality features of public policy and economic development

<b>Latin American Countries</b>								
	<b>Stability</b>	<b>Adaptability</b>	<b>Coordination and coherence</b>	<b>Implementation and enforcement</b>	<b>Public regardedness</b>	<b>Efficiency</b>	<b>Policy Index</b>	<b>No. Obs.</b>
<b>GDP per capita growth</b>	0.643 ***	0.543 **	0.722 ***	0.653 ***	0.573 **	0.674 ***	0.700 ***	18
	0.453 *	0.445 *	0.505 **	0.545 **	0.287	0.512 **	0.509 **	18
<b>Human Development Index (change)</b>	0.202	0.602 ***	0.186	0.519 **	0.199	0.375	0.376	18
	0.418 *	0.782 ***	0.428 *	0.711 ***	0.464 *	0.592 ***	0.614 ***	18
<b>Poverty Reduction</b>	0.467 *	0.455 *	0.427 *	0.322	0.353	0.372	0.439 *	17
	0.339	0.377	0.268	0.235	0.177	0.226	0.300	17
<b>Welfare Index (Sen)</b>	0.791 ***	0.685 ***	0.950 ***	0.688 ***	0.839 ***	0.856 ***	0.871 ***	16
	0.649 ***	0.610 **	0.800 ***	0.590 **	0.639 ***	0.739 ***	0.730 ***	16
<b>Welfare Index (Atkinson)</b>	0.791 ***	0.630 ***	0.949 ***	0.635 ***	0.817 ***	0.826 ***	0.843 ***	16
	0.647 ***	0.548 **	0.796 ***	0.528 **	0.605 **	0.704 ***	0.695 ***	16

<b>Developing Countries</b>								
	<b>Stability</b>	<b>Adaptability</b>	<b>Coordination and coherence</b>	<b>Implementation and enforcement</b>	<b>Public regardedness</b>	<b>Efficiency</b>	<b>Policy Index</b>	<b>No. Obs.</b>
<b>GDP per capita growth</b>	0.489 ***	–	–	0.261 *	0.193	0.467 ***	0.420 ***	52
	0.491 ***	–	–	0.331 **	0.236	0.476 ***	0.445 ***	47
<b>Human Development Index (change)</b>	0.215	–	–	0.585 ***	0.485 ***	0.249 *	0.400 ***	52
	0.199	–	–	0.567 ***	0.476 ***	0.283 *	0.393 ***	47
<b>Poverty Reduction</b>	0.511 ***	–	–	0.332 **	0.222	0.448 ***	0.461 ***	42
	0.514 ***	–	–	0.327 **	0.202	0.445 ***	0.450 ***	37

- Not available      \*Significant at 10%      \*\*Significant at 5%      \*\*\*Significant at 1%

Source: Stein et al. (2005: 140).

## 4 Methods

This chapter should introduce to the methods employed in this study. Therefore, the overall methodological approach is clarified, the research design is presented, and the methods data collection and interpretation are outlined.

### 4.1 Methodological Approach

This study provides an in-depth case study of Ecuadorian policy making under the Buen Vivir paradigm. The work is based on and contributes to the theoretical framework of Spiller and Tommasi (2007) and the Inter-American Development Bank (Stein et. al. 2008). Specifically, I provide a data-based explanation of why the quality of public policy in Ecuador improved after the institutional implementation of the Buen Vivir paradigm.<sup>42</sup> Because the nature of my research, like similar investigations, is neither purely qualitative nor purely quantitative, the overall strategy requires some clarification.

The research activity of this study relates to the theoretical framework delineated by Spiller and Tommasi. My approach, however, is not to test the findings implied in their investigation. Instead, my examination of policy making in Ecuador produces observations that augment a theory of policy making in a broad comparative setting. Spiller and Tommasi (2007: 5) commented about their study and the need for similar research as follows: “This book is a preliminary step in a broader comparative agenda. [...] It is our hope that this work will stimulate other researchers to join the effort, applying and extending its framework to other countries.” Because my study contributes to this theory building, the findings are inductive.

Furthermore, this study follows a mixed-method approach. The concept to be analyzed is the capability of the institutional setting to induce intertemporal transactions. In other words, I investigated the cooperation incentives of political institutions. I operationalized the concept and mainly use qualitative legal analysis to

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<sup>42</sup> See 2.2.

understand the related items. Therefore, the nature of this study tends to be rather qualitative. This is underlined by the ideographic theory-building approach and the object of research in focus- institutional settings a country during a particular amount of time.

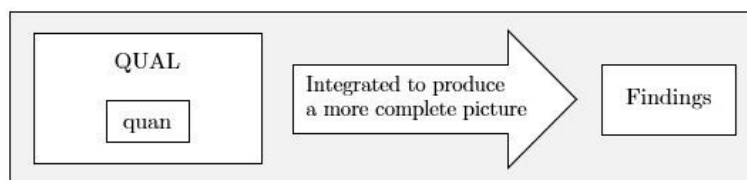
However, the study also entails characteristics of quantitative research. This is true despite the inductive use of theory and the development of the findings. It complies with positivist rational choice assumptions, and uses numerical data as a supplementary source. Quantitative data were obtained to verify and complement the qualitative observations for specific research units. Merging the features of qualitative and quantitative research does not imply inconsistency. A growing number of scholars agree that the two approaches are not contradictory, and that their separation may even be unhelpful (Layder 1993; Newman and Benz 2006; Creswell 2014; Bryman 2016).

## 4.2 Research Design

### 4.2.1 Embedded Mixed-Method Design: An Exploratory Case Study with Longitudinal Elements

For this study, I chose an embedded mixed-method design, using qualitative observations as the main source of unit-specific data (QUAL). An embedded quantitative component (quan) complements the qualitative observations, where numerical data were available (Figure 6).<sup>43</sup>

**Figure 6:** Stylized scheme of embedded mixed-method design



*Source:* Author based on Bryman 2016: 639.

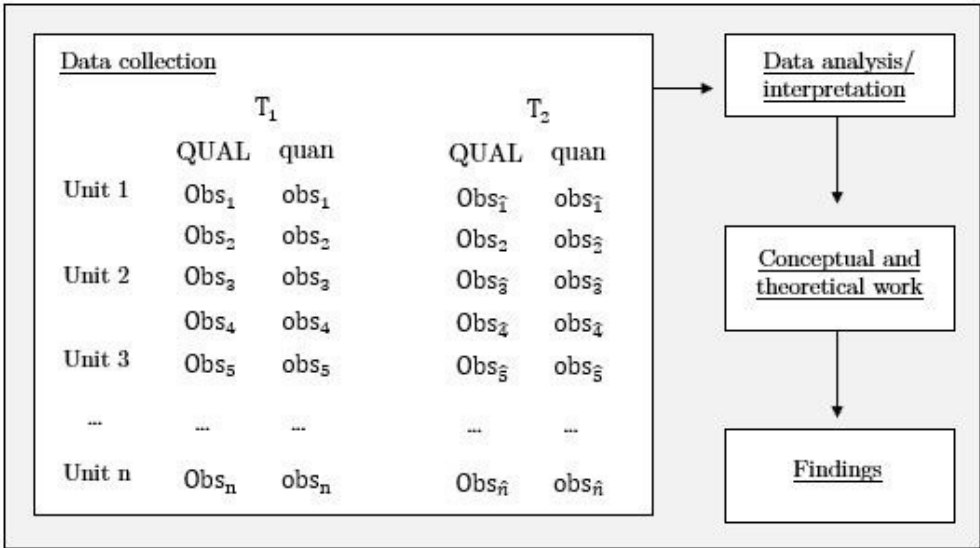
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<sup>43</sup> Creswell 2014: 221.

Specifically, the design employed was an exploratory case study with longitudinal elements. The exploratory character is due to the inductive nature of the study, which contributes to theory building. Similar to the “pilot case” of Spiller and Tommasi (2007: 5), it provides an intermediate step to explain the causal effects of institutional variables on policy making and hence also on development.<sup>44</sup>

The process of the study entailed two blocks or panels of data collection. The decade before and the decade after the implementation of the Buen Vivir paradigm were of interest. These two decades were aggregated to the observation periods  $T_1$  (1998–2007) and  $T_2$  (2008–2017). The data collection was followed by analysis and interpretation of the data, and the findings were derived from conceptual and theoretical work. The comparison of the two panel observations illustrates the longitudinal character of the research design (see Figure 7).

**Figure 7:** Embedded mixed-method longitudinal research design



Source: Author.

<sup>44</sup> As McNabb (2010: 42, 45) notes for the properties of exploratory designs: “These types of studies are sometimes referred to as *pilot studies*. Exploratory studies are often employed as the first step in a multi-part research project” and, “Typical objectives for explanatory research include explaining why some phenomenon occurred, interpreting a cause-and-effect relationship between two or more variables, and explaining differences in two or more groups’ responses. The design is similar to the traditional positivist approach, and some numerical description and simple statistical analysis may be involved”.

The study also integrates major elements of a case study design. Brymann (2016: 60) commented on the mode of using case studies for both the qualitative and quantitative sites of mixed-method designs:

*There is a tendency to associate case studies with qualitative research, but this is not appropriate. Case studies do tend to use qualitative methods [...]. However, case studies frequently sites for the employment of both sites.*

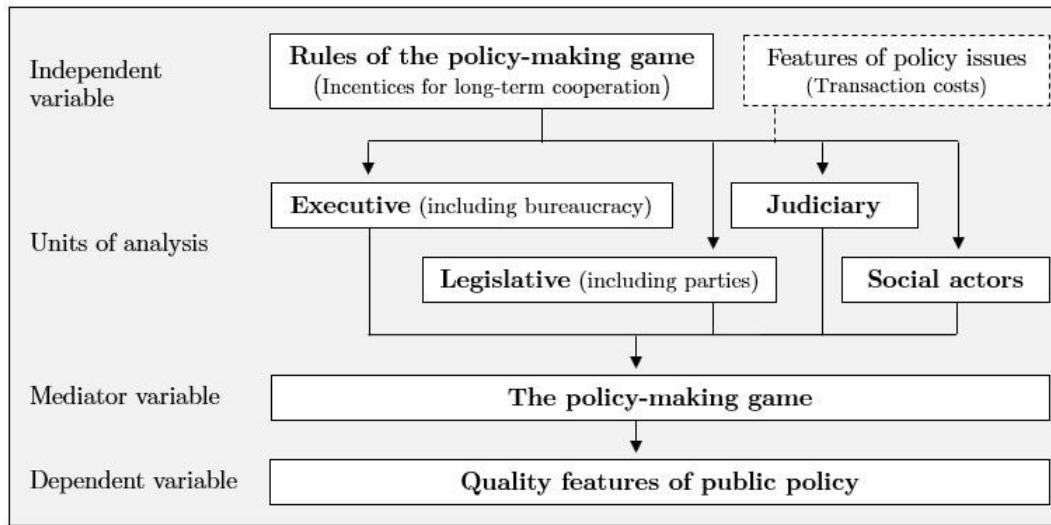
Given that qualitative and quantitative methods were merged, it might be questionable to classify the single panel observations as case studies. Bryman (2016: 61) pointed out that “the crucial issue is to be clear what the unit of analysis is;” furthermore, an investigation is a case study if “the location is either primarily or at least to a significant extent the object of interest.” The units of research in this study were groups of actors in a specific national institutional environment. Therefore, the uniqueness of the political Buen Vivir paradigm in Ecuador plays a pivotal role. As this study outlines the specific national characteristics of the institutional setting of Ecuador, and thus contributes to comparative research among other nation-focused cases, a case-study design seems relevant.

#### **4.2.2 Variables and Units of Analysis**

The variables of interest are as follows: 1) the functioning (cooperation incentives) of institutional micro-foundations are the independent variable, and 2) the quality dimension of politics is the dependent variable. The policy-making process is the intermediary process between both variables and is thus a mediator (intervening) variable. Figure 8 depicts the causal connections between these variables.

The sample examined provides a generalization of the main actors involved in Ecuador’s policy making. These actors are clustered into units of analysis. For reasons of systematic analysis, these units are structured by organizational and functional logic. The resulting groups are the executive, including the bureaucracy; the legislature, including political parties; the judiciary; and social actors, such as the media or social movements. Figure 8 shows these units as well as the variables.

**Figure 8:** Causal connection of variables and units of analysis



Source: Author.

### 4.3 Research Method, Data Collection and Validity of Research

#### 4.3.1 Research Method and Data Collection

Spiller and Tommasi (2007: 46) delineated a path for finding relevant data by framing conditions that make cooperation among actors in the policy-making game more likely.<sup>45</sup> To operationalize and measure the dependent variable, I employed these conditions as categories of items that I selected for my analysis ( $c_i$ ):

- $c_1$ ) Low short-run payoffs for non-cooperation,
- $c_2$ ) Small number of political actors and good aggregation mechanisms,
- $c_3$ ) Strong intertemporal linkages among political actors,
- $c_4$ ) Well institutionalized arena for political exchange,
- $c_5$ ) Policy and political moves are widely observable,
- $c_6$ ) Effective delegation (bureaucracy) and enforcement (judiciary) technologies.

Table 4 outlines the data collection plan regarding these conditions. Regarding the staging of data collection, I gathered qualitative and quantitative data simultaneously

<sup>45</sup> See 3.3.2.



for each research unit. Table 4 also provides a fine-grained itemization of SP's conditions.<sup>46</sup> I gathered the primary numerical data, especially for aspects such as term duration or legislative success, directly from Ecuadorian governmental bodies (e.g. GNE and Asamblea Nacional). For secondary numerical data, I drew on public policy and transformation indices such as the Bertelsmann Transformation Index (BTI), Global Competitiveness Report (GCR), and Freedom House Index (FHI). For reasons of consistency and comparability I updated the measures of Stein et al. (2005, 2008) for the dependent variable (quality features of public policy) using the same methodology.<sup>47</sup>

### 4.3.2 Validity of Research

The general design of the study is tailored to high reliability, enabling interconnectivity with the IDB research program (Stein et. al. 2008, Jones 2017) and further complementation, updating and evolution by other researchers.

Validity, in general, refers to “the integrity of the conclusions that are generated” (Bryman 2015: 41). In this study, measurement validity and internal validity were prioritized. Measurement validity means that an indicator selected to portray a concept really provides a measurement of that concept.<sup>48</sup> Face validity was tested in the course of the study. Furthermore, construct validity was ensured by adjusting the design to the conditions of SP, and by using complementary items that are often used in public policy indices and the IDB study – such as rule of law or civil participation.

For internal validity, causality was closely based on the reasoning of the SP model. Regarding the general shortcomings of “subjective data” implied in polls and expert assessments (Kaufmann et al. 2009: 4), I managed the risks by drawing on multiple methodological perspectives and sources.

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<sup>46</sup> See data appendix I for content details and scale of item variables.

<sup>47</sup> See Stein et. al. (2005: 261).

<sup>48</sup> See Bryman (2015: 158).

**Table 4:** Items and sources of data: conditions of cooperation (independent variable)

Conditions/ <i>Units</i>	Items	Source QUAL	Source quan ( <i>var</i> )
<i>Executive</i>			
<i>c</i> <sub>1</sub>	Presidential power	Legal texts, literature	
	Minister turnover	Literature	
	Minister profiles	Literature	
	Decentralization	Legal texts, literature	
	Government accountability	Legal texts, literature	PRS ( <i>c1gov_prs</i> )
	Checks and balances	Legal texts, literature	BTI ( <i>c1gov_bti31</i> )
	Prosecution of office abuse		BTI ( <i>c1gov_bti33</i> )
<i>c</i> <sub>2</sub>	Veto powers/ political enclaves	Legal texts, literature	BTI ( <i>c2gov_bti22</i> )
	Influence of interest groups	Legal texts, literature	LB ( <i>c2gov_lb</i> )
	Governance risk from civil disorder		PRS ( <i>c2gov_prs</i> )
<i>c</i> <sub>3</sub>	Political careers	Literature	
	Re-election of prefects	Literature	CNE
	Cabinet continuity	Legal texts, literature	SB ( <i>c3gov_bas</i> )
	Absent risk of government removal/ coups	Legal texts, literature	GCR ( <i>c3gov_gcr</i> )
	Political stability/ absence of violence		WB ( <i>c3gov_wb</i> )
<i>c</i> <sub>4</sub>	Government transparency	Legal texts, literature	GCR ( <i>c4gov_gcr</i> )
	E-government	Literature	UN ( <i>c4gov_un</i> )
	Budget transparency	Literature	IBP ( <i>c4gov_ibp</i> )
	Accountability, transparency, corruption (rural)		IFAD ( <i>c4gov_ifad</i> )
<i>c</i> <sub>5</sub>	Democratic institutions	Legal texts, literature	BTI ( <i>c5gov_bti</i> )
	Challenge of Regulation	Legal texts, literature	GCR ( <i>c5gov_gcr</i> )
	Rule of Law	Legal texts, literature	WB ( <i>c5gov_wb</i> )
<i>c</i> <sub>6</sub>	Quality of bureaucracy	Legal texts, literature	OECD/ IDB 2016
<i>Legislature</i>			
<i>c</i> <sub>1</sub>	Capacities of legislators	Legal texts, literature	
	Legislative success		Asamblea Nacional
<i>c</i> <sub>2</sub>	Veto powers and political enclaves	Legal texts, literature	
<i>c</i> <sub>3</sub>	Political careers	Literature	
	Coalition stability	Literature	CNE
<i>c</i> <sub>5</sub>	Electoral Process	Legal texts, literature	FH
	Party system institutionalization	Literature	BTI ( <i>c6leg_bti</i> )
	Voice and accountability		WMO ( <i>c6leg_wmo</i> )

Conditions/ Units	Items	Source QUAL	Source quan ( <i>var</i> )
<i>Judiciary</i>			
<i>c</i> <sub>6</sub>	Court structure	Legal texts, literature	
	Judge staffing	Legal texts, literature	
	Judicial independence	Literature	GCR ( <i>c6jur_gcr</i> )
	Checks and balances	Legal texts, literature	BTI ( <i>c6jud_bti</i> )
	Law and order		PRS ( <i>c6jud_prs</i> )
	Property rights		HF ( <i>c6jud_hf</i> )
<i>Social actors</i>			
<i>c</i> <sub>1</sub>	Direct democracy	Legal texts, literature	
	Vote for change		LB ( <i>c1civ_lb</i> )
	Protest participation		VU ( <i>c1civ_vu</i> )
	Rejection of democracy		BTI ( <i>c1civ_bti</i> )
	Civil unrest/ terrorism		WMO ( <i>c1civ_wmo</i> )
<i>c</i> <sub>2</sub>	Civil society associations	Legal texts, literature	BTI ( <i>c2civ_bti</i> )
	Civil participation	Legal texts, literature	VU ( <i>c2civ_vu</i> )
	Freedom to participate in politics	Legal texts	LB ( <i>c2civ_lb</i> )
<i>c</i> <sub>3</sub>	Voter mobility	Literature	
<i>c</i> <sub>5</sub>	Social regulation	Legal texts, literature	
	Civil rights		BTI ( <i>c5civ_bti</i> )
	Freedom of expression		FH ( <i>c5civ_fh</i> )
	Press freedom		RSF ( <i>c5civ_rsf</i> )

*Source:* Author.

#### 4.4 Analysis and Interpretation

Given the ideographic character of this case study, the analysis of conditions depends on the context of the issues being considered. Legal texts were analyzed regarding the rights and restrictions they imply for the respective actor groups, and the provisions they entail regarding relations to other actors, such as executive-legislative relations.

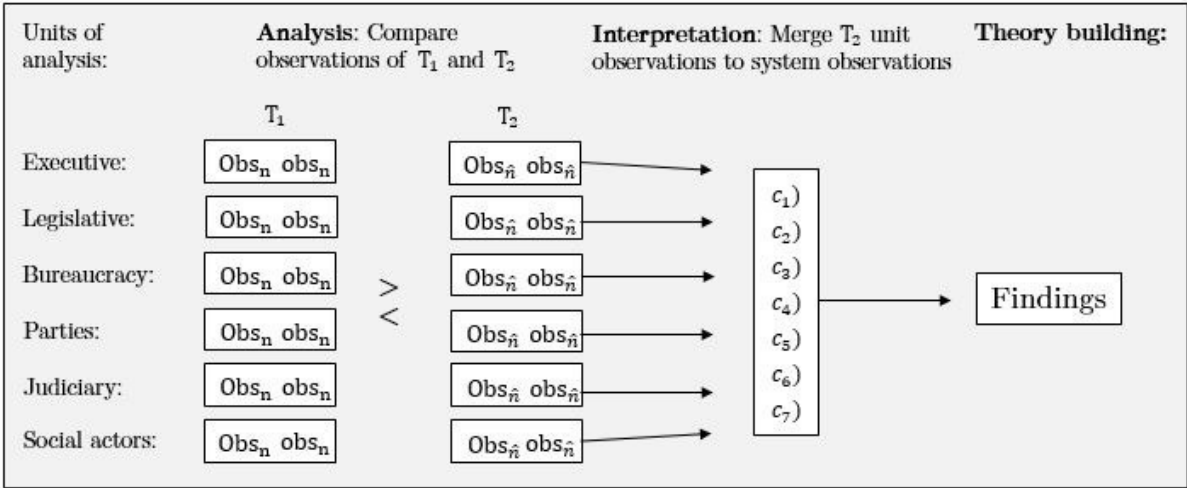
The assessment of incentives, constraints, and inter-actor dynamics was based on legal texts, expert literature, and numerical data (e.g. minister turnover, legislator

re-elections, and voter mobility). The cooperation incentives for each actor group were evaluated and categorized as low, medium, or high. Some items needed quantitative supplementation to understand the actors' incentives and constraints within the respective unit of analysis.

The numerical data (Table 4) were normalized by z-transformation, using STATA. The results were visualized to detect changes over time in and between both periods observed. The deviation of scores in relation to the mean value complemented the assessment of whether incentives for cooperation (conditions  $c_i$ ) were low, medium or high.

In line with the objective of detecting improvement in the institutional setting of Ecuador, I then compared the cooperation incentives of each unit of analysis (e.g. the executive) across time. That is, incentives in period  $T_1$  were compared with those in period  $T_2$  in a first step (see Figure 9). In cases where I employed numerical items, higher scores indicated stronger incentives for intertemporal cooperation. In a second step, I merged the unit observations for  $T_2$  with systems observations along the seven conditions for cooperation defined by Spiller and Tommasi. This synthesis from actor-centered to institutional-system perspective contributes to theory building based on the SP framework.

**Figure 9:** Stylized scheme of analysis and interpretation



Source: Author's contribution.

## **5 Buen Vivir as a Political Concept**

### **5.1 Contextualization**

To contextualize Buen Vivir as a political concept, four main preceding political developments must be considered. These are 1) the Third Wave of Democratization beginning in 1978, 2) Latin America's shift from neoliberal politics to New Left political agendas, 3) the emergence of a cluster of new constitutions in the region, and 4) the global trend to a populist style of policy making.

#### **5.1.1 Third Wave of Democratization in Latin America**

Modern democracy in Ecuador is a relatively young phenomenon. Despite the country's longstanding democratic tradition, beginning with independence from Spain in 1822, Ecuador has experienced cycles of political change and setbacks in its state of democracy over the last two centuries (Smith and Sells 2017). After episodes of both civil and military regimes that were semi-democratic or authoritarian, the state underwent extensive democratization in 1979. This transition occurred at a time when several countries worldwide embarked on diverse regime changes towards democracy. Latin American countries were among the first in this "Third Wave of Democratization" (Huntington 1991). Beginning with the Dominican Republic in 1978, the Andean States, Argentina, Brazil and Uruguay later followed.

Eventually the breakdown of dictatorships in Chile (1989) and Nicaragua (1990) ended widespread military rule on the continent, with Cuba as the last exception. The democracies established in Latin America after 1978 – surprisingly and against predominant empirical patterns – turned out to be resilient to poor economic performance and governmental instability (Hagopian and Mainwaring 2005). Most states in Latin America are consistently ranked high for freedom and rule of law, such as Mexico, Chile, Brazil, and Argentina. However, not all states in the region guarantee substantial citizen rights and working political institutions. Some democracies, such as Bolivia, Colombia, Ecuador and Venezuela, remain fragile and insufficient (Walker 2013: 218).

The historical developments outlined here illustrate that the evolution of modern democracy in Ecuador is embedded in a broader regional context. As Mainwaring and Pérez-Liñán (2005: 58) put it: “It is impossible to understand the post-1978 transformation of Latin American politics exclusively in terms of the cumulative effect of isolated political processes in individual countries.” Similarly, Smith (2012: 34) described a “domino effect” in the sense there “there might have existed a process of diffusion, a demonstration effect in which the rise (or fall) of a democracy in one country fostered similar outcomes in nearby or neighboring nations.” These statements seem reasonable given the historical and political entanglements of Ecuador with its Andean neighbors, and the shared cultural properties within the Latin American world.

The regional pattern of democratization in Latin America not only affected the political sphere. The transformation of institutions overlapped with economic reforms that were a main common characteristic of most Third Wave states. As a consequence of excessive borrowing from public and private lenders in the 1960s and 1970s, many states in Latin America experienced a collapse of their economies, which peaked in the debt crisis of 1982 (Corrales 2016b). As a countermeasure to fight inflation and to foster growth, the “Washington Consensus”<sup>49</sup> postulated fiscal discipline, comprehensive privatization, tax reforms, opening to foreign trade, investment, and deregulation (Williamson 1990). In effect, the economies of many Latin American states underwent extensive reforms, in which they moved from state-centered regulation of the economy to a neoliberal economic paradigm.

The global Third Wave of Democratization had strong effects in Latin America. In Ecuador and the whole region, the transition towards democracy and a neoliberal economic paradigm affected countries’ political and economic systems and significantly impacted their citizens. While consensus about the acceptance of democracy and at least limited political freedom have persisted to date, neoliberalism was mistrusted. The reason was its poor performance in development, and chronic inequality. In

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<sup>49</sup> The term Washington Consensus refers to a set of economic policy recommendations elaborated by Washington D.C.-based international organisations, such as the World Bank and the IMF.

consequence, Ecuador clearly fits a recent pattern of Third Wave democracies with policy making strongly shaped by reciprocal influences and domino-effects.

### 5.1.2 The Left Turn

The polarization of neoliberal economic politics is most obvious in the shift of political agendas referred to as the emergence of the Left Turn (Castañeda 2006) or the New Left (Barrett et al. 2008) at the turn of the millennium. At the end of the 1990s, inflation slowed down but economic and social inequality remained severe. Politicizing the discontent with the poor outcomes of the neoliberal reform, former coup leader Hugo Chavez succeeded with a presidential campaign in 1998. His leftist agenda and populist style of mobilization and governance “had strong demonstration and contagion effects beyond Venezuela” (Weyland 2013: 18).

In a similar vein, left agendas swept new governments into office in Chile (2002), Brazil (2002), Argentina (2003), Uruguay (2004), Bolivia (2006), Nicaragua (2006), and Ecuador (2007). Many of these governments were re-elected. Even where left presidential candidates failed to win elections, left movements and parties were established as important political forces in Colombia, Costa Rica, Mexico and Peru (Levitsky and Roberts 2011). This resurgence of socialist ideas turned Latin America from a pro-market block into a more diversified landscape of predominantly leftist and populist political experiments.<sup>50</sup>

Castañeda (2006: 30) summarized the reason for the ascent of the New Left: “The combination of inequality and democracy tends to cause a movement to the left everywhere.” However, a deeper analysis reveals that the emergence of the New Left in Latin America was more than “a simple backlash against market liberalization” (Roberts 2014: 5). Instead, the leftward shift reflects a longer complex process having several interconnected causes. The reasons identified to explain the rise of leftist political movements and electoral success of socialist-oriented political agendas encompass 1) the failure of the neoliberal economic reforms under the Washington

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<sup>50</sup> For a typology of left governments in Latin America see Levitsky and Roberts (2011: 13).

consensus, 2) the weakness or breakdown of traditional societal elites and political institutions, and 3) a growing discontent and demand for social progress (Levitsky and Roberts 2011; Remmer 2012; Walker 2013; Wiesehomeier and Doyle 2013; Roberts 2014, 2012, 2014). These ideas help in understanding which properties of the New Left characterize its politics as left or leftist.

Despite being labelled as “left” in scholarly consensus, the question of which specific features made Latin America's politics left is more controversial. Many scholars emphasize the ideological diversity or duality of the New Left (Castañeda 2006, Schamis 2006, Weyland et al. 2010, Madrid et al. 2010, Ellner 2013, Birdsall et al. 2016). In contrast, other authors draw on the common ground of the left (Barrett et al. 2008, Cameron 2009, Levitsky and Roberts 2011, Grugel and Riggirozzi 2012). According to Levitsky and Roberts (2011: 5), all left political projects in Latin America share the “central programmatic objective, to reduce social and economic inequalities” and they all “use public authority to redistribute wealth and/or income to lower-income groups, erode social hierarchies, and strengthen the voice of disadvantage groups in the political process.”

In a contemporary interpretation of traditional class-based inequalities, the New Left extended its stakeholder groups to people of all genders, races and ethnicities (Yashar 2011). This study applies such a definition of the New Left, focusing on inclusive top-down redistribution policies as the common ground. In this regard, the persistence and re-election success of leftist regimes can be partially explained by their achievement in reducing inequality to some extent (Birdsall et al. 2016). Their ability to reshape the institutional framework that governs power distribution has also played a crucial role (Eaton 2014).

In sum, Ecuadorian politics under the Buen Vivir development paradigm feature characteristics of the New Left in Latin America. An example is the top-down approach to institutional transformation and the aligning of economic and social policy to achieve inclusive redistribution (Montufar and Bonilla 2008; Walsh 2010; Eaton 2014).



### 5.1.3 New Constitutionalism

A distinctive property of post-1978 democracies and new leftist political projects in Latin America is the extensive transformation of their institutional landscapes. New constitutions have been written or rewritten in Nicaragua (1987), Brazil (1988), Paraguay (1992), Colombia (1991), Peru (1993), Argentina (1994), Ecuador (1998), Venezuela (1999), again Ecuador (2008), and Bolivia (2009).<sup>51</sup> In scholarly debate, these efforts are referred to as the *New Constitutionalism* or *Nuevo Constitucionalismo* (Nolte 2009, Lustig 2009, Corrales 2012, Saguier 2012). Among those countries, Venezuela, Bolivia and Ecuador all feature a complete makeover of their constitutional frameworks and a shift of policies towards left agendas.

The numerous experiences of constitutional change in Latin America are rooted in reasons that have been vividly discussed in scholarly debate. Among the causes cited, overlapping arguments encompass constitutional change as a response to social crisis (Gargarella 2010, 2013); power imbalances between incumbent and opposition (Corrales 2013a: 14); incongruences of *de jure* rule-makers and *de facto* power-holders (Levitsky and Murillo; Acemoglu and Robinson 2008); and “ingovernmentability” (Cox and McCubbins 2001: 31; Negretto 2001, 2013).

With a focus on the New Left and its ideologies, the emergence of New Constitutionalism is explained as a perceived constitutional deficiency, which entails features contrary to the aspired left agenda. Highlighting the institutional pathway from the Third Wave of Democratization to the New Left, Cameron and Shape (2010: 76) stated that “The transitions from authoritarianism to democracy in the last few decades have meant that the left has inherited constitutional arrangements that were often the result of pacts made by militaries or elites or other powerful interests exactly to restrict the politics and economic reforms the left sought.” This finding is in line with Correa (El Universo 2008), who asserted that the new constitution “finally allows us to advance to the 21st century, breaking with the chains that kept us subject to the last century.” Indeed, all new constitutions in Latin America feature innovative

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<sup>51</sup> See Corrales (2013a).

approaches to inclusion, participation, and representation. They have all altered the concept of the state (Barrera 2012; Nolte and Schilling-Vacaflor 2012).

However, the institutional reforms not only served as a vehicle to realize political ideologies, but also facilitated a deeper centralization of the state as controlled by power-seeking presidents. Thus, it is no surprise that the new “hyper-presidentialist constitutions” (La Torre and Ortiz Lemos 2016) in Venezuela, Bolivia and Ecuador produced presidential political systems and caused a contradictory relationship between increased citizens’ rights and expanded presidential power (Gargarella 2013). Conaghan (2016: 114) called this phenomenon, typical for the region, a “common Latin American syndrome.”

From a development perspective, new constitutionalism is interesting because only a few leftist ideologies or alternative development models are linked to a set of rights embedded in democratic institutions. Supporting this notion, Villalba (2013: 1428) argued that “other indigenous peoples in Latin America and in other regions of the world are making similar propositions, although without the institutional backing that would lend them strength.” This holds true for Bolivia too. Only Ecuador features a constitution that breaks down its development model into a catalogue of specific rights. As Gudynas (2011: 443) put it: “There are differences between the two constitutions. While the Bolivian one is focused on *Buen Vivir* as an ethical principle, that of Ecuador offers a stronger approach because the concept is conceived as a plural set of rights.” Hence, *Buen Vivir* in Ecuador’s development agenda goes a step beyond promising, to legally guaranteeing certain developmental rights.

Characterizing the emergence of the *Buen Vivir*, the institutional transformation in Ecuador follows the pattern of constitutional adjustments in the region that is referred to as New Constitutionalism. However, to some extent, the Ecuadorean political project appears to be a regionally unique attempt to link constitutional reform directly to the improvement of development that is based on rights.

#### 5.1.4 Populism and Democratic Backsliding on the Rise

Finally, in this section I contextualize the emergence of Buen Vivir as part of a broad historical and contemporary style of policy making, which is linked to populism and democratic backsliding. During the heyday of democratization, Fukuyama (1989: 3) noted “the end of history as such” due to the evolutionary superiority of liberal democracy. Huntington (1991) anticipated that major waves of democratization would be followed by subsequent reverse transitions. He posed the question: “And if the third wave comes to a halt, will it be followed by a significant third reverse wave eliminating many of democracy's gains in the 1970s and 1980s?” (Huntington 1991: 12).

In a similar vein, Hagopian and Mainwaring (2005: 2) forecast that poor economic growth and ignorance of citizens’ basic needs would destabilize Latin American democracies. This would “[open] the door to more antiestablishment populists with equivocal attitudes toward democracy.” Confirming these predictions, scholars nowadays register recent setbacks in democratic development and authoritarian tendencies in populist regimes in Latin America and worldwide.

Myriads of theories about and definitions of populism show how contestably the term is reflected in scholarly discourse. Populism appears with various political colors, ideologies, and regime types, and with a political content dimension that is diverse.<sup>52</sup> However, notions of populism condense to a concept that denotes a style or strategy of campaigning and policy making (Conniff 1999; Betz 2002; Weyland 2001, 2013; Hawkins 2010; La Torre 2010; La Torre 2013b; Aslanidis 2015; Moffitt 2016). Populism is a style of leadership, communication and political story-telling. Laclau (2005: xi) stated that “populism is, quite simply, a way of constructing the political.”

This actor- and discourse-centered understanding of populism explains how charismatic leaders can delineate and bridge cleavages through discourse to serve electoral success and consolidation of power. Following Laclau, Hawkins and Rovira Kaltwasser (2017: 514) contributed the ideational approach which “reduces populism to a common, minimal core, seeing it as a political discourse that posits a cosmic

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<sup>52</sup> Some scholars, such as Canovan (2002) or Mudde (2004), even characterize populism itself as an ideology.

struggle between a reified ‘will of the people’ and a conspiring elite.” In a similar attempt to merge different approaches of populism, a recent comparative study by Abromeit et al. (2016) identified characteristics shared by most populist movements. This “populist minimum” encompasses 1) a reference to the will of the people, 2) emphasis on a duality between the majority of people and an elitist minority, and 3) political action as a response to an existing or perceived crisis (Abromeit et al. 2016: xiii).

Properties of populism are usually linked to local or national cultural references. This gives the political solutions offered an endemic appearance, and portrays leaders as part of the common people (Conniff 2010: 7). If public trust in political institutions is low, the populist strategy of campaigning as an “outsider” against the corrupt establishment is particularly promising (Doyle 2011).

Populism and the recent resurgence of neo-nationalist movements occur in all parts of the world. Populism in Latin America, however, is not a new phenomenon. As early as the beginning of independence movements in the 1820s, charismatic national leaders pursued polarization and power concentration. Examples were Simon Bolivar in the 19<sup>th</sup> century and Argentina's Juan Domingo Peron in 20<sup>th</sup> century. These archetypes of politicians are clearly populist. The recurring appearance of strongmen – called *caudillos* – is consolidated as a distinctive feature of political culture, which is quoted in the newest wave of populist political projects in Venezuela, Bolivia, and Ecuador.

As a representative of populist leaders in Latin America, Rafael Correa revived the academic interest in Ecuador. Voluminous research has been published identifying the political project of Buen Vivir as populist in nature. Correa’s style of campaigning with his own electoral vehicle followed and extended an existing pattern of populism in Ecuador and Latin America. Correa cultivated his outsider and anti-establishment attitude, priming cleavages, and maintaining constant direct linkages to the masses (Boas 2016: 200).

But can populism in Ecuador be equated with authoritarianism? The linkages between constitutional rewriting, populism, and authoritarian rule are not obvious – especially when democracy declines incrementally instead of suddenly breaking down.

As Cameron and Shape (2010: 65) put it: “dismissing these constitutional changes as dictatorial power grabs or threats of democracy can blind us to a more careful and nuanced analysis of what is going on.” Other authors, in contrast, persistently diagnose a “threat from the populist left” (Weyland 2013), a “hard regulatory” and “authoritarian turn” Conaghan (2015: 11, 2016: 111), or “the slow death of democracy in Ecuador” (La Torre and Ortiz Lemos 2016).

Ecuador’s institutional landscape has been affected by an erosion of certain civil and political rights. On the other hand, minority rights, institutional quality, and state capacity have improved. Correa used a strong electoral mandate won in a series of fair elections. To break the status quo of democracy into a dichotomous classification of competitive versus authoritarian,<sup>53</sup> Ecuador might be – despite all deficiencies and critical reflection – a competitive regime (Mainwaring and Pérez-Liñán 2013). Ecuador as well as Bolivia and Venezuela “acknowledge democracy as the only legitimate political regime, however much of the content of democracy is contested” (Cameron and Shape 2010: 77).

Thus, many authors underline the hybridity of the regime in Ecuador as “*autoritario-competitivo*”<sup>54</sup> (Basabe-Serrano and Martinez 2014: 146), “promissory coups” (Bermeo 2016: 6) or “discriminatory legalism” (Weyland 2013: 19). Given this semi-democratic nature of its regime, Ecuador might fit the pattern of regional populist regimes such Venezuela and Bolivia, and other democracies that not fully succeed in their transition to institutionalized representative democracy.

In summary, the democratic backsliding detected by many scholars occurs as an ambiguous reorganization of the state and its institutional setting, rather than a dramatic breakdown of democracy. The overall picture of Ecuador potentially remains one of an imperfect democracy or even a hybrid regime; there has neither been an irrefutable change for better or worse, nor is it a surprise given the trajectory of democratization in the past. The progress and deficiencies detected so far are only the first step in a deeper analysis and evaluation of the dynamics and capacities of policy

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<sup>53</sup> For a categorization of regime types see, for instance, Przeworski et al. (2009).

<sup>54</sup> English: authoritarian-competitive

making in Ecuador. In that sense, I follow Bermeo (2016: 14), who stated that “focusing on democratic erosion will require more scholars to see that democracy is a collage of institutions crafted and recrafted by different actors at different times.” This study is intended to grasp exactly this “collage” – the bigger picture of interrelated institutional dynamics that affect policy making in Ecuador.

### **5.1.5 Conclusion: Buen Vivir as a Unique Experiment**

The emergence of Buen Vivir as Rafael Correa’s left transformation project clearly follows a regional pattern of policy making. In Latin America, the prevailing institutional settings and transformation projects derive from a causal logic that, to a certain extent, originates from what scholars described variously as diffusion effects, snowball effects, spill-over effects, demonstration effects, and domino effects.<sup>55</sup> Policy making is thus embedded in a wider regional context of interacting influences, in which actors seek inspiration or even emulate blueprints for regime change from neighboring countries. This can occur in small changes or may lead to major regional trends, waves, or patterns of political phenomena.

Moving the focus from global to regional patterns, Ecuador’s latest democratization efforts are rooted in the Third Wave of democratization, which affected all Latin America and beyond. In a similar vein, Ecuador and many Latin American countries underwent a shift of post-neoliberal politics that pursued greater equality (Left Turn). This trend overlapped with several rewritings of constitutions, known as New Latin American Constitutionalism.

Focusing more on the Andean Region, Ecuador represents a style of policy making that was introduced by Venezuela’s Hugo Chavez and also occurs in Bolivia. These three countries share a populist style of campaigning and governing that is linked with a duality of hyper-presidentialism and resurgent citizens’ rights. The reciprocal effects between institutions and the state of transformation towards either more inclusive democracies or authoritarianism demand wider research on those countries.

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<sup>55</sup> See, for instance, Whitehead (2001), Gleditsch (2002), Mainwaring and Pérez-Liñán (2005); Brinks and Coppedge (2006); Smith (2012); Weyland (2014).

## 5.2 From Andean Cosmology to Political Concept

In this section, I describe and conceptualize Buen Vivir as a political and ethno-philosophical vision of the “good life.” The intention is to outline the underlying basic institutions of the new legal framework established after 2008 (Table 5). However, this is not possible without introducing the complex indigenous cosmology within which the framework is rooted, and from which ethical principles are derived. Those principles entail a discourse on how to live well in the stage of post-colonialism. This modern discourse contributed to the emergence of Buen Vivir as a development paradigm. As I demonstrate, the paradigm expanded into the new constitutional setting of Ecuador under Rafael Correa. The next section approaches this development in a chronological way.

**Table 5:** Timeline of steps related to Buen Vivir during the political transformation

Date	
<i>Pre-constitutional phase</i>	
2005	Indigenous protests and constitutional crisis
Nov 26 <sup>th</sup> 2006	Rafael Correa wins presidential elections in second round with 56.7%
Apr 15 <sup>th</sup> 2007	Ecuadorian electorate approved referendum for convoking constituent assembly by 81.7%
Sept 30 <sup>th</sup> 2007	Elections for deputies (70% for Alianza PAIS)
Nov 30 <sup>th</sup> 2007	Convention of the Constituent Assembly in Montechristi/Ecuador
July 24 <sup>th</sup> 2008	Constituent Assembly approved final draft of new constitution
<i>Constitution phase</i>	
Sept 28 <sup>th</sup> 2008	Constitution approved by 63.9% in public referendum
Oct 20 <sup>th</sup> 2008	Constitution in effect
May 7 <sup>th</sup> 2011	First Amendment of the constitution
Dec 3 <sup>rd</sup> 2015	Second Amendment of the constitution
Febr 4 <sup>th</sup> 2018	Third Amendment of the constitution

*Source:* Author.

### 5.2.1 Sumak Kawsay and the Basic Institutions of the Good Life

Buen Vivir as a development paradigm is a relatively young phenomenon. The underlying concept, however, can be traced to a cosmology that started to evolve millenniums ago. It is shared by many Latin American people and tribes (Estermann 1999). The modern Spanish phrase *buen vivir* (English: good living or good life) originates from *sumak kawsay* (Kichwa language in Ecuador and Peru), *suma qamaña* (Aymara language in Bolivia) or *ñande reko* (Guaraní language in Paraguay). It is also reflected in similar terms used by the Mapuche (Argentina and Chile), Kolla (Argentina) and various peoples in Amazonia (Cortez and Wagner 2013). While different in detail, the common ground of these terms is that they represent the tenet of a state of existence that is in harmony with the overall order of the cosmos. This deviates from the Western idea of humans living successfully with an environment that is separate from them. Hence, the philosophical underpinnings of Sumak Kawsay must be examined carefully.

The Andean cultures inhabiting Latin America before the arrival of the Spanish shared a distinctive ontology of the cosmos and everything that exists therein. Unlike ancient European philosophies, the cosmology of Andean cultures was not transmitted in written sources by renowned scholars, but survived as communal ancestral knowledge; thoughts and practices were orally passed from generation to generation. To understand the order, logic, and operational mechanisms of this cosmology, I provide a general understanding of the Andean cultures' world. My description is based on Estermann (1999) and constructs five dimensions to portray this understanding from a Western point of view.

#### 1. Ontology of the cosmos

The *pacha* (Kichwa language for universe, cosmos, or world) signifies the universe as the whole existing reality (Cortez and Wagner 2013; Hidalgo-Capitán 2014). In this universe, the *pacha mama* merges and unites everything therein. Humans take responsibility as a co-creator by cultivating and caring for the world, while being not ontologically separate from it (Estermann, 1999). Therefore, “sumak kawsay’s



cosmological repudiation of the bifurcation of nature and society” (Gerlach 2017: 2243) entails strong consequences for how humans ought to experience and use their environment (nature).

## 2. Chronological dimension

In contrast to the linear and unidirectional understanding of time in the Western context, time in the *pacha* occurs as multidimensional, and it overlaps with space (Walsh 2010). The most distinctive feature of the chronical dimension within *sumak kawsay* philosophy is that time is circular (Hidalgo-Capitán 2014). Entities within time complement each other and condition and follow each other iteratively (Estermann, 1999). Complement follows on complement follows on complement. History is thus understood as a circular repetition of organic processes (Estermann 1999: 207). Hence, development in the Western sense of growth-based progress and modernity, or as a sequential future-oriented endeavor of linearly measurable improvement, is antagonistic to *sumak kawsay* (Acosta 2010; Dávalos 2014). The modern resurgence and claims about the ideas of *sumak kawsay* – for instance in environmental or economic policies – can be interpreted in the light of that repetitive circular logic (Estermann 1999).

## 3. Institutional dimension

Estermann (1999) stated that the philosophy of Buen Vivir provides not only a spiritual and religious orientation but also features a distinctive order of the cosmos. Estermann elaborated basic principles to maintain this order. These principles have the quality of rules that match the concept of basic institution applied in this study. In fact, the ancient Buen Vivir principles influenced the design of Ecuador’s current constitution and transformation policy (Llasag Fernández 2009; Maldonado 2014).

The first and most essential principle of the Andean cosmology of Buen Vivir is the relational principle (Estermann 1999: 130). This principle expresses the interconnectedness of all existing things and all events. In that sense, reality is the wholeness of all entities, a holistic entirety in which everything effects everything else (Macas 2014). Second, the correspondence principle postulates the harmonious overlapping of all qualitative, symbolic, ritual, and affective aspects of reality.

Merging tenets from the relational and the correspondence principles – and in contrast to the Western idea of antagonism and inequality, the complementary principle requires the necessary coexistence and equal validity of complements. An example is men and women (Hidalgo-Capitán 2014). In practice, the complementary principle is refined by the reciprocity principle, which demands mutual action for an action experienced. Practically, this requires a complementary gift or service for every gift or service received (Estermann 1999: 149).

#### 4. Awareness dimension

The Western principle of rationality is based on the idea of humans understanding the world outside themselves through cognitive processing of sensory input. In contrast, people of Andean cultures experience the world as part of themselves. This perception is experienced and affirmed through the emotional awareness of mystical symbols, which reveal the entities of the cosmos and its interconnections (Estermann 1999: 105, 107). This way of actively connecting with the world is represented by rituals and ceremonial action. In the cosmology of *sumak kawsay*, the material and spiritual worlds cannot be separated, which in turn demands the effort to maintain the wellbeing of humans from a holistic perspective (Viteri 2002). An essential insight from this notion is the importance of symbolic action that outlines the unity of humankind and the environment. The destruction of nature signifies not only the violation of the environment but also means the harm of the whole world, including human physical and emotional wellbeing.

#### 5. Communal dimension

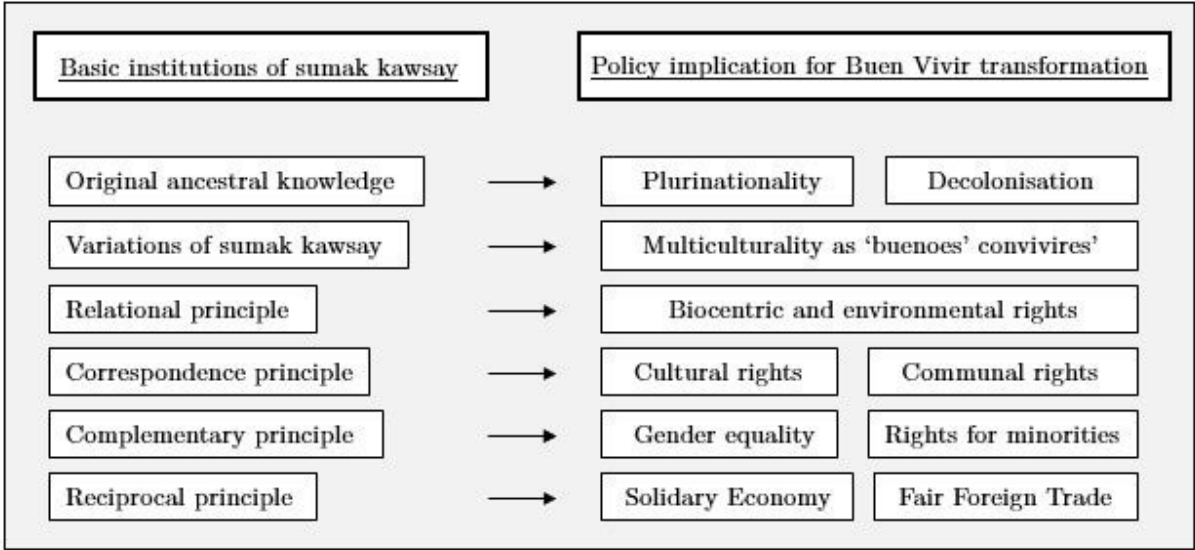
Finally, *Buen Vivir* cannot be grasped without considering the communal dimension of the concept. Fatheuer (2011: 19) noted that *Buen Vivir* is centered in communal rather than individual wellbeing, as “it is only conceivable in a social context, mediated by the community in which people live.” If the governing of communal interests and actions is assumed to be a quintessential characteristic of politics, the pursuit of the good life appears also to provide a political philosophy – from ancient times to date.

According to Acosta (2017: 1), “this ‘good life’ has always been a pluralistic concept, namely ‘buenos convivires’: different ways of ‘living well together’.” The plurality of living together well contains various practical implications, such as esteem of nature; mutual support (*ayni*), expressed in solidarity and complementarity; and communal seeking of holistic quality of life. These goals can be summarized and reduced to a minimum definition through the notion of Acosta (2017: 1), who stated that Buen Vivir is “about people living well together in a community, different communities living well together, and individuals and communities living well with nature.”

In summary, the concept of *sumak kawsay* describes a complex worldview, philosophical cosmology, and an understanding of the system of life and living well together. The collective identity of many indigenous communities is rooted in the philosophical and spiritual cosmology of the *pacha* and *sumak kawsay* (Inuca Lechón 2017). Nonetheless, it is contended in the public and academic discourse on *sumak kawsay* whether the ancient tenets merely draft a spiritual way of achieving the good life, or whether they imply a model of governing human wellbeing and communities, including rights, roles, and responsibilities (Viola 2014). The latter idea is commonly referred to by the Spanish term *Buen Vivir* (Lalander and Cuestas-Caza 2017).

Social movements in Ecuador began to claim more voice, cultural rights, and a transformation of the institutional architecture of the state during the third wave of democratization. At that time, *sumak kawsay* diversified into a pluralistic model for achieving communal wellbeing, which bore strong policy implications (Bressa Florentin 2016; Altmann 2016; Merino 2016). It is important to highlight that many undertones in this transformation discourse emphasize a notion of decolonialization (Medici 2010; Walsh 2010; Cortez 2011; Tavares 2013; Radcliffe 2015). The gradual conceptualization of *sumak kawsay* into a political ideology and a model of economic development (or non-development) found expression in the proliferation of the term *Buen Vivir* instead of *sumak kawsay* (Cubillo-Guevara et al. 2016; Gerlach 2017). Figure 10 attempts to portray the tenets of *sumak kawsay* cosmology into basic institutions. The figure illustrates its components as policy implications, to pursue transformation towards a state of *Buen Vivir*.

**Figure 10:** Basic institutions of *sumak kawsay* and policy implications for Buen Vivir transformation



Source: Author.

The struggle for indigenous political emancipation coincided with Latin American resistance against colonial structures and the predominance of the Western cultural and economic model. Hence, it is no surprise that these social movements fueled the global discourse on post-development and decolonialization (Guardiola and García-Quero 2014). The political implications of Buen Vivir are paralleled in similar modern approaches, referred to as “integral” or “sustainable” human development (Vanhulst and Beling 2014).

This new perspective, as reflected in the works of Max-Neef (1986, 1995) and Sen (1987, 1999), draws on the cosmology and basic institutions of *sumak kawsay*, among other sources (Acosta, 2010, Walsh 2010, Gudynas 2011, Escobar 2012, Kothari et al. 2014, Carballo 2015). As Walsh (2010: 16) puts it: “It focuses on the interconnectedness of economics with the political, sociocultural, and environmental spheres, as well as in the necessities, capacities, and potentialities of human beings.” While this held truth for generations of indigenous people and activists, it was not before the ascent of Rafael Correa that the ideas of Buen Vivir gained decisive political momentum and shaped the transformation of the state of Ecuador.

### 5.2.2 Correa's Ascent to Power and the Making of Buen Vivir

Correa's ascent to office and power unfolded in a time of social inequality, political instability, and low credibility of the state's key institutional pillars. After its democratization in 1979, Ecuador – like other Latin American countries – has rarely seen a government that consistently ruled the country. This setting of discontent and turmoil was fueled by a political culture of perpetual nepotism, corruption, and patronage, and an institutional environment that inefficiently aligned actors to quality policy making (Montufar and Bonilla 2008). Especially the central government showed symptoms of “ungovernability” (indecisiveness, irresoluteness, and balkanization).<sup>56</sup> It often faced a stalemate with parliament in veto games (Mejía Acosta and Polga-Hecimovich 2011). Counterbalances such as a party system representing national interests, or an independent justice system, did not exist sufficiently to brace themselves against political fragmentation and institutional erosion. Hence the credibility of the political system and its actors was at historically low levels.

After a series of what Valenzuela (2008: 270) called “presidencies interrupted”, poverty-afflicted Ecuador faced a crisis of lack in political solutions and democratic representation (Mainwaring et al. 2006). The multitude of social movements that represented excluded or marginalized groups of indigenous or Afro-Ecuadorian identity remained unheard, despite large mobilization campaigns and street protests. These patterns of inequality and injustice, symptomatic for all of Latin America, fostered a discourse duality of the “establishment” against the common citizens, thus paving the way for regime change (Collins 2014).

Correa utilized the momentum of wide discontent with key political actors and the socio-economic state of the country to run for office, with a game-changing campaign. Emphasizing his credibility and independence as an inexperienced anti-establishment candidate, Correa transformed from an outsider to a favorite candidate and ranked second in the first electoral round. During his campaign, Correa gathered a growing number and variety of supporters around him, composed of small leftist

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<sup>56</sup> The term ungovernability is coined by Cox and McCubbins (2001: 31). In a similar vein, Negretto (2001, 2013) uses the term ingovernmentability.

groups, low-profile local leaders (*caudillos*), and union leaders – as well as intellectuals and academics, such as popular economist Alberto Acosta (Montufar and Bonilla 2008: 10). Acosta and major indigenous movements had been fighting, long before Correa, for better politics that would embrace the cultural and natural diversity of the country (Novo 2013).

With Correa's popularity and influence growing, more powerful *caudillos* and major social movements, including indigenous organizations, joined his coalition. They all shared the common prospect of Correa realizing his promise of the Buen Vivir and the reshaping of the state. Eventually, the polls turned in favor of Correa. He won the presidential election with 57% in the second round, after ranking second to his competitor Álvaro Noboa in the first round.

Although Correa won the elections, he was a weak president entangled in traditional political skirmishes with opposition parties that controlled key institutional agencies, such as the Supreme Court and Congress. Like his predecessors, he was supported by a constitution that insufficiently equipped him with the power he strove for. Such power ostensibly would have allowed Correa to end the “long night of neoliberalism” (El Universo 2007) and reshape the state and society according to his notions. He stated that “We won the elections, but not power. Power is controlled by economic interests, the banks, the *partidocracia*, and the media connected to the banks.”<sup>57</sup>

Therefore, Correa concentrated his efforts on changing this situation. He charismatically pursued a referendum to convene a constitutional assembly charged with replacing the old constitution. This ambition was answered with heavy resistance from opposition parties. As a result, the Supreme Electoral Tribunal deprived 57 congress members of their seats and thus severely weakened their influence (Cameron and Shape 2010). Moreover, Correa urged the constitutional assembly to dissolve the seated congress and take over legislation, a move that many parties – discredited over decades – never recovered from (Bermeo 2016: 12). All the steps undertaken were,

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<sup>57</sup> Correa in Conaghan (2008: 47). *Partidocracia* refers to the rule of the political parties or the “party dominance” (Conaghan 2008: 47)

however, legitimized with democratic consent through a consecutive series of public referenda and elections. The success of this model, which Conaghan (2008: 48) called a “hyper-plebiscitary presidency”, was rooted in the popularity of the “permanently campaigning” Correa. His trajectory was incomparable in Ecuador’s recent history (Conaghan and La Torre 2008).

The outcome of the constitution-making process reflected many of the progressive ideas towards a post-neoliberal and post-developmental socialism of the 21<sup>st</sup> century. Constitutional features like the recognition of Ecuador’s pluri-nationality, acknowledgement of the rights of nature, the goal of a solid economy, and the desire for direct democracy paid tribute to decades-long struggles among social movements. They also fueled public and scholarly discourse.

Correa and his movement then seemed to usher Ecuador into a new era of inclusive and sustainable policy making. His agenda of the Buen Vivir was embraced by leftist social movements, parties, and intellectuals. However, the first lines of conflict arose already in this stage of the transformation. Shortly after the constitution’s launch, critical voices claimed that the promises of the political Buen Vivir agenda could not meet the ethic and environmental standards of the original Andean cosmology (Kennemore and Weeks 2011). Indeed, Correa’s preference for fighting urban poverty funded by extractive industry activities, rather than attending to the needs of rural and indigenous populations, caused an early breach with his former supporters in social movements (Becker 2012).

In summary, Correa used the momentum of wide discontent with key political actors and the socio-economic state of the country to run for office. Once he was elected, he pursued a top- down transformation of the state. As (Montufar and Bonilla 2008: 3) stated,

*Correa owes his phenomenal popularity to his use of every tool the state apparatus can offer. Rather than an outsiders’ revolt that sets about transforming the state – as Correa’s Citizens’ Revolution” campaign slogan would suggest – his project originates in the state and is being imposed on society from top down.*

The first main step in this transformation was the new constitution. Because of the ballots induced by Correa, the political concept of Buen Vivir was expanded into a legal framework. However, the practical realization of “good living” remained contested.

### **5.3 Technical Aspects of the New Institutional Setting**

The Montechristi Constitution from 2008 follows a long line of similar predecessor writings, which draw on each other and cannot be understood without considering parallel developments in the wider Latin American context (Gargarella 2013; Negretto 2013; Nolte 2017). However, the present constitution features significant, unique changes and policy innovations. The institutional setting outlined in the following paragraphs provides a technical macro-perspective on the legal properties of the rules of the game. Drawing on this, the finer-grained perspective of Chapter 6 elaborates on the institutional micro-foundations and how they affect political interactions.

What is new about the Montechristi Constitution? I argue that the innovations of Montechristi can be reduced to three complexes of change. These relate to the organization of the state, the new development approach, and the regulation of society.<sup>58</sup>

#### **5.3.1 Reorganizing the State**

The 2008 constitution of Montechristi significantly altered the organization of the state by introducing new branches, shuffling the faculties of key institutional actors, and refining decentralization (Freidenberg and Pachano 2017). Figures 11 and 12 depict the proliferation of new constitutional actors and institutional linkages through the design and amendment of the constitution between 1998 and 2008.

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<sup>58</sup> In the following, I will focus on those rules of the game that relate to interactions of political actors. The pursuit of the Buen Vivir as a general constitutional provision and the individual material privileges granted to the citizenry, such as water, food, housing, are thus excluded in my observations.

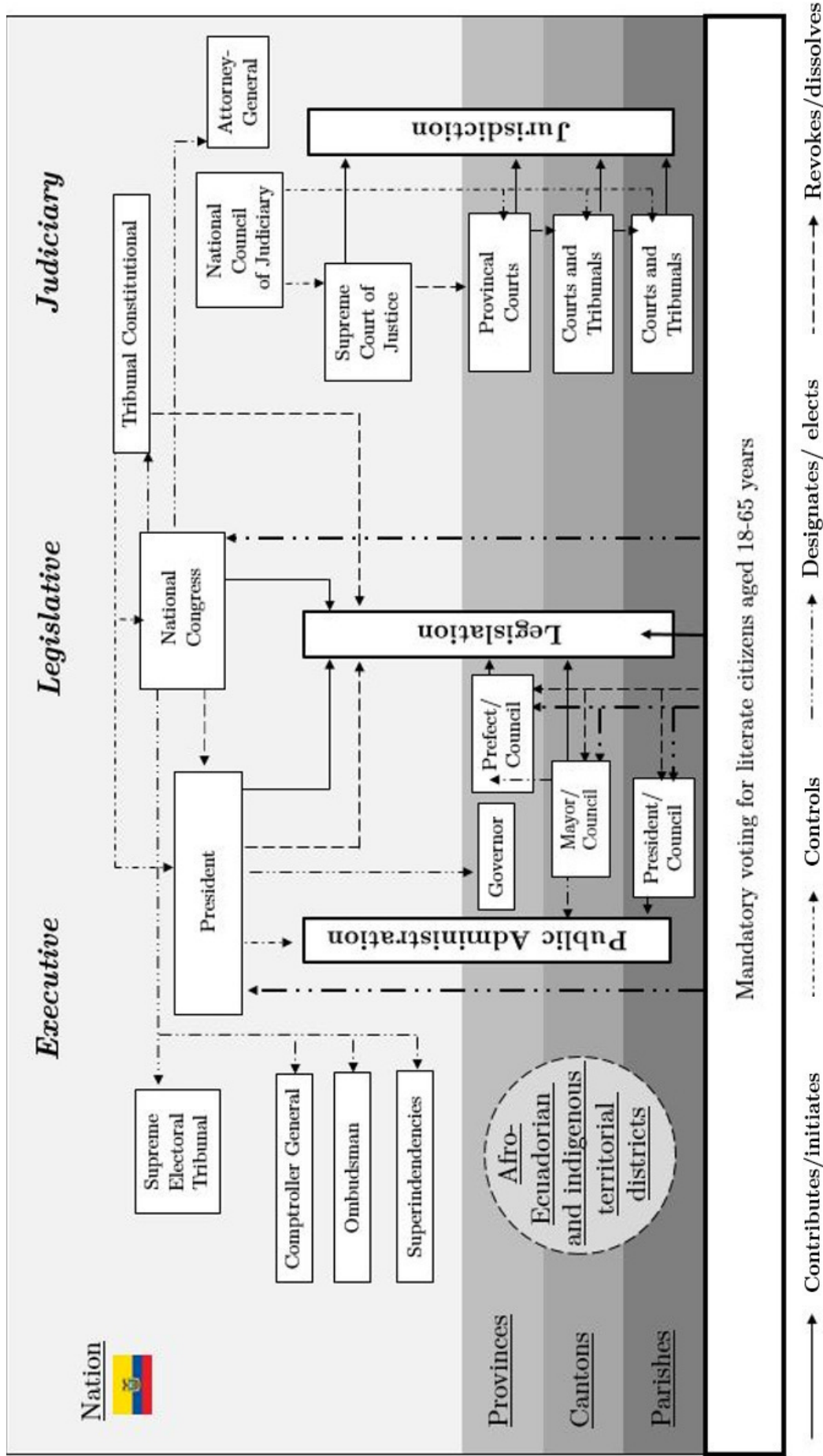


In contrast to its precursors, the constitution of 2008 added two branches to the traditional trio of executive, legislature, and judiciary. The new branches were the transparency and social control (TSC) branch of government (art. 204 et. seqq.) and the electoral branch (art. 2017 et. seqq.). Each was equipped with a wide range of faculties to influence and control policy making, such as designating key public officials, pursuing investigations, and directing electoral processes. The TSC branch especially was designed to contribute to greater citizen participation and delegative democracy. However, the non-transparent process of designating the members remains the subject of scholarly and political discourse (Bowen 2011a; Conaghan 2016). Moreover, a clear functional categorization of the branches or separation of powers is not always feasible. The president, for instance, has both executive and legislative faculties. Bodies of branches other than the legislature, such as the Constitutional Court, the Human Rights Ombudsman, and the Attorney General, retain the initiative to submit bills into legislation (art. 134).

The entanglement of faculties, furthermore, entails an intensified interconnection of checks and balances. Figure 12 visualizes a complex system of cross-functional control mechanisms and veto points. Citizen participation is supposed to be a major factor in decision-making and oversight of political actors. The citizenry holds the right to initiate bills, call referenda, contest elections, participate in control bodies, and revoke public officials including the president. The constitutional empowerment of the citizenry is backed up with new actors, such as the Attorney for the Defense of the People.

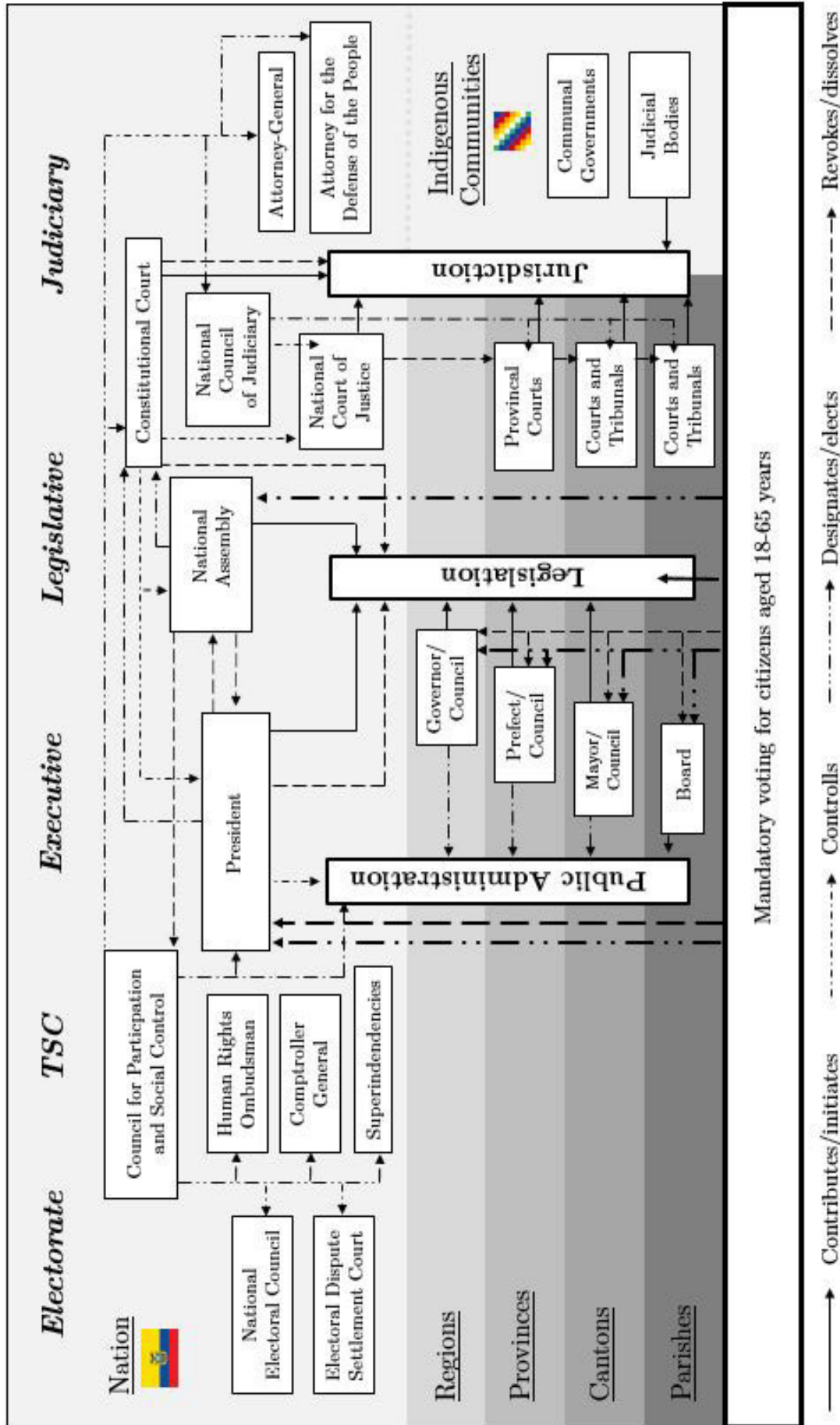
Moreover, adjustments to the former branches entailed further changes in the overall institutional setup. In 2007, the constitutional assembly dramatically expanded the president's faculties and leeway for power-seeking. Whereas the 1998 constitution and its precursors had emphasized the balance of institutional branches – often leading to impeachments and executive-legislative stalemates, the present constitution centered power on the president. The president now holds extended faculties in legislation, can dissolve the parliament, and directly or indirectly influences the appointment of key public officials.

Figure 1.1: The political system of Ecuador under the Sangolquí Constitution of 1998



Source: Author's contribution, based on the Constitution of the Republic of Ecuador ('Constitution of Sangolquí', version from 1998).

Figure 12: The political system of Ecuador under the Montecristi Constitution of 2008



Source: Author's contribution, based on the Constitution of the Republic of Ecuador ('Constitution of Montecristi', amended version from 2015)

In contrast, the parliament, now called *Asamblea Nacional* (National Assembly) instead of *Congreso Nacional* (National Congress), lost its former legislative, oversight, and control functions to other branches of government. Aside from executive–legislative relations, the Constitution of Montechristi further altered the architecture of checks and balances by transforming the judiciary. A newly introduced Constitutional Court, with few checks for horizontal accountability, can now override the formerly highest legal authority, the Supreme Court (Cameron 2010). The new Constitutional Court plays a key role as a counterbalance or ally to the president. It legitimizes the dissolution of the legislature, the proliferation of popular consultations, a state of emergency, and presidential decrees.

Regarding decentralization, the new constitution strengthens subnational governmental authorities. Obligatory political, administrative, and fiscal decentralization is implemented through a mix of plebiscitary decision making, tax-raising competencies, fiscal transfers, and allocation of tasks to subnational bodies. The latter category includes the management of water and the management of health, education, and transportation infrastructure. The regions have been introduced as a fourth level of territorial organization. However, the implementation of this constitutional postulation is yet pending.

Another significant change pertains to the constitutional foundation of indigenous autonomy. Whereas the 1998 constitution postulated the idea of indigenous and Afro-Ecuadorian territorial circumscription, the respective provisions were never implemented (Schilling-Vacaflor and Kuppe 2012). The Montechristi Constitution furthers the rights of self-defined indigenous, Afro-Ecuadorian, and Montubio communities, peoples, and nations. It grants them the right to self-administration and jurisdiction as well as land guarantees, tax exemptions, and educational freedom.<sup>59</sup>

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<sup>59</sup> See art. 56 et. seqq. of the Montechristi- Constitution in combination with the Organic Code on the Organization of Territorial Autonomies and Decentralization from 2010.

### 5.3.2 Defining New Pathways for Development

As a major contribution towards pursuing a “socialism of the 21<sup>st</sup> century” (Kennemore and Weeks 2011; Bonilla 2013), the new constitution redefines the foundations of economic policy and development. These can be summarized as three lines of policy innovations regarding the institutionalization of 1) environmental protection, 2) human development, and 3) economic policy. All three are oriented towards the pursuit of Buen Vivir. The strong interconnection of these topics is highlighted by their being subsumed in one division (*titulo VI*) of the constitution, which states:

*Article 275. The development structure is the organized, sustainable and dynamic group of economic, political, socio-cultural and environmental systems which underpin the achievement of the good way of living (sumak kawsay).*

Before outlining the innovations in environmental protection, development, and the economy, I first highlight the new role of the natural world within the constitution. As widely embraced in the scholarly and political community, art. 10 and 71 et. seqq. of the constitution grant legal entity and specific rights to nature or *Pacha Mama* (Acosta and Martínez 2011); Fatheuer 2011; Gudynas 2011; Arsel 2012; Daly 2012; Valdivieso et al. 2013). According to constitutional provisions, these rights encompass the possibility of vindication of nature’s rights (art. 71), the right to recover (art. 72, *derecho a la restauracion*), protection from destruction of eco-systems (art. 73), and a general ban on resource extraction in protected lands (art. 407). The articles outlined here are important from a political-economy perspective as they extend the legal power of stakeholders to defend violations of natural or related rights.

The second line of constitutional innovations targets the institutional foundation of human or social development. Published by the influential state agency *Secretaría de Planificación y Desarrollo* (SENPLADES) on a four-year basis, the *Plan Nacional del Desarrollo* (National Development Plan) plays a key role in the making of public policy in Ecuador.<sup>60</sup> According to the 2008 constitution, the National Development

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<sup>60</sup> So far, four versions of the National Development Plan have been issued by SENPLADES: Plan Nacional de Desarrollo 2007-2010; Plan Nacional de Desarrollo- Plan Nacional para el Buen Vivir 2009-

Plan is a central element of the development strategy process (art. 280) and strongly influences the national budget (art. 294), trade policy (art. 304), foreign direct investments (art. 339), education (art. 351), and research (art. 386). Art. 147.1 describes the responsibility of the president to propose the National Development Plan, which is submitted to and adopted by SENPLADES. All National Development Plans contain goals, benchmark numbers, and milestones for public policy and development performance; these must be checked for compliance and reported to the National Assembly (art. 147.7).

The outstanding importance of the National Development Plan is highlighted by art. 148, which grants the president the right to dissolve congress if it repeatedly obstructs the implementation of the plan without justification. An important implication of the outlined constitutional provisions is the function of the plan as a transparent benchmark for government performance. Hence, the plan works as a strong incentive for the executive and the legislature to make public policy with a high level of consistency and public regard. The reporting and sanctioning mechanisms, especially, function as constraints for erratic and arbitrary policy. Because the National Development Plan features a quasi-binding quality for political actors, it can be regarded – to some extent – as part of the institutional foundation of policy making.

The third and most complex evolution in the field of development is the new economic policy ushered in by the Montecristi Constitution and the Correa administration. The Buen Vivir development paradigm features a new economic approach that embraces the inclusion of economically marginalized groups, democratization of the economy, and the invigoration of ancestral traditions – such as communal production and consumption. These efforts are grounded in the rich legacy of pre-Columbian communal economic practice, and were reflected in Ecuador’s modern legal history as early as 1937, when the first law on cooperative production (*Ley de Cooperativas*) was enacted (Da Ros 2007; SEPS 2014b).

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2013; Plan Nacional de Desarrollo- Plan Nacional para el Buen Vivir 2013-2017; Plan Nacional de Desarrollo- Toda una Vida 2017-2021.

The economic development model introduced by the constitutional assembly in 2007 and launched by the Correa administration is referred to as *Economía Popular y Solidaria* (EPS). “Popular and solidary economy” (art. 238, Coraggio 2015) is a conjunction of the concepts of popular economy and solidary economy, two separate but related concepts postulated in the debate on alternative economic models. This model is also commonly referred to as SSE, meaning “social and solidary economy” (Utting 2015; Saguier and Brent 2017).

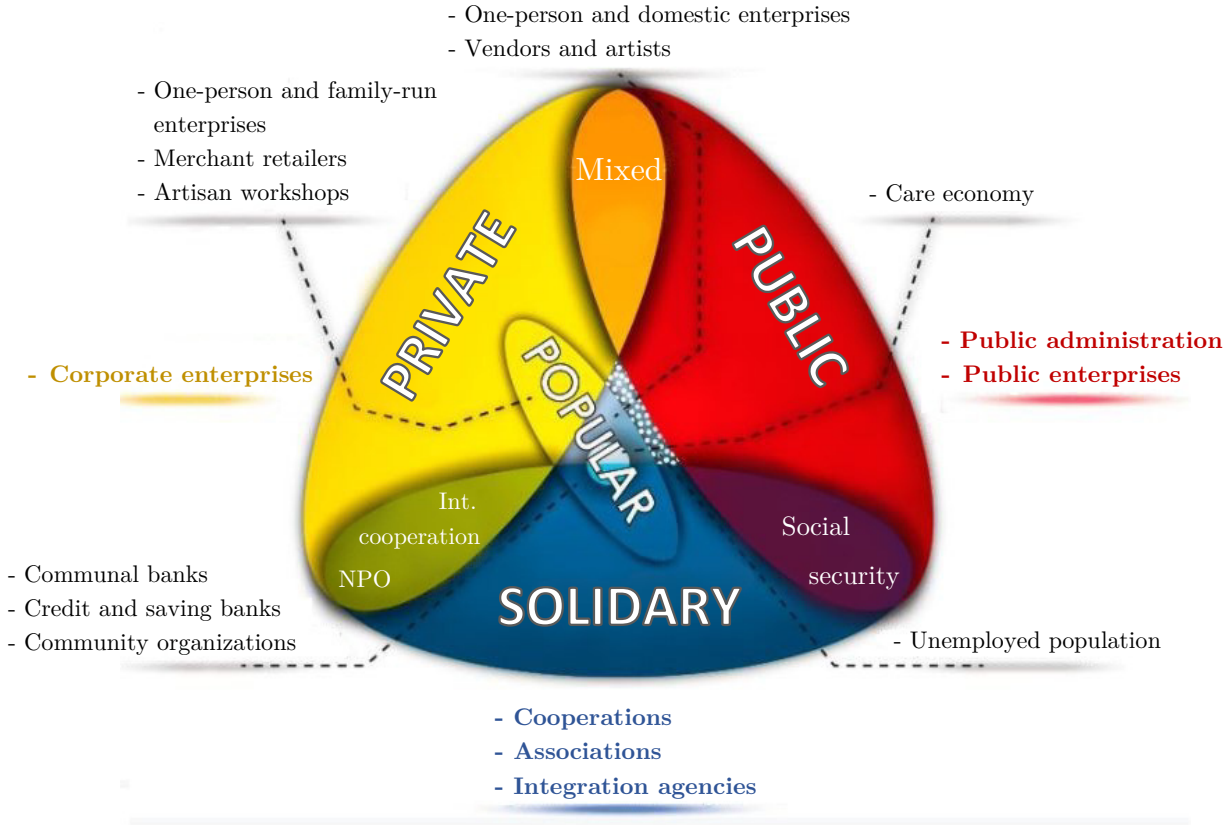
Solidary economy emphasizes citizen empowerment, corporate self-management, and democratization of the economy ((Wright 2010; Dacheux and Goujon 2011). By contrast, popular economy overlaps with the informal sector and economies of self-supply, including street vendors, waste pickers, social enterprises, and cooperatives (Nyssens 1997; Hillenkamp et al. 2013; Utting 2015). This approach draws on the ideas of ancestral knowledge and the work of advocates of a social and solidary economy, such as Polanyi (1944), Razeto (1984), Coraggio (1989), and Núñez (1996). It emphasizes communal practice and explicitly contrasts with market-centered, neoliberal economic models (Acosta 2013a; Góngora and Ramos 2013; Cubillo-Guevara et al. 2016). Figure 13 depicts the structural logic of Ecuador’s economy and integrates the different concepts of private, public, popular, and solidary economy.

To operationalize the concept of EPS as a constitutional goal, the Correa administration took the following steps:

- established the National Institute for Popular and Solidary Economy (*Instituto Nacional de Economía Popular y Solidaria*, IEPS);
- enacted relevant legislation (*Ley Orgánica de Economía Popular y Solidaria y del Sector Financiero Popular*, LOEPS, 2011); and
- designated a special superintendent to monitor economic activities (*Superintendencia de Economía Popular y Solidaria*, SEPS).

In the Montecristi Constitution, articles 275 et. seqq. and articles 283 and 284 attend to the orientation and objectives of the economic system and policy. According to the constitution, the economic system should synchronize the interests

**Figure 13:** Relation of economic sectors that form the economy of Ecuador



Source: SEPS

of society, state, and market in harmony with nature. Thus, the social and solidary economy model acknowledges human beings as subject (*subjecto*) and end (*fin*) of economic policies, and facilitates the implementation of Buen Vivir (art. 283).

The constitution together with the LOEPS acknowledges various actors within the economic system, distinguished as finance and non-finance activities. It also defines distinctive spheres they belong to, such as the public, private, and mixed economy (Figure 13). However, the form of economic organization given most attention is the grassroots solidary economy, which encompasses cooperative, associative, and community organizations. They build the centerpiece of the ideology towards a communally oriented economy based on the principles of solidarity, cooperation, and reciprocity, as mentioned in art. 1 LOEPS (Coraggio et al. 2011; Guerra 2014; Yates and Bakker 2014).

Actors in the solidary economy benefit from the constitutional guarantee of communal, associative, and cooperative property rights (art. 321). They also benefit



from a national financing system that includes public, private, and both popular and solidary actors (art. 309 LOEPS). These organized entities of the solidary economy are complemented by “popular economic units” (*Unidades Económicas Populares*, UEP). The UEPs largely comprise members of the informal economic sector, family-run microenterprises, and self-supply actors. They are accorded special means for bureaucratic administration as well as easier legalization and registration (Guerra 2014; Coraggio 2015; Nelms 2015). Table 6 presents an overview of the classes and features of economic actors outlined in the legal framework. Citing the LOEPS,<sup>61</sup> Coraggio (2015: 138) noted that economic entities that comply with the legal guidelines are obliged to do the following (cited here verbatim):

- 1) seek to achieve the goal of living well and serve the common good;
- 2) favor labour over capital, and collective over individual interests;
- 3) encourage fair trade and ethical, responsible consumption;
- 4) promote gender equity;
- 5) respect cultural identity;
- 6) emphasise worker management;
- 7) manifest social and environmental responsibility, solidarity and accountability; and
- 8) carry out fair and solidary-based distribution of profits.

These requirements echo provisions of the constitution, such as art. 1 and 14 (living well), art. 70 (gender equality), art. 284 (economic policy goals), art. 319 (forms of organization), art. 321 (property rights), and art. 326 (labor rights). By focusing on the political economy of institutions and development in Ecuador, the legal foundations of the economic policy seem to signify a tribute to social movements fighting for alternative production or co-production and consumption models. In addition, empowerment of the workforce outside the regular corporate structures of the market economy appear to be supported (Bebbington et al. 2008; Scarlato 2013).

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<sup>61</sup> Art. 4 Ley Orgánica de Economía Popular y Solidaria y del Sector Financiero Popular, 2011.

**Table 6:** Entities of the Popular and Solidary Economy

Organization	Definition	Examples	Number of entities
<i>Cooperatives</i>			
(Non-Finance)	Societies of people who have joined voluntarily to meet their economic, social and cultural needs in common, through a company jointly owned and democratically managed, that has legal personality of private law and social interest.	Cooperatives for production, consumption, housing, or services.	2,932*
(Finance)	Cooperatives for savings and credits.	Saving and credits co-ops.	654*
<i>Associations</i>			
(Non-Finance)	Associations are constituted by natural persons with similar or complementary productive economic activities, in order to produce, market and consume legal and socially necessary goods and services; and for self-supply of raw materials, supplies, tools, technology, equipment and other goods; or to commercialize their production in a solidary and self-managed manner.	Associations for production, processing, consumption and service.	9,940*
(Finance)	Associations for savings and credits.	Cajas y Bancos solidarios.	~ 12,000**
<i>Community organizations</i>			
	Community organizations are linked by relationships of territory, family, ethnic, cultural, gender, nature care, urban or rural; or, of communes, communities, peoples and nationalities that, through joint work, have as their object the production, commercialization, distribution and consumption of licit and socially necessary goods or services, in a solidary and self-managed manner.	Community organizations for services (e.g. tourism), production (e.g. agriculture, mining)	35*
<i>Popular Economic Units</i>			
	Those dedicated to the care economy; one-person, family run and domestic enterprises; merchant retailers and artisan workshops; that carry out economic activities of production, commercialization of goods and provision of services that will be promoted by fostering partnership and solidarity. (Informal sector)	Family business, informal business, self-consume, or unpaid work.	677,987**

*Sources:* Author's contribution based on art. 15, 18, 21 LOEPS; art. 309–311 Montechristi Constitution

\* data extracted from the *Catastro Sector Financiero*, and *Catastro Sector No Financiero*, SEPS, 7 Feb 2018;

\*\* data from SEPS (2012, 2014a).

The popular and solidary economy represents roughly 58% of the workforce in Ecuador (Sánchez 2014). More than 5.2 million of Ecuador's 16.4 million inhabitants are members of a cooperative.<sup>62</sup> Hence, the popular and solidary economy is an important tool to fight poverty and foster support for the president's policies by addressing economically marginalized and underprivileged voter groups. This point is interesting given that Correa relied on public referenda to pursue his political agenda. Ruiz Rivera and Lemaître (2017) see this mutual influence and interdependence of political and socioeconomic actors – which they refer to as “political embeddedness” – as a key feature of the economic policy of Ecuador. However, power asymmetries in favor of political actors, namely the executive, and exclusion of societal actor groups hinder this mutual influence. As Calvo et al. (2017: 76) noted, “Some civil society actors believe that the SSE has been monopolized by state agencies who fail to tolerate any form of criticism and cut short dialogues with citizens.”

### **5.3.3 Social Participation and Social Regulation**

The political agenda of the Buen Vivir paradigm promoted Ecuador's transformation project as the *revolución ciudadana* – the citizen's revolution. Therefore, it is no surprise that the created institutional setting targeted a profound change of state–society relations in constitutional theory and practice (Ospina 2013; Machado 2013). The promises regarding societal progress presented in the campaigns of government actors mainly comprised institutional changes towards democracy, citizen participation, and empowerment of minorities (La Torre 2010; Ortiz Lemos 2014). Several institutional innovations affected vertical accountability, participation, and social regulation. While some were embraced as a new pathway to inclusive policy making, others were criticized by scholars and human rights organizations, especially regarding freedom of expression (Conaghan 2015). A summary of the institutional

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<sup>62</sup> Five million of those are members of saving and credit cooperatives (Estrella 2014: 67). However, membership classification is ambiguous as approx. 35% of the members are inactive members (Páez Pareja 2014: 57).

features set up under the Montechristi Constitution highlights four main areas of change:<sup>63</sup>

- New tools and organs of citizen participation were set up to foster citizens' capacity to initiate legislation; and to assign, monitor, or impeach public officials.
- Civil society organizations became subject to registration, monitoring, and policing of their status and operation. As a result, major national organizations were shut down by the state or ceased their activities.
- The media sector experienced profound changes in property structures, freedom of speech, and centralization of information politics. Corporate entities were forbidden from holding shares in the media. Strict policing of journalists was enforced, based on new standards for media lawfulness and liability.
- The education sector underwent regulatory and administrative reform, accompanied by the disempowerment of Ecuador's influential teachers' union. In a centralized top-down approach, new quality standards, control mechanisms, and oversight agencies were set up to govern education and innovation entities.

Summarizing all constitutional innovations, we can see that the institutional setting of policy making in Ecuador experienced significant changes. These changes affected the organization of the state, the foundations of development policy, and the possibility of social organization to engage in the political process. Table 7 presents an overview of the innovations of the Buen Vivir legal framework from a macro-perspective.

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<sup>63</sup> For a more elaborated record see chapter 6.4.

**Table 7:** Institutional innovations under the Constitution of Montechristi (latest version 2015)

Field	Content	Legal Sources
State	<ul style="list-style-type: none"> <li>- Shift of faculties and centering power around president</li> <li>- Introducing new branches of government: the Electoral Branch and the TSC branch</li> <li>- Reform of the judiciary system</li> <li>- More decentralization</li> <li>- More direct/delegative democracy</li> <li>- Promotion of autonomy of indigenous and Afro-Ecuadorian nations, communities, peoples</li> </ul>	Constitution
Development/ Economy	<ul style="list-style-type: none"> <li>- Legal entity of nature and environmental protection</li> <li>- Institutionalization of Buen Vivir development goals in the National Development Plan</li> <li>- Popular and Solidary Economy with a focus on communal enterprises and informal sector</li> </ul>	Constitution <i>Plan Nacional del Desarrollo</i> LOEPS
Society	<ul style="list-style-type: none"> <li>- New tools and organs of citizen participation</li> <li>- Registration, monitoring and policing of civil society organizations</li> <li>- Standards for media lawfulness and liability of journalists</li> <li>- Disentanglement of media and corporate owners</li> <li>- Strict quality standards and control of (higher) education</li> </ul>	Constitution Execute Degrees 16 and 739, LOPC LOC Constitution LOES, LOEI

Source: Author.

## 5.4 Impact of Buen Vivir

The following paragraphs portray the impact of the institutional changes in Ecuador within a longitudinal perspective. The idea is to provide additional evidence for correlations between the quality dimension of public policy and development. This leads into the discussion in Chapter 6 about which institutions affect the policy-making process, and how.

### 5.4.1 Institutional Performance Indicators

Based on the model of Spiller and Tommasi (2003, 2007) and the program of an IDB research group (Stein et al. 2005; Stein and Tommasi 2007), I present institutional indicators that describe the quality dimension of public policy. The quality dimension or “outer features” of public policy refer to characteristics such as “predictability, adaptability to changing circumstances, and consistency across policy areas, among others” (Spiller and Tommasi 2007), rather than the content side of policy making<sup>64</sup>. This approach matches the need to record cooperation capabilities of political actors. However, the observations of Stein and Tommasi (2007) were grounded on a non-longitudinal perspective, which did not allow a diagnosis of changes in policy-making quality over a period; they covered only the years before the Buen Vivir transformation.<sup>65</sup> Because my approach is longitudinal, I complement, substitute, and update most of the components used by Stein and Tommasi (2007). My aim was to measure the quality features of public policy for the entire decade under the Sangolquí constitution (1998–2007) and the first decade under the Montechristi Constitution (2008–2017). The quality dimensions that I focus on are 1) stability, 2) adaptability, 3) coordination and coherence, 4) implementation and enforcement, 5) efficiency, and 6) public regardedness.<sup>66</sup>

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<sup>64</sup> See also Weaver and Rockman (1993), Levy and Spiller (1994), and Rodrik (1995).

<sup>65</sup> The latest update of the data in Franco and Scartascini (2014) and IDB Database No. 112 only provided very limited data for Ecuador.

<sup>66</sup> In the mode of comparability all data values were standardized.

**5.4.1.1 Stability**

“Political stability” refers to a consistent quality of public policy over time, instead of being continuously modified in an erratic manner. As Stein and Tommasi (2007: 11) put it:

*In countries with stable policies, changes tend to be incremental, building upon achievements of previous administrations, and tend to be done through consensus. In contrast, volatile policy environments are characterized by large swings and by lack of consultation with different groups in society. [...] Thus, the notion of policy stability is closely linked to the notion of policy credibility.*

I employed four components to measure the stability of public policy in Ecuador over time. They were as follows: 1) the risk of policy instability, from the Global Competitiveness Report (GCR); 2) the risk of public contract viability, from the Political Risk Services Group (PRS); 3) a measure of policy consistency, forward planning, and quality of bureaucracy – from Global Insight Business Risk and Conditions (WMO); and 4) the prioritization figure (long-term perspective of public policy) of the Bertelsmann Transformation Index (BTI).

**Table 8:** Stability components and index summary

Variable	Obs	Mean	Std. Dev.	Min	Max
stab_gcr	11	13.24545	5.886657	2.3	19.9
stab_prs	8	1.75	.9636241	.5	3
stab_wmo	14	.3492857	.0506062	.31	.44
stab_bti	7	4.428571	.9759001	3	5

The data visualized in graph 1 indicate a decline in political stability during the years of government changes and constitutional rewriting. However, shortly after the enactment of the Montechristi Constitution, political stability began to improve consistently.

**5.4.1.2 Adaptability**

Political actors must be able to maintain flexibility regarding external shocks, should acquire skills for organizational learning, and must pursue innovative policy solutions. The quality of adaptability is crucial to replace failed policies, take advantage of development potential, and implement adequate strategies for specific policy changes. If public policy is too rigid and cannot be adjusted for a changing environment or the altered demands of domestic stakeholders, government performance will ultimately be poor.

To evaluate the adaptability of public policy in Ecuador, I drew on the BTI’s policy-learning figures and the reversed annual inflation rate (Table 9). The data on adaptability appeared to be inconsistent. However, graph 1 indicates a slight improvement in policy responsiveness and adaptability.

**Table 9:** Adaptability components and index summary

Variable	Obs	Mean	Std. Dev.	Min	Max
adapt_bti	7	3.714286	.48795	3	4
adapt_infl	16	4.4	2.985074	.7	12.5

**5.4.1.3 Coherence and Coordination**

Without direction and synchronization of political interactions, the centrifugal forces of bargaining would lead to unbalanced partisan politics. Especially in scenarios of many veto players, a hostile fragmentation of interest groups hinders compromise and long-term cooperation (Cox and McCubbins 2001: 31). Therefore, efficient coordination is needed to align the plurality of competing actors in the policy-making game to coherent public policy.

I based the coherence and coordination variable used in this study on two sources, namely the PRS measure of government cohesion and the policy-coordination indicator of the BTI (Table 10). The limited data available on coordination and coherence did not allow assessment of changes in this quality. However, the information



contributed to the bigger picture of quality features over time, when the data were combined with other observations (graph 2).

**Table 10:** Coordination and coherence components and index summary

Variable	Obs	Mean	Std. Dev.	Min	Max
coord_bti	6	5	1.549193	3	6
coord_prs	7	2.928571	.6074929	2	4

**5.4.1.4 Implementation and Enforcement**

No regulation can create impact without implementation and enforcement. Therefore, the transfer from legislation into applied regulations is a key aspect of good policy making and effective government. The implementation and enforcement property is highly relevant for the quality of public policy on many levels. These range from the application of constitutional provisions to the efficient passing of legislation within the federal system, and the enforcement of laws by police officers and other agents of the executive.

I considered three statistical values for measuring the implementation and enforcement quality. They were: 1) the implementation figure of the BTI, 2) the evaluation of citizens’ lawfulness in the *Latinobarometro*, and 3) the results on the reliability of police services in the GCR survey. The numbers regarding implementation and enforcement capabilities of the Ecuadorian state provide evidence of an improvement in this quality, particularly under the Montechristi Constitution (graph 1).

**Table 11:** Implementation and enforcement components and index summary

Variable	Obs	Mean	Std. Dev.	Min	Max
impl_bti	7	4.714286	1.112697	3	6
impl_lb	10	2.147	.1234729	1.98	2.38
impl_gcr	12	2.966667	.5804909	1.8	3.9

**5.4.1.5 Public Regardedness**

“Public regardedness” describes the ability of policy makers to pursue public policies that improve welfare. Drawing on Cox and McCubbins (2001), Stein and Tommasi (2007: 15) defined public regardedness as “the extent to which policies produced by a given system promote the general welfare and resemble public goods (that is, are public regarding) or whether they tend to funnel private benefits to certain individuals, factions, or regions in the form of projects with concentrated benefits, subsidies, or tax loopholes”. I based the variable of public regardedness on two sources: the GCR measure of favoritism in decisions by government officials, and the corruption perception index. Similar to implementation, the quality feature of public regardedness clearly improved during the observed period. It was rated at a constant level under the Sangolquí constitution and achieved a sustainable increase under the Montechristi Constitution (graph 1).

**Table 12:** Public regardedness components and index summary

Variable	Obs	Mean	Std. Dev.	Min	Max
publicreg_~r	11	2.409091	.4763498	1.8	3.4
publicreg_ti	20	26.05	4.570788	20	35

**5.4.1.6 Efficiency**

Wastefulness is a major problem in political environments having sparse resources. Hence, the efficient allocation of funds and goods to activities that strongly affect development is crucial. The variable I used to portray the quality of efficiency consisted of 1) the wastefulness of government spending (GCR) and 2) a measure from BTI regarding the government’s efficient use of assets. Graph 1 indicates a clear improvement in governmental efficiency after the Buen Vivir transformation policy commenced.

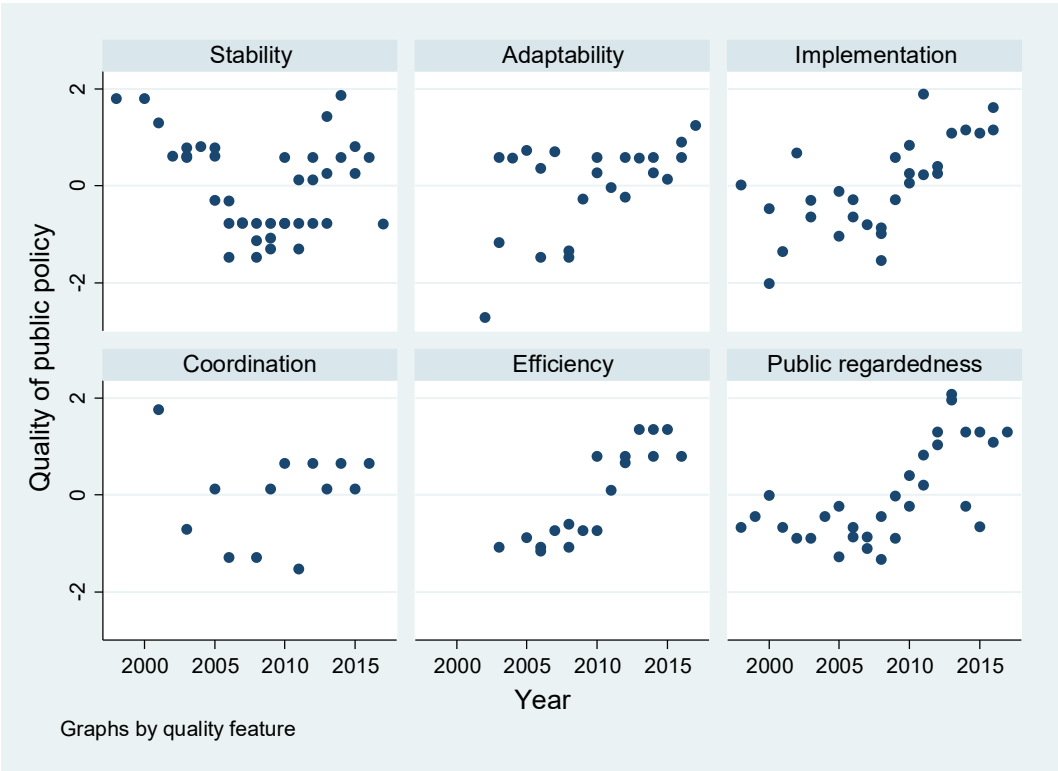
**Table 13:** Efficiency components and index summary

Variable	Obs	Mean	Std. Dev.	Min	Max
effic_gcr	11	2.627273	.7184579	1.8	3.6
effic_bti	7	4.571429	.5345225	4	5

**5.4.1.7 Comparison of Institutional Performance Indicators**

Summarizing the findings for the respective quality features of public policy, graph 1 provides an overview of all data points. This visualization reveals that not all qualities followed similar trajectories. While some qualities tended to stay almost constant, others increased substantially or followed a U-shape.

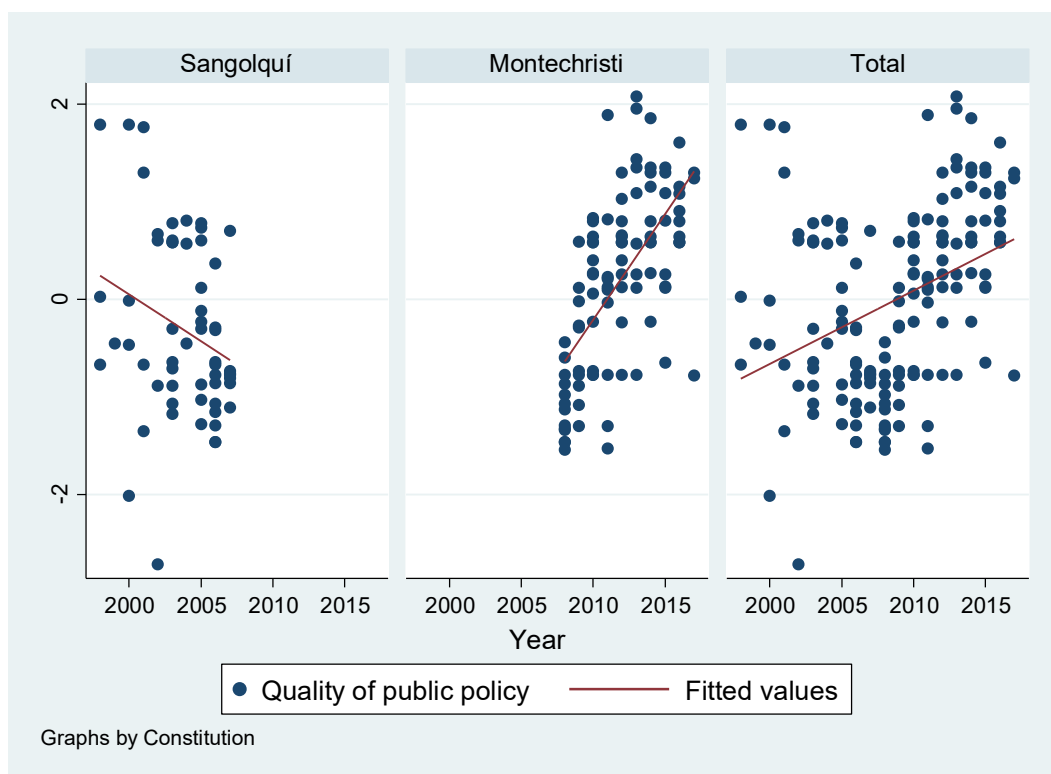
**Graph 1:** Quality features of public policy by year



*Source:* Author (see annex for database and details of variables)

The change in the quality of public policy under the two constitutions is more obvious when all data points for the respective periods are presented together. By merging all observations, graph 2 depicts the evolution of the quality of political policy by linear prediction under the two constitutions, namely Sangolquí (1998–2007) and Montechristi (2008–2017). This comparison shows that public policy under the Sangolquí constitution featured below-average and above-average performance in quality, with a general decline towards the end of the Palacio administration. There was a substantial increase in almost all quality features with the enactment of the Montechristi Constitution under the Buen Vivir development paradigm.

**Graph 2:** Linear regression plot of all quality data by constitution and overall (1998–2017)



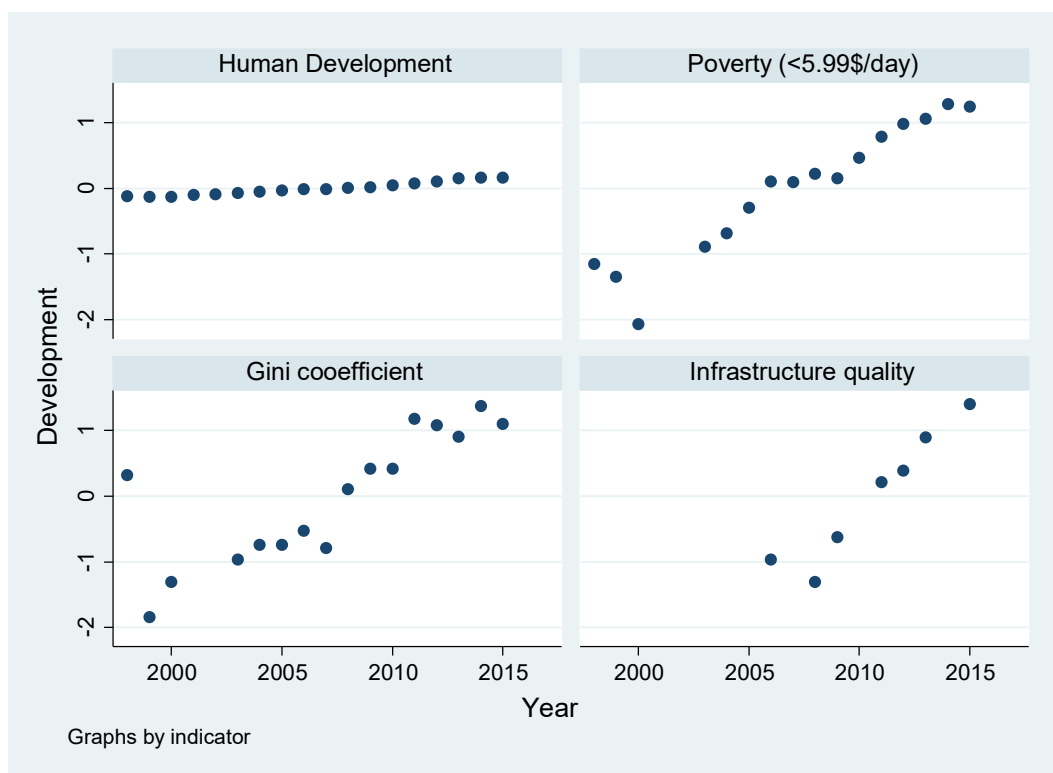
*Source:* Author (see annex for database and variable details)

#### 5.4.2 Development Indicators

For the second aspect of impact, Ecuador’s development indicators were assessed. Neglecting disputes on the ideological dimension of development, I define “development” as the improvement of living conditions. In line with various traditional and alternative approaches, this definition surpasses but does not exclude aspects of monetary prosperity and economic growth. I based the variable for development on 1) the Human Development Index of the United Nations Development Programme; 2) the (reversed) poverty level (World Bank); 3) the (reversed) Gini coefficient (World Bank); and 4) the evaluation of infrastructure quality in the GCR survey.

As graph 3 outlines, Ecuador experienced an overall improvement in development during the period covered. The positive trajectory gained further momentum under the Buen Vivir paradigm, as evidenced by the data for poverty and the Gini coefficient especially. Furthermore, this positive trend is consistent over time.

**Graph 3:** Development data by item over time



*Source:* Author based on data from UNDP, WB, and GCR.

### 5.4.3 Conclusion: Accelerated Development Under the Buen Vivir Model

In conclusion, the quality of Ecuador's public policy improved continually after years of fluctuating quality. In addition – and potentially linked, Ecuador experienced a gradual long-term improvement in development, which affected broad parts of the population and reduced poverty more effectively than before. The linear regression of mean values for normalized development and quality of public policy, shown in Table 14, confirmed that a significant linear correlation existed between the quality of public policy and development. This relationship was postulated in other studies, such as Stein et al. (2005).

**Table 14:** Linear regression of development (mean) and quality of public policy (mean)

Source	SS	df	MS	Number of obs	=	18
Model	2.09943395	1	2.09943395	F(1, 16)	=	6.98
Residual	4.81135181	16	.300709488	Prob > F	=	0.0177
Total	6.91078576	17	.406516809	R-squared	=	0.3038
				Adj R-squared	=	0.2603
				Root MSE	=	.54837

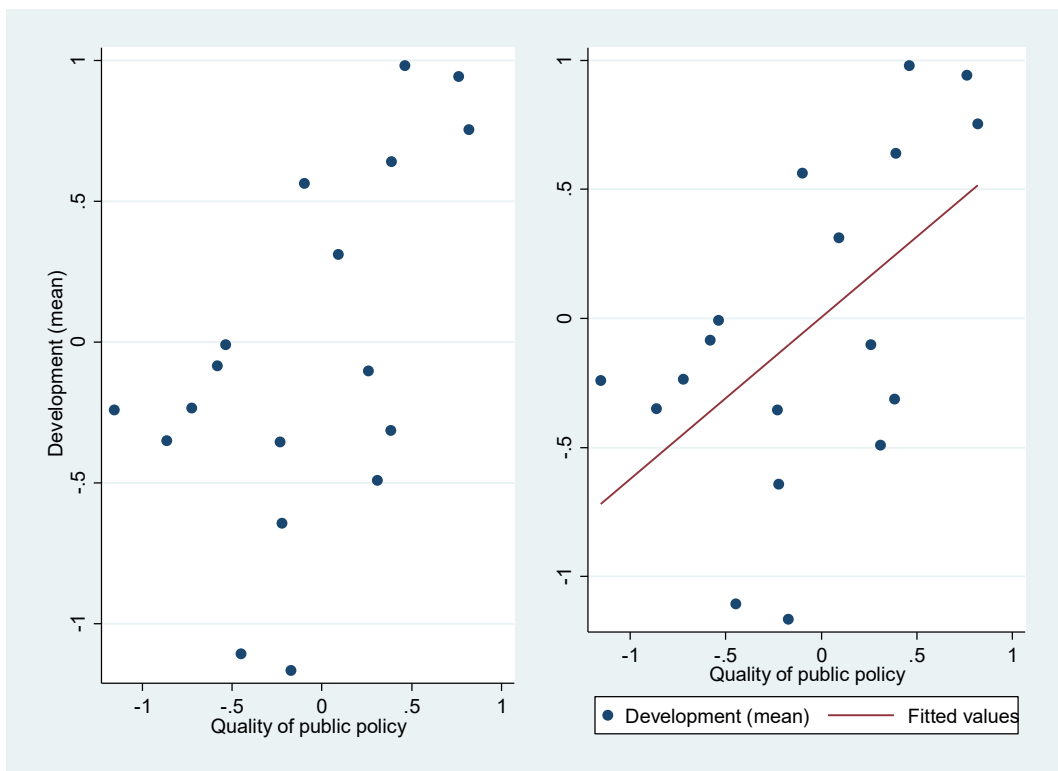
  

devel_mean	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
qual_mean	.6259751	.2369079	2.64	0.018	.1237528 1.128197
_cons	.0039446	.130871	0.03	0.976	-.2734896 .2813787

Source: Author.

This finding is visualized in graph 4, which depicts the positive linear correlation of development with the quality of public policy (as presented in Table 14).

**Graph 4:** Linear regression plot of development and quality of public policy (Ecuador 1998–2017)



Source: Author.

With the enactment of the Montechristi Constitution in 2008, the rules of the game for policy making and living conditions in Ecuador changed substantially. Nevertheless, constitutional innovations and altered macro-foundations alone provide an incomplete picture of the causality of these effects. The link between institutional quality and development is supported by the findings; however, the question of which institutional mechanisms, that is, which rules of the game, effectuated the improvement in quality has not been clearly answered. The model of Spiller and Tommasi points to the institutional micro-foundations of public policy incentivizing or constraining intertemporal transactions. Therefore, the following chapter presents an in-depth analysis of what Gargarella (2013) called “the engine room of the constitution.”

## 6 Configuration and Functioning of Political Institutions

In this chapter, I analyze the institutional properties of Ecuador from a fine-grained perspective. Specifically, I analyze the adjustment of incentives and constraints for political actors under the Buen Vivir development paradigm, and how these affect policy making in Ecuador.

### 6.1 The Executive Branch

In this section, I analyze the government – including the president and his cabinet – at the national level, and governmental structures at the sub-national level. The bureaucracy as an organ of the executive is also analyzed in a sub-section.

#### 6.1.1 The President in the Hyper-presidential Constitution

One of the most momentous alterations of the 2008 constitution in comparison to its predecessor was the expansion of presidential power (Ibarra 2010; Corrales 2013a) (see Table 15). As in other Latin American democracies, a strong president was seen as a key element in overcoming the episodes of ungovernability, presidential impeachments, and political instability of the 1990s (Pérez-Liñán 2010).

**Table 15:** Presidential Power Index: a comparison of the 1998 and 2008 constitutions

Presidential power figures	1998 constitution (Sangolquí)	2008 constitution (Montechristi)
<i>Index Presidential Legislative Powers</i>	0.333	0.500
<i>Index Presidential Non-Legislative Powers</i>	0.375	0.425
<i>Index Presidential Procedural Powers</i>	0.667	0.583
<i>Index Presidential Independence from the Legislature</i>	0.300	0.300
<i>Index Presidential Independence from the Judiciary</i>	0.375	0.625
<i>Index Degree of Presidential Power over the Federal System</i>	0.750	0.000
Index Average Country Score	0.403	0.451

*Source:* Author based on Corrales (2013a)



After Ecuador's constitutional assembly reallocated the power between the executive and legislative branches, the authority of the president by far exceeded the power of parliament (Oyarte Martínez 2009). This was achieved by increasing the faculties of the president and by moving faculties of the reconfigured one-chamber legislative to either the president or the new "fifth" branch, the Council of Citizen Participation and Social Control (Conaghan 2016). As Gargarella (2013: 173) commented, "Moreover, the president has gained legislative faculties that no longer derive from delegation by the legislature or that formerly belonged jointly to both powers."

The constitutional assembly thus created what scholars refer to as a "hyper-presidential" constitution (Penfold 2010; Conaghan 2016; La Torre and Ortiz Lemos 2016). The concentration of power in the presidential office induced a greater dependency of other actors on the president than did antecedent constitutions. (Montufar and Bonilla 2008: 4) noted that:

*Effectively doing away with the separation of powers, the assembly has directly or indirectly helped the government achieve unbridled influence on the judiciary, the Constitutional Court, and the elections agency, as well as the offices of the Comptroller General, Public Prosecutor, Solicitor General and the Ombudsman, not to mention the Central Bank and majority of local governments.*

Examining the main constitutional features of both the 1998 and 2008 constitutions, changes towards presidential supremacy are evident in issues such as the lifting of re-election limits, the faculty to dissolve parliament, and the appointment of judges (Table 16). Furthermore, strong legislative tools – such as convening referendums or vetoing budget objections – help the president to skirt parliament. However, these changes alone do not explain the dominant authority of the Correa administration. After several constitutional reforms, Ecuador's presidents have remained weak incumbents, despite several attempts to expand the legal provisions of incumbents. Hence, an even more detailed analysis of the micro-foundations of policy making and of actual behavior within the institutional setting are needed to obtain full understanding.

**Table 16:** Presidential faculties: comparison of the 1998 and 2008 constitutions

Presidential faculties	1998 constitution (Sangolquí)	2008 constitution (Montechristi)
<i>Executive faculties</i>		
Consecutive and indefinite re-election		X
Dissolve National Assembly <sup>67</sup>		X
Propose National Development Plan	X	X
Convene National Assembly special sessions	X	X
Power to pardon	X	X
Influence on appointment of judges		X
<i>Legislative faculties</i>		
Initiate law	X	X
Amend laws (with restoration by 2/3 of legislative branch)	X	X
Veto laws (with restoration by 2/3 of legislative branch)	X	X
Convene referenda	X	X
Draft budget	X	X
Veto budget objections (with restoration by 2/3 of legislature)		X
Issue decrees with legislative and judiciary control	X	X
Declare and act under state of emergency with legislative and judiciary control	X	X
Issue decrees of economic urgency with judiciary control	X	X

*Source:* Author's contribution based on (Valdivieso and Rivera 2015).

The presidential authority granted by the Montechristi Constitution was not a rigid status quo. It was a starting point for the Correa administration to maintain a degree of flexibility, for the sake of further increasing the presidential power (Nolte 2016). In a similar vein, Mejía Acosta (2009) and Pachano (2010) differentiated between *de jure* constitutional power and *de facto* political power. Effectively, Correa exhausted the

<sup>67</sup> The National Assembly is granted a reverse right to dismiss the president to avoid confrontational legislation-executive confrontation ending up in *muerte cruzada*- a mutual death Bowen (2015: 104).

potential in legal scope and expended the leeway for power-seeking by amending the constitution. In his frequent use or change of three of the constitution's key institutions – namely a state of emergency,<sup>68</sup> referenda, and presidential re-election – Correa was not opposed by a powerful and independent judiciary (Grijalva et al. 2016). Hence, he achieved a gain in power that not only allowed him to overcome impeachments and instability, but also to consistently set, pursue, and implement a complex political agenda at the executive and legislative levels. The disadvantage was that these actions critically reduced the influence of other actors in the political game, and exposed the state to excessive use of power and violation of civil rights.

An important step towards consolidating this increase in presidential power was the relaxation and eventual abolition of presidential term limits. While the 1998 constitution allowed for re-election of the president after sitting out for one term, the Montechristi Constitution expanded the term limits to two consecutive terms with immediate re-election (Corrales 2016a). In December 2014, the National Assembly approved Correa's initiative for constitutional amendments and completely abolished term limits for all public offices. This opened the gate for unlimited presidential re-election. However, these amendments were not without public protest. As a reaction to the protest, Correa urged the inclusion of a last-minute clause that stated the new regulation could only become effective after the 2017 presidential election. He thus excluded himself from running for office for a fourth consecutive time. Although Correa's supporters presented 1.2 million signatures to the National Electoral Council, trying to force the lifting of term limitations, Correa decided not to run again. He assigned his longtime confidant and vice-president, Lenín Moreno, to run for office. Moreno eventually won the 2017 presidential election in a close race.

The epoch of stability initiated by Correa and facilitated by the Montechristi Constitution was built on his excessive power-seeking, and was constantly endangered

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<sup>68</sup> According to Grijalva et al. (2016: 212) between Oct 2008 and December 2011 alone 21 presidential decrees of state of emergency were issued of which none was ruled inconsistent with constitutional standards by the Supreme Court, even though in some incidents violations were critically noted by observers.

by the same trait. The future will reveal whether the style of using the constitution flexibly (as established by Correa) will lead to further institutional alternations, or initiate a return to core principles of the constitution. Moreno’s attempts in 2017 and 2018 to revoke the latest amendments suggest the latter path.

**6.1.2 Coming and Going in the Cabinet: Ecuador’s Ministers**

Ministers, secretaries, and cabinet-level officials are important members of the executive; they maintain expertise and management capabilities within the government. However, Latin American cabinets experience a high turnover, and constant reshuffling of top-level public officials is normal rather than exceptional (Camerlo and Martínez-Gallardo 2018). Ecuador displays this pattern and has featured high turnover rates in recent decades, and short tenures of ministers in all departments (Table 17). Nevertheless, differences in cabinet management are evident between the two constitutional settings (Table 18). After the constitutional rewriting in 2008, the average turnover rate (appointments per year) dropped by half, from 10.3 to 5.56, even though the size of the cabinet increased. Under Jamil Mahuad in 1998 there were 15 ministries, rising to 29 under Rafael Correa in 2008 (Table 17).

**Table 17:** Minister turnover by constitutional era

<i>Constitution/ Cabinets</i>	Cabinet size	Ministers appointed	Average turnover/ year
<i>1998 constitution (Sangolquí)</i>			<b>10.3</b>
Mahuad	15	25	10
Noboa	15	31	16
Gutiérrez	15	47	32
Palacio	16	40	24
Correa I	28	49	21
<i>2008 constitution (Montecristi)</i>			<b>5.56</b>
Correa I	28	16	16
Correa II	29	55	26
Correa III	29	37	8

*Source:* Author based on Basabe-Serrano et al. (2018: 185).

Given the power of the president to use appointments as political currency and as a management tool, cabinet recruiting and minister removal are highly strategic. Therefore, it is important to understand how ministers are selected and dismissed, and what their roles and influence are in the policy-making game.

Appointing ministers is a privilege of the president, whereas parliament polices the cabinet with the power to remove ministers if necessary. This constellation has been a property of all constitutional settings in Ecuador since the return to democracy in 1978. However, ministerial impeachment through a censure clause (*censura*) was restricted in the Sangolquí constitution (1998) by the quasi-veto provision that the president should eventually enact the voted dismissal. By contrast, the Montecristi Constitution (2008) reintroduced the clause, but the required two-thirds majority of parliament put severe constraints on ministerial removals. Only five ministers were removed by parliamentary impeachment under the Sangolquí constitution, and none so far under the Montecristi Constitution.

Regarding the qualification to join the cabinet, the Sangolquí constitution entailed low entry barriers to ministerial office, only requiring a minimum age of 30 and Ecuadorian citizenship. The age regulation was abolished by the Montecristi Constitution, making citizenship the only legal criterion to become a minister. Nevertheless, the recruiting of cabinet members is highly selective and depends on informal requirements and strategic considerations.

Before Correa took office in 2007, Ecuador's party system was highly fragmented and key institutional players were widely discredited. In this political environment, parties sought to avoid being associated with the government and cooperated in anonymous and informal ways, by forming "ghost coalitions" (Mejía Acosta 2006). Ministerial appointments were thus not a popular mechanism for coalition building, and members of the cabinet opted to appear independent from government and parties. This explains the high share of non-partisan officials in most of Ecuador's cabinets before 2007 (graph 5). In the policy-making game, the non-partisan background and high turnover of ministers created weak incentives for cabinet stability and coherence and strong incentives for ministers not to cooperate or to follow short-sighted policy action.

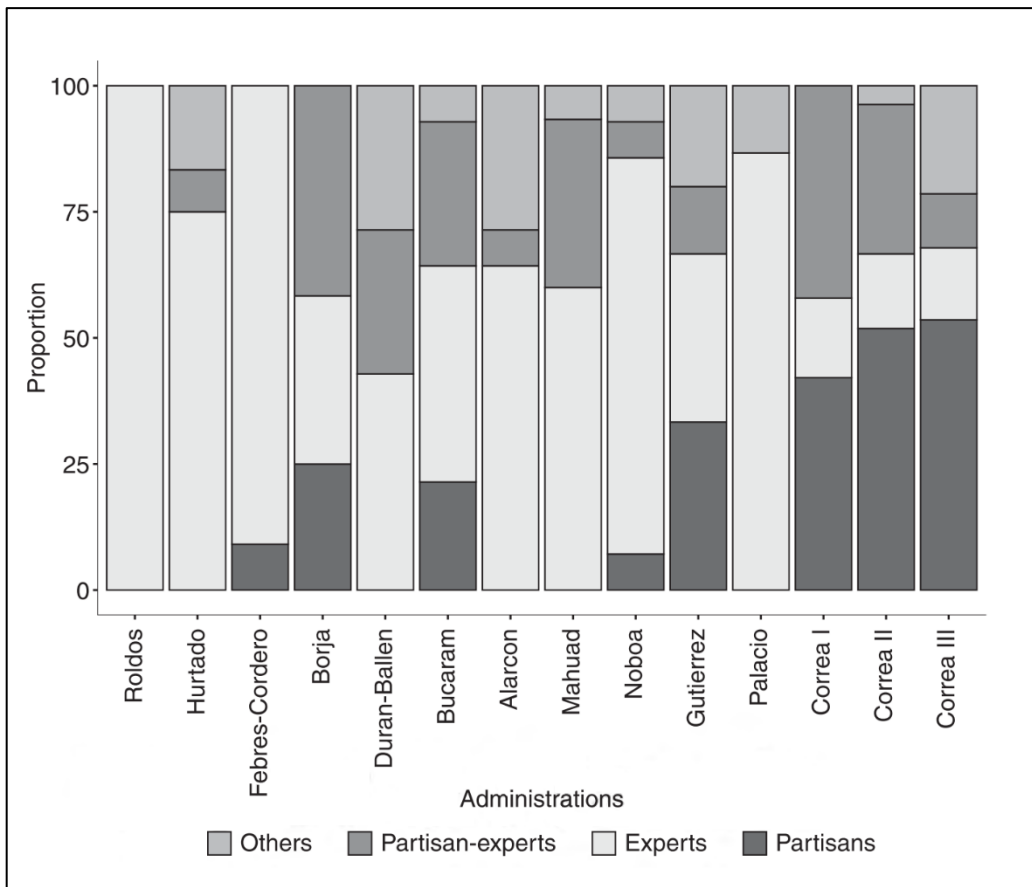
**Table 18:** Cabinets and ministerial terms between 1998 and 2017

	1998	1999	2000	2001	2002	2003	2004	2005
Ministry \ <i>Cabinet</i>		<i>Mahuad</i>		<i>Noboa</i>		<i>Gutiérrez</i>		<i>Pa</i>
Agriculture		Gal.		Plaza				
Foreign Relations		Ortiz		Moeller		Zuquil.		
Social Welfare/ Inclusion		Kakab.	Patino	Malond.				
Defense		Gall.	Unda			Herrera		
Economy/ Finance						Pozo	Yep.	
Education		Ado.	Hanze	Cordero				
Culture	Ministry created 2007							
Sport	Ministry created 2007							
Energy (Electr./Renew.)			Teran			Arb.	Lop.	
Hydrocarbons	Ministry created 2007							
Mining	Ministry created 2015							
Industry (Foreign Trade)			Peña	Moss		Juez		
Foreign Trade	Ministry created 2013							
Government/ Interior			Ma.					
Public Works/ Transport			Macchiavello			Pena.		
Telecommunication	Ministry created 2009							
Health		Rodas		Jamris.			Lama	
Labor		Polibio	Insua				Mora	Ch
Urban Development		Peña	Murgueitio					
Tourism		Laniado	Vásquez				Eljuri	Sal
Environment		Celi	Rend.	Luque				
Justice	Ministry created 2007							
Coast	Ministry created 2007							
Coord. Security	Ministry created 2007							
Coord. Production	Ministry created 2007							
Coord. Soc. Development	Ministry created 2007							
Coord. Politics	Ministry created 2007							
Coord. Economic Policy	Ministry created 2007							
Coord. Strat. Sectors	Ministry created 2007							
Coord. Patrimony	Ministry created 2007							
Coord. of Knowledge	Ministry created 2011							

Source: Author.

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
<i>lacio</i>	<i>Corr</i>	<i>Correa II</i>				<i>Correa III</i>				<i>M</i>		
Rizzo	Val.	Pov.	Esspinel	Vera	J. Ponce							
Car.			Falconí	Patiño						Long		
		Sánchez	d.l.A.	X. Ponce	Soliz	Tola						
			J. Ponce			Espinosa	Cordero	Pat.				
		Ortiz	Viteri	Rivera		Herrera						
	Vallejo			Vidal		Espinosa						
	Pre.	Mora	Nor.	Charvet		Velas.		Long	Val.			
	Carrión		Vela		Cevallos			Enderica				
Rod.	Mosquera			Cal.	Albornoz							
	Chiri	Pa.	Pin.	Pastor		Merizalde			Ro.			
									Córdova			
	Sagasti	Abad		Sión		González	Egas	Léon				
						Rivaden.	Aulestina					
	La.	Bus.	Jalkh		Serrano							
		Marún			d.l. Ángeles		Carvajal	Solís				
			Glas	Guerro			Espín					
	Chang		Chiriboga		Vance			Guev.	Esp.			
	Gagliardo		Espinosa		Vacas		Marx	Berrezue.				
Véle	d.l.A	Solís		Jaramillo		Aulestia	d.l.Á.					
vador	Sión		Ehlers		Alva.	Naranjo	Alva.					
Alban	Aguñaga				Tapia				Gar.			
	Jalkh	Arbi.	Serr.	Pesántez			Zúñiga					
		Port.	Issa		Ministry decommissioned in 2010							
	B.		Carvajal	Arellano			Navas					
	C.d.V.	Cely		León	Espinosa	Cely	Alva.					
	Cely	Sánchez		Sol.		Vaca		Rose.				
	B.	Patino	Soliz	Tola		Tola	Ministry decommissioned					
	Paez		Borja	King	Sanchez	Rivera						
			Borja P.	Glas		Poveda						
		Soliz		Espinosa			Ministry decommissioned					
				Esp.	Long		Arauz					

**Graph 5:** Minister profiles at inauguration (1979-2017)



Source: Basabe-Serrano et al. (2018: 192)

The outlined incentive structure was reversed under the Correa administration. Most ministers had a partisan background and originated from either the personal or party environment of the president. Although the ministerial turnover rate remains high under the Montecristi Constitution, ministers can create a long-term career by serving in public office. Many cabinet members proceeded on lucrative political career paths after their term in office (Basabe-Serrano et al. 2018). Several ministers appointed to office once later took office in the cabinet or another branch of the state.<sup>69</sup> This practice

<sup>69</sup> Some of the various examples include: Fander Falconí served as Minister for Foreign Affairs under Correa only for a year (Dec 2008- Jan 2010) but returned into the Cabinet of Moreno in 2017. María Espinosa served as Minister for Foreign Affairs, Coordinating Minister of Heritage and Minister of Defense. María de los Ángeles Duarte served as Minister for Inclusion, Minister of Public Works and Minister for Urban Development, Doris Soliz served as Minister of Tourism, Coordinating Minister of Patrimony, Coordinating Minister of Politics, Coordinating Minister of Social Development and Minister



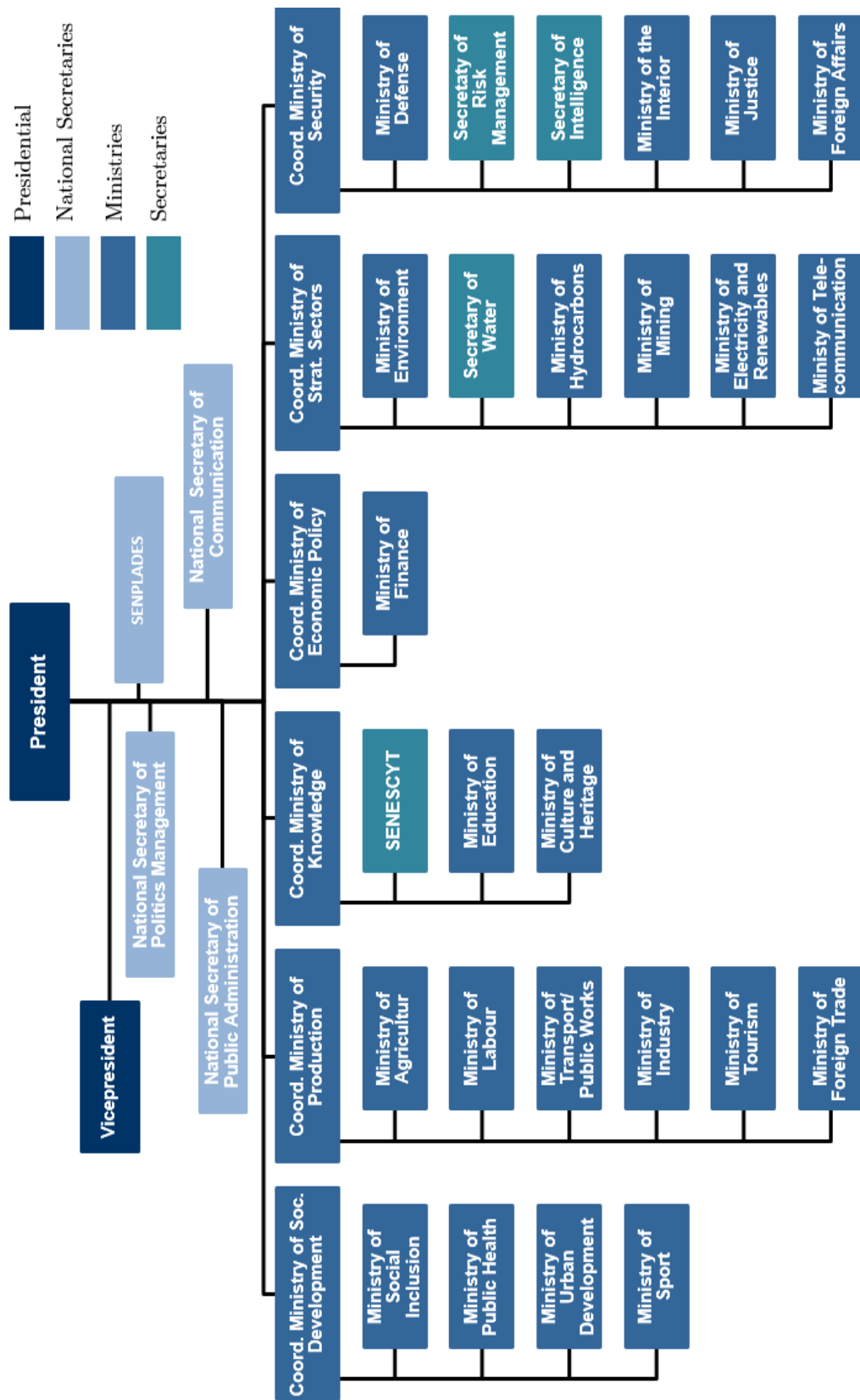
is facilitated by the political influence of the president and a strong government party. Hence, a long-term party affiliation and cooperative behavior pays off for cabinet members. As Basabe-Serrano et al. (2018: 190) stated, “In short, given the fickle nature of coalitions in Ecuador, ministers appointed prior to 2007 tended to be experts who were neither partisans nor loyalists. Under single-party government, however, loyalty and government stability became more valued.”

Another perspective, presented by Martinez-Gallardo and Schleiter (2015), supports this explanation by additionally considering principal-agent dynamics. In this perspective, presidents avoid relying exclusively on party-affiliated ministers to reduce the agency losses associated with authority delegation, which might occur due to clientelism-based interests of the party deviating from the president’s own agenda. However, Correa had to favor partisan candidates to align and represent the various ethnic and ideological factions within a party as diverse as Alianza PAIS (Basabe-Serrano et al. 2018). Similarly, Inácio and Llanos (2016) argued that presidents in Latin America manage transaction costs and control agency problems arising from stakeholder multitude by centralizing decision making within the presidency. Both strategies of representing stakeholders and centralizing power in the presidential office occurred under the Correa administration. The centralization of power within the government was most obvious in the government structure, in which the four strategically important secretaries (such as SENPLADES) were directly controlled by the president (Figure 14). From this inner circle of power, policies were delegated to the coordinating ministries and closely monitored (Polga-Hecimovich 2013). At the same time, the centralization of decisions and the delegation to loyal coordinating ministries allowed for the management of a complex structure of government. This structure featured a growing number of ministries and policy fields covered, with 146 ministries and government agencies by 2016.

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of Inclusion. Ricardo Patiño served as Minister for Economics, Minister of Defence, Coordinating Minister of Politics and Minister of Foreign Affairs. In contrast to independent expert ministers serving before 2008, many members of the following cabinets featured the ministerial office as a step within a professional career as a politician.

Figure 14: Structure of the national government as of 2015



Source: Author based on SENPLADES (<http://www.planificacion.gob.ec/estructura-organica-de-la-funcion-ejecutiva-de-la-republica-del-ecuador>)

### 6.1.3 Decentralization and National–Subnational Conflicts

Another significant objective of the Montecristi Constitution is the deepening of decentralization (article 1, 3, 238 et. seq.). During its modern history, Latin America has experienced many periods of struggle between national and subnational authorities (Eaton 2013a). In the period of neoliberal reforms, economic and political decentralization largely overlapped because the privatization of state enterprises was accompanied by stronger federalism (Weingast 1995).

In the course of the Left Turn and the Buen Vivir transformation politics, decentralization became a more complex concept. It entailed refining institutional mechanisms but carried some contradictory policy implications (Lalander 2010). While political decentralization is strongly pursued, economic decentralization is countervailed by the expansion of the state's role in economic affairs, such as nationalization of key industries like oil-drilling or mining.

An important driver of the process of political decentralization in Ecuador was the rise of indigenous social movements that sought cultural rights, economic perspectives, and political voice (Yashar 1999). Originally, the 1998 constitution acknowledged the state's pluricultural character, fiscal transfers, and the decentral organization of Ecuador (Vial Cossani 2013). Nevertheless, decentralization was based on "the principle of optional decentralization which calls on subnational governments to apply for policy responsibilities rather than creating a uniform distribution of administrative competences between levels of government" (Faust and Harbers 2012: 53). The 2008 constitution went further by constituting Ecuador as a pluri-national state, with an obligatory concept of decentralization.

The different approaches of decentralization need clarification here. The constitutional reality in developing countries, especially Ecuador, is important to understand. Decentralization in the debate on institutions and development is focused on political, administrative, and fiscal decentralization. Political decentralization means the general concept of power diversification in public decision making. By contrast, administrative decentralization narrows this concept to the redistribution of faculties and responsibilities to lower levels of government (Litvack et al. 1999).

Research on administrative decentralization frames different modes or degrees of shifting capacities to the subnational level. These modes comprise the following models, beginning with the most centralist (Rondinelli 1981; Falleti 2010):

- Deconcentration (central government maintains local offices)
- Delegation (transfer of decision making to local government)
- Devolution (transfer of responsibilities and resources to local government).

Fiscal decentralization governs the level of revenue dedicated to corresponding tasks on a subnational level. This can be realized by various modes, including the expansion of taxes or intergovernmental revenue-transfer.

Reflecting on the background of decentralization and different modes of implementation, it seems necessary to further explore the institutional properties that govern the relations between national and subnational actors. The implications of those properties for policy making are also of interest. Title V of the Montecristi Constitution codifies the territorial organization of the state. Therein, Art. 238 constitutes all three levels of decentralization, namely the political, administrative, and fiscal autonomy of the so-called “system of decentralized autonomous governments” (*Gobiernos Autónomos Descentralizados*, GAD). According to Art. 238, the GAD encompasses rural parish boards, municipal councils, metropolitan councils, provincial councils, and regional councils. These authorities, complemented by their respective executive organs, represent Ecuador’s subnational governments within the administrative division of regions, the 24 provinces, 221 cantons, and more than a thousand parishes (*parroquias*). The regions, however, have not been established yet and exist only at an administrative level for the territorial planning of SENPLADES. The 2015 amendments of the constitution abolished the deadline – which would have ended in 2016 – for the provinces to jointly set up regions.<sup>70</sup> Nevertheless, the government has not given up the regions as part of the territorial concept. The administrative regions to be created are shown in Figure 15.

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<sup>70</sup> See transitory provision One No. 9 in the 2008- and 2015 versions of the Montecristi constitution.

Figure 15: Provinces and natural regions of Ecuador



Source: Author.

Figure 16: Planning zones as future administrative regions of Ecuador



Source: SENPLADES.

The administrative regions are supposed to connect the numerous provinces and the natural regions of the Costa, Sierra, and Oriente (Figure 16). All of the regions differ in economy, population, geography, and political challenges.<sup>71</sup> The project still faces resistance from the provincial prefects, united in the Consortium of Autonomous Provincial Governments of Ecuador (CONGOPE), which fears a loss of power (El Comercio 2014). This fear is not unfounded since the constitution not only grants privileges to subnational entities but also shuffles provisions that traditionally belonged to subnational spheres. As Madrid et al. (2010: 168) put it: “The new constitution will recentralize power in the national government by stripping authority from local mayors and forming new regional governments that may be dominated by the executive.”

The reason for the government’s efforts to concentrate power in the presidential office is rooted in conflicts and power asymmetries between political actors and parties at the national and subnational levels. Although Correa’s Alianza PAIS dominated the National Assembly, the party is less predominant at the subnational level. In the 2009 and 2014 local elections, Alianza PAIS won fewer than half the *prefecturas* (prefects or heads of provinces) and less than a third of the *alcaldías* (mayors of municipalities).<sup>72</sup> As graph 6 visualizes, Alianza PAIS is more successful than other parties in national elections and is less predominant the more a ballot targets local levels of government.

Thus, subnational politics function as “critical political shelters for the opposition” (Eaton 2014: 1138). Correa saw this as a personal defeat and severe threat to the country’s stability because not only rural areas but also key cities like Quito, Guayaquil, and Cuenca were won by opposition candidates. Thus the provinces and cantons are the main arena of national–subnational struggles. However, this does not make subnational parliaments and town halls important sites for policy making. They

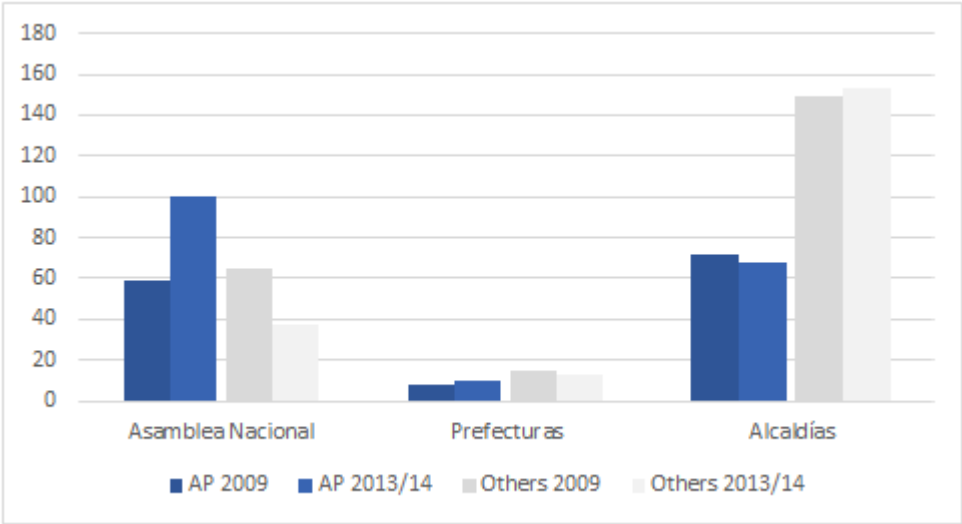
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<sup>71</sup> The Costa is shaped by export-oriented agriculture, the economic hub of Guayaquil and a large proportion of Mestizo, Montubio- and Afro-Ecuadorians. The Sierra in the High Andes feature small-scale agriculture, the capital region of Quito and a high traditional and politicized indigenous and mestizos population. The Oriente region covers the Amazon basin and experienced low government authority, crime, oil-drilling activities and political struggles of the large indigenous population.

<sup>72</sup> In the local elections of 2009/2014, AP won 8/10 out of 23 *prefecturas* and 72/68 out of 221 *alcaldías* (Consejo Nacional Electoral 2014).

are granted only minor competencies in the constitution, over issues such as infrastructure or environment (art. 240, 263- 267), and they derive their faculties from higher levels of subnational and national government (SENPLADES 2012: 27).

**Graph 6:** Elected officials by election type, party category and year



Source: Author based on CNE.

In addition to the imbalance of faculties between national and subnational governments, fiscal transfer is another instrument for centralizing power in the national government. The Montechristi Constitution and article 105 of the implementing legislation – the *Código Orgánico de Organización Territorial, Autonomía y Decentralización* (COOTAD) – explicitly demand the transfer of human and financial resources to the entities of the decentralized autonomous system of government. The institutional underpinnings of the decentralization concept hold substantial capacity for achieving the reallocation of resources in favor of autonomous governments. However, practical implementation remains a major challenge (Batallas Gómez 2013).

By raising transfers from the central government to lower levels of government by more than 50%, the Correa administration expanded the provinces’ and cantons’ leeway for implementing regional and local policy projects, such as infrastructure improvements.<sup>73</sup> However, these expanded financial transfers increased the dependency

<sup>73</sup> See, for instance, SENPLADES (2015: 8).

of subnational policy makers on the president (Acosta and Meneses 2019). Correa used fiscal transfers not only to foster rural development but also to pursue his power-seeking agenda and recentralization campaign. Eaton (2014: 1131) stated that “In Ecuador, mayors complain that President Rafael Correa has withheld, delayed, and reduced the size of fiscal transfers, skirting laws that oblige him to send a set percentage of national revenues to subnational governments.” The dependency on fiscal transfer is even greater because the central government gradually curtailed the ability of subnational governments to borrow. In addition, Art. 135 of the Montecristi Constitution grants exclusive tax authority to the president (Hooghe et. al. 2016).

Other attempts to change the national–subnational power dynamics were Correa’s legislation on cutting the share of redistributed oil income, and dismissing a regulation that allowed citizens to direct 25% of their income taxes to the municipality in which they lived (Eaton 2013b). The latter especially affected economically powerful cities like the opposition’s stronghold of Guayaquil.

Moreover, measures to establish ministries and services of the national executive branch in the provinces under the *Plan Nacional de Decentralización*<sup>74</sup> will further expand the influence of the central government (SENPLADES 2014). Well-paid civil servants are loyal to the central government rather than subnational political actors, and the number of employees in the public sector is growing, which increases this effect (Weck and Landín 2014). Legally, the deconcentration in Ecuador – which really signifies “recentralization” (Eaton 2013b; Eaton 2014) – does not contradict the constitutional imperative for decentralization. Its nature is primarily administrative and the political autonomy of subnational bodies is technically not infringed (Benalcázar 2013). However, the functioning of institutions has changed the rules of the policy-making game in favor of the power-seeking central government.

What do this institutional setting and the resulting national–subnational relations signify for the policy-making process and the quality of public policy in Ecuador? On the one hand, it hinders the effectiveness of democratic representation at the provincial and local levels. When public officials are elected in communities and

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<sup>74</sup> CNC and SENPLADES 2012.



cities but have limited faculties to implement local policies, a lack of responsiveness to public needs can occur (Voigt and Blume 2012; Shockley 2014). On the other hand, the imbalance of power in favor of the national government implies another important consequence for the policy-making game. If political actors lack legislative and oversight capabilities, they are not veto players (Tsebelis 1995, 2002). This also holds true if strong fiscal dependence of subnational actors on the government undermines their veto power and aligns subnational with national interests.

The corollary is that without a situation of “both many institutional veto points and political actors with diverse interests controlling those veto points”, political stalemate and ungovernability become less likely (Cox and McCubbins 2001: 31). Even if players do not hold legal veto power, they may use their influence to seek short- or long-term policy manipulation (Spiller and Tommasi 2007). In the Latin American context, subnational interests – advocated by landowners and local strongmen – often clash with goals of the national government. Hence, gridlock, regional fragmentation (balkanization), and favoritism (“pork barrels”) are endemic. This is true for players with institutional vetoes or informal power to affect public policy making.

In their original case study on Argentina, Spiller and Tommasi (2007: 208) outlined the main features and consequences of ill-designed federalism, in which the central government had to “buy the support of quasi-feudal provincial governors with fiscal largesse.” In particular, three channels are listed in which power asymmetry and clientelist networks undermine stability, government effectiveness, and overall public regardedness<sup>75</sup>:

*First, national senators and deputies tend to represent provincial political powers not citizens in general or specific groups of citizens. These powers, in turn, want to do little more than to ensure that the center does not hold them accountable for fiscal transfers that allow them to maintain their-political economic machines. Second, provincial citizens, especially in the majority of small, backward provinces, tend to overwhelmingly elect and reelect as governors the bosses of those clientelistic machines. [...] [Third,] Electoral Rules combined*

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<sup>75</sup> Spiller and Tommasi 2007: 208.

*with federal fiscal arrangements create a majoritarian bias in the political system, favouring dominant provincial parties in the small provinces that in turn are overrepresented in the national political arena.”*

These findings were empirically supported by Voigt and Blume (2012), who linked strong federalism and decentralization to increased clientelist spending, government ineffectiveness, and corruption. Ecuador was no exception in this pattern of clientelist policy making for a long time. In the light of Ecuador’s recent history and the mentioned findings of Spiller and Tommasi (2007), Correa’s claim that the loss of major cities and rural provinces in local elections could make the country “ungovernable” (Reuters 2014) is not completely ungrounded – despite its populist impetus.

Nevertheless, the overall tendency towards clientelist politics and political stalemate changed during the Buen Vivir transformation. Since 2008, citizens have derived services and monetary benefits mainly from the central government. This is due to institutional provisions and policy measures strengthening recentralization and thus the national government. Empirical data show that features like wastefulness in government spending, inefficiency, and corruption have decreased significantly under the Montecristi Constitution.

#### **6.1.4 The Bureaucracy**

For decades, Ecuador’s bureaucracy featured chronic inefficiency, grassing corruption and low public credibility (Stein et al. 2005; Echebarría and Cortázar 2012). Under the constitution of Sangolquí and its predecessors, national ministries and other high-level agencies had lacked consistency and professionalism to provide guidance and oversight functions (Martínez-Gallardo 2012). The public administration thus had insufficient capabilities to execute policies directed by the government or to provide advanced services or raise taxes effectively (Mosqueira 2008; Schenone 2008). Despite the poor public reputation of the bureaucracy and a sharp fluctuation in government expenses on wages, public sector payrolls featured a premium compared to the private sector (Panizza 2001). This made civil service an attractive domain for professional careers and rent-seeking. Arteta and Hurtado (2005: 178) put it alike:

*A myriad of loopholes, exemptions, sophisticated elusion and evasion prevailed in the tax system. Corrupt bureaucrats had captured the tax collection department of the Ministry of Finance. It had never established a tax-accounting system. Forms for filling tax returns were outdated. It did not have an information-crossing system. In sum, the country did not have a modern functioning tax administration entity.*

Among the intertwined reasons for the bureaucracy's inefficiency, the institutional setting that governed the public administration is of key importance. Under the constitution of Sangolquí, civil servants were not an overall legal category of employees but were subject to various laws and regulations (Eguiguren 2009). In an attempt to reorganize and unify the fragmented legal and payment system, the Civil Service and Administrative Career Organic Law and the Unification of Public Sector Law were enacted in 2003. However, the regulation excluded teachers, police officers, soldiers, and subnational public servants – who made up 55% of all public-sector employees (Rinne and Sánchez-Páramo 2008). This institutional setting incentivized more non-cooperative rent-seeking by particular groups in the executive branch, and hampered the effective governance of the public administration.

Ecuador, like many other developing countries, was subject of a series of public management reform programs initiated by international organizations, such as the World Bank and IDB (Ramírez 2009). However, sector reforms had little impact on civil service transformation until the constitutional rewriting in 2008 and the reform of public administration in 2011 (Cortázar et al. 2014; ILO 2015). Table 19 outlines the properties of Ecuador's bureaucracy under both constitutions (1998 and 2008). The public-sector proportion of total employment dropped from 12% to 9.3%. However, given that overall unemployment dropped by half, the figure signifies an expansion in hiring within the public sector. Civil service employment increased by more than 25% within a few years after the enactment of the Montechristi Constitution. At the same time, the quality of the bureaucracy as measured by the IDB's Civil Service Development Index constantly improved.

**Table 19:** Properties of Ecuador’s bureaucracy under the 1998- and 2008-constitution in comparison

Legislative figures	1998 constitution (Sangolquí)	2008 constitution (Montechristi)
Public sector employment as % of total employment <sup>a</sup>	12	9.3
Employees in civil service <sup>b</sup>	360,000	454,000
Civil service pay-roll costs as % of GDP <sup>c</sup>	7	8.5
Civil service pay-roll costs as % of government spending <sup>d</sup>	32	35
IDB Civil Service Development Index (Latin America) <sup>e</sup>	15 (30)	41 (40)

*Source:* Author based on:

<sup>a</sup> Echebarría and Cortázar 2012; OECD and IDB 2016);

<sup>b</sup> Rinne and Sánchez-Páramo 2008) for 2000-2005; Weck and Landín 2014) for 2006 and 2010;

<sup>c</sup> Cortázar et al. (2014) for 2004 and 2012;

<sup>d</sup> Carlson and Payne 2002), ILO and IDB;

<sup>e</sup> IDB.

Again, the constitutional setting induced substantial effects on the bureaucracy’s incentive structure and performance. The constitution of Montechristi provides a unified umbrella framework for all public employees, defining a civil servant as “all those persons who in any way or under any category, provide services or hold an office, function, or dignity in the public sector” (art. 228). It refers to the validity of the Labor Code for all civil servants. The constitution laid the cornerstone for the 2011 reform of public administration and the concomitant program targeting the professionalization of public service.<sup>76</sup> Procuring a more detailed framework for the reforms, the *Ley Organica del Servicio Publico* (Organic Law on Public Service) was promulgated in 2010; the most recent modification was in 2015.

The reforms set up a merit-based recruitment, training, and career system for public employees (ILO 2015). In effect, Ecuador’s civil service was enhanced at all stages of public management, such as planning and work organization and the management of employment, performance, and compensation (Cortázar et al. 2014). Furthermore, the tax administration improved dramatically at the operational level. The enforcement of existing and newly enacted tax laws through improved collection

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<sup>76</sup> See Programa de Reforma Institucional de la Gestión Publica, CUP 20400000-1780-7402.

schemes and severe fines for tax fraud increased the tax receipt from USD 4,522 billion in 2006 to USD 11,267 billion in 2012 (Weck and Landín 2014).

From a political-economy perspective, the institutional setting that governs the bureaucracy reflects the strategic importance of the bureaucracy for the executive, under both constitutions. Well-paid civil servants and loyal police and military forces tend to be strong supporters of the president; in environments of political instability and street mobilization this can be a decisive factor for the ousting or survival of an incumbent. However, the expansion of public-sector employment and the high wages and other benefits (Table 19) attracts specialized employees from the private sector, thus weakening the competitiveness and innovation capacities of private companies. Strategically, the expansion of the public sector consolidates the power of the government.

### **6.1.5 The Executive's Incentives and Constraints for Good Public Policy**

Spiller and Tommasi outlined the conditions for intertemporal cooperation and good public policy (Spiller and Tommasi 2007). Guided by their work, in this section I analyze the incentives and constraints of the government. I selectively summarize the arguments presented, allocate them to the respective conditions ( $c_n$ ), and illustrate the insights with quantitative and qualitative data. For the analysis of the unit “government”, I focus on three subgroups of actors: the president, the cabinet, and subnational actors.

#### **6.1.5.1 Short-Run Payoffs for Non-Cooperation ( $c_1$ )**

After Ecuador's return to democracy in 1978, presidents were weak incumbents in constitutional settings that equipped key political antagonists with strong retaliatory mechanisms against non-cooperative behavior by the head of government. Especially the parliament worked as an institutional bottleneck for presidential legislation, and intensive bargaining was required to build and maintain the fragile multiparty coalitions. In scenarios of low-intensity political conflict, presidents were incentivized towards political compromises, informal agreements, and “ghost coalitions.” The short-

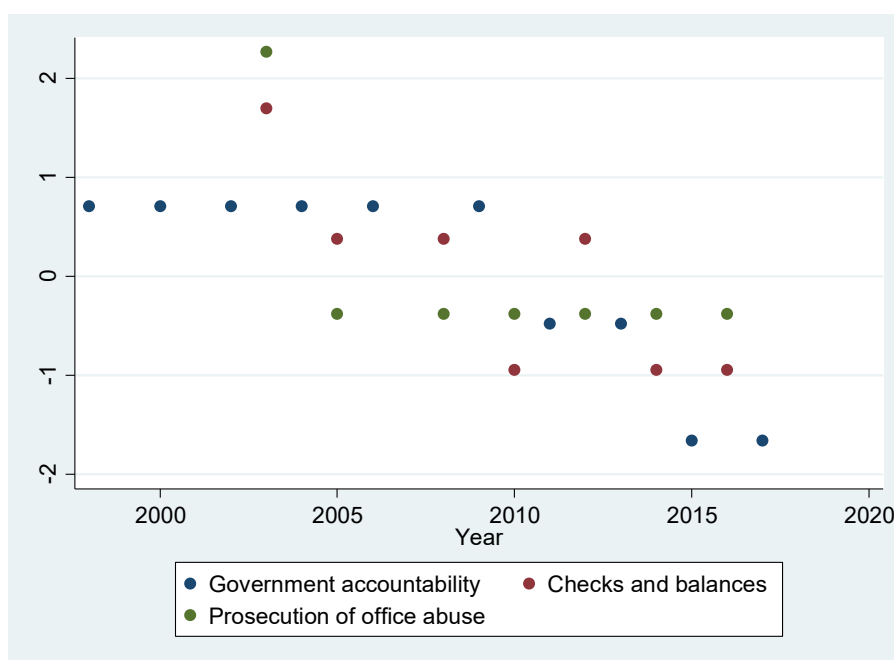
run payoffs for non-cooperation were low, particularly given the ultimate threat of impeachments. However, in times of high-intensity conflicts, the risk of political stalemate or government breakdown lead to less decisive politics and hindered substantial reform policies.

In contrast, the constitutional rewriting in 2008 equipped the presidential office with more executive and legislative power and allowed consecutive re-elections of the incumbent. Furthermore, the possibilities of controlling and policing the president decreased in an environment of weak checks and balances and impeachments that could mean the “mutual death” of government and parliament. This institutional architecture creates incentives for short-run unilateral actions by the president.

The Correa administration was shaped by a trajectory of strong – even authoritarian – government action that made the presidential office the epicenter of agenda setting, legislation, and policy implication. The power to amend bills, rule by decree, and pursue public referenda was used to circumnavigate other political players. While the president was oriented to long-term policy goals, his short-term moves were often erratic. Consequences of legal nature or sinking popularity were limited. Nevertheless, the chance of a potential re-election incentivized the president to pursue relatively co-cooperative and sustainable policy making.

The insights derived from scholarly discourse and legal analysis are supported by quantitative measures. The indicators for government accountability, checks and balances, and prosecution of office abuse are displayed in graph 7. These measures represent incentives for cooperation, and constraints for deviating or non-cooperative behavior. Over time, the government lead by the president faced an institutional environment that incentivized the realization of short-run payoffs for non-cooperation through the decrease of effective constraints. This tendency has been more distinct under the Montechristi constitution (2008 onwards) than under the Sangolquí constitution (1998–2007).

**Graph 7:** Incentives for cooperation by central government



Source: BTI, PRS.

**Table 20:** Components and index summary of governmental incentives for cooperation

Variable	Obs	Mean	Std. Dev.	Min	Max
c1gov_prs	10	3.7	.421637	3	4
c1gov_bti31	7	4.714286	.7559289	4	6
c1gov_bti33	7	4.285714	.7559289	4	6

The payoff structure for cabinet members changed in an opposite way. Cabinet-level officials had strong incentives to signal and implement an agenda that was independent from the president under the 1998 constitution. As their anticipated term time was short and non-cooperation payed off politically, ministers tried to act contrary to the discredited *gubernistas*. In consequence, short-run payoffs for ministers were high and long-term cooperation an unattractive strategy for ministers. In deed, the 1998 constitutional systems facilitated the recruitment of non-partisan experts and short-lived cabinets. The Montechristi constitution, in contrast, attracted partisan officials to the epicenter of power. Short-run payoffs for non-cooperation by ministers under the Correa administration were thus weak, whereas loyalty and cooperation were rewarded with promising long-term benefits, such as career improvement. Therefore,

the new constitution incentivized greater cabinet coherence, although cabinet turnover remained high and the number of ministries increased.

On the subnational level, government actors in the provinces and cantons lost some of their power under the new Montechristi Constitution, both directly and indirectly. The short-run payoffs from non-cooperation implied in subnational clientelist politics and pork barrels were lower after 2008, as the president had a strong retaliatory mechanism for subnational non-cooperation. This was because he held the federal tax authority and controlled fiscal transfers. Moreover, the policy fields in which non-cooperation could occur have diminished because more faculties are centralized around the president, and the deconcentration of federal ministries made the central government the primary provider of public service in the provinces and cantons.

The constitutional setting and power-seeking politics of Correa thus created a highly polarized political environment, especially in Ecuador’s main cities and provinces dominated by minority groups. For some of these actors, such as the major of Guayaquil, non-cooperation and independence is still a dominant strategy in the long run. Table 21 summarizes the findings regarding the government’s short-run payoffs for non-cooperation.

**Table 21:** Short-run payoffs for non-cooperation in the government

	Sangolquí	Montechristi
President	Low	High
Cabinet members	High	Low
Subnational actors	High	Medium

**6.1.5.2 Number of Political Actors and Aggregation Mechanisms (c<sub>2</sub>)**

The number of actors in government bodies was smaller under the 1998 constitution than the 2008 constitution (Basabe-Serrano et al. 2018). Before 2008, weak presidents faced high coordination costs to maintain coalition-based policy making; hence, they opted to have smaller cabinets and they streamlined government structures. However, the players involved in government actions might have been small in number but strong in influence and deviation incentives, as I have argued. In addition, several actors in



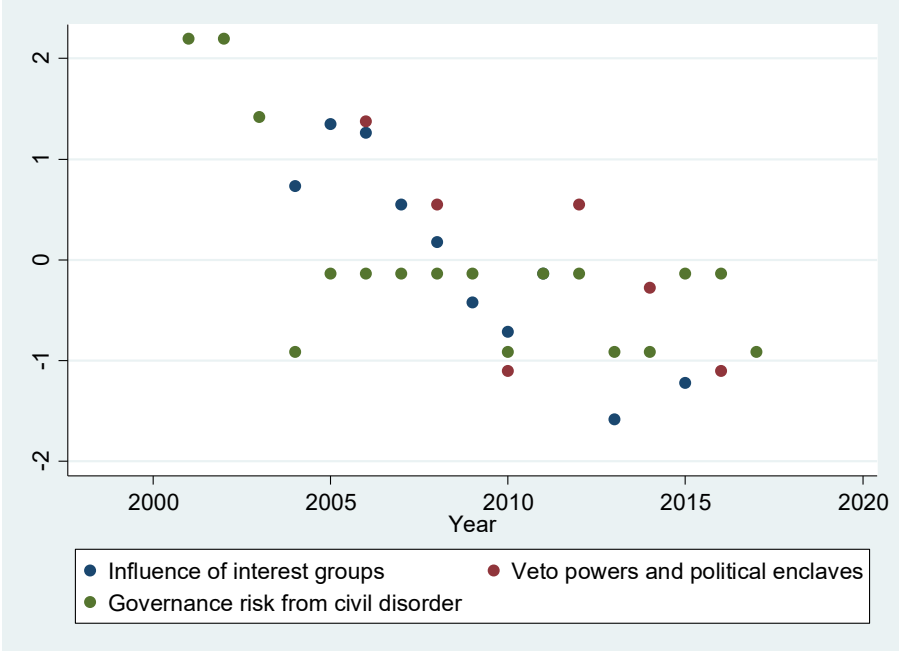
the policy-making game had veto powers by law (*de jure*) and in fact (*de facto*) under the Sanqolquí constitution – such as the president, the legislature, and the judiciary. In addition to those democratically authorized players, several non-elected players – such as landowners, media owners, business elites, and local caudillos – were involved in the policy-making game. Graph 8 outlines the various players. While some of them were merely interest groups seeking influence, others were long-standing *de facto* veto powers. Furthermore, formal and informal participation by grassroots social movements, citizens in street protests, and major organized social associations such as CONAIE (Confederación de Nacionalidades Indígenas del Ecuador) were strong aggregation mechanisms. They were able to set agendas, pursue policies, or destabilize the government. Particularly their capacities to mobilize massive protest made them a de-facto veto power against presidential action before 2008.

By contrast, the Montecristi Constitution equipped the president with faculties that allowed him to align and direct larger numbers of players in the government. The number of ministries consequently grew from 16 to 29. The practice of gathering friends and partisans around the president was not contained, as effective checks and balances did not exist. For example, ministerial impeachment was not easy, as it required a two-thirds parliamentary majority. Furthermore, the regulation and policing of civil society effectively cut back the influence and engagement capacities of civil society associations, or completely excluded actors from the policy-making game. However, on rare occasions, street protest remained a decisive feature of Ecuador's policy making. An example of support for governmental action was the crisis of 2010 (in Latin America referred to as *30S*), in which mobilization of Correa's supporters hampered an attempted coup against the government. An example of opposition was the street protests that urged Correa to sit out one term after the 2015 constitutional amendments on unlimited and consecutive re-election.

My qualitative analysis conclude a decrease in players in the government after the constitutional rewriting in 2008. This is confirmed by quantitative figures, as presented in 8. Indicators from the PRS, BTI, and Latinobarometro show a decline in veto powers, political enclaves (landowners, business elites, and external actors), and

other interest groups that directly influenced the government. The figures also show decreased governance risk from street protest, political violence, and strikes.

**Graph 8:** Influence of political actors on the government



Source: LB, BTI, PRS.

**Table 22:** Components and index summary for actors and aggregation

Variable	Obs	Mean	Std. Dev.	Min	Max
c2gov_bti22	6	7.666667	1.21106	6	9
c2gov_lb	10	63.04	18.46927	33.8	88
c2gov_prs	17	2.088235	.6431197	1.5	3.5

Table 23 summarizes the findings. The data provide evidence of many players having *de facto* veto power under the Sangolquí constitution, and few under the Montechristi Constitution. This was a pivotal feature of institutional transformation.

**Table 23:** Veto players inside and outside the government

	Sangolquí	Montechristi
Players with <i>de jure</i> veto-power	Medium	Medium
Players with <i>de facto</i> veto-power	High	Low
Players without veto-power	Low	Medium

### 6.1.5.3 Intertemporal Linkages Among Political Actors ( $c_3$ )


Intertemporal linkages among political actors changed through the alterations implied in institutional transformation. The Sanqolquí constitution provided for limited terms for public officials and required the president to sit out one term before further re-election. By contrast, the Montechristi Constitution allows for unlimited, consecutive re-election for all public officials, including the presidential office. Therefore, the chances have increased that intertemporal linkages, long-term exchange relations, and agreement-related feedback loops among political actors might occur. Furthermore, the new provisions allow the president to directly or indirectly designate key public officials. This has created a network of dependencies, which – without neglecting the criticism on nepotism – has in turn created more intertemporal linkages and less opportunistic behavior in practice. This conclusion is confirmed by the average annual turnover rate of ministers having dropped by half under the Montechristi Constitution.


At the subnational level, the impact of the new constitution has been less substantial, the re-election rate of prefects has increased from 41.86% to 52.57% (Table 24). However, the slight increase combined with the effect of long-term perspectives of the president and cabinet members create stronger overall linkages among government members. This insight is confirmed by further quantitative observations (graph 9). The lowest level of cabinet turnover, based on my analysis of data from Basabe-Serrano et al. (2018), was 27% in 2002, and the highest level of re-shuffling induced a 227% turnover of ministers in 2003 (Tables 17 and 18). The figure of cabinet continuity was calculated as the reversed percentage of annual government reshuffling.

Moreover, the risk of total government removal by coup signifies an exogenous threat from the political, military, and social environment of the government, which could affect intertemporal linkages negatively. A low risk of coups and the absence of political violence incentivize political actors to invest in long-term agreements, as they could expect rewards from cooperation in the future. This characteristic is measured with figures from the GCR (reversed values for risk of government removal and coups) and from the World Bank's Worldwide Governance Indicators (political stability and absence of violence or terrorism).

**Table 24:** Elections and re-elections of prefects between 1996 and 2017

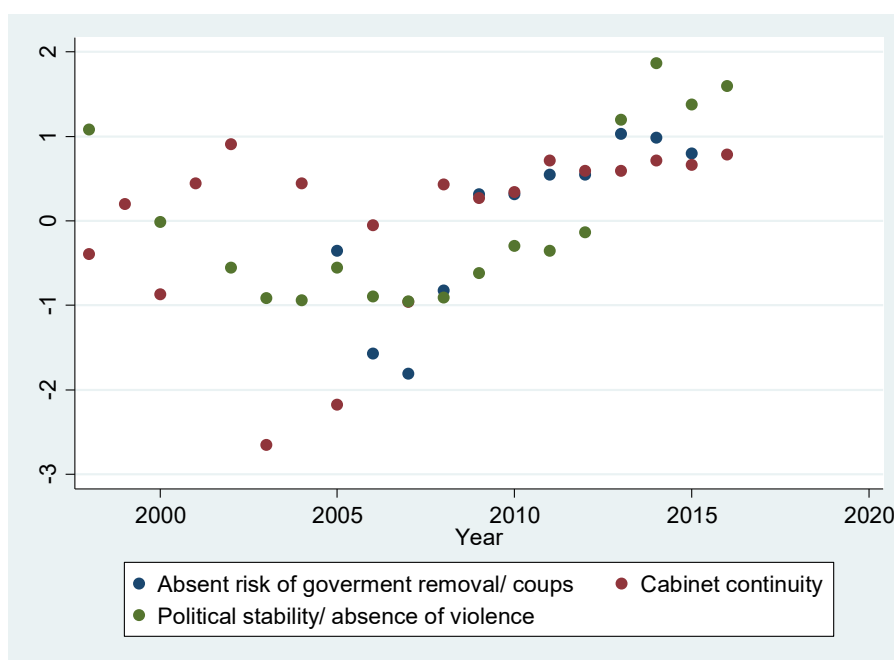
	1998	2000	2002	2004	2006	2008	2010	2012	2014	2016
<i>Elections</i>	<i>1996</i>	<i>2000</i>	<i>2002</i>	<i>2004</i>	<i>2006</i>	<i>2008</i>	<i>2010</i>	<i>2012</i>	<i>2014</i>	<i>2016</i>
Azuay	Cabrera			Carrasco						
Bolívar	Llerena	Aguilar	Mora					Coloma		
Cañar	Castañeda	Ormaza			Correa					
Carchi	Robles	Yandun						Herrera		
Chimborazo	Burbano			Curicama						
Cotopaxi	Iturralde	Umaginga					Guamán			
El Oro	Sánchez						Quirola			
Esmeraldas	Rhor	López	Sosa							
Galápagos	Zapata			Uribe	<i>No prefect elected</i>					
Guayas	Lapentti					Jairala				
Imbabura	Mejía	Pareja			Garcia Pozo	Jurado				
Loja	Auquilla			Vivar	Bustamante	Dávila				
Los Ríos	Llerana	Marún			Troya					
Manabí	Guillem			Zambrano						
Monora S.	Estrella	Mejía			Chumpi					
Napo	Chávez			SanMiguel	Chacón					
Orellana	<i>Created 1998</i>	Lozada	Llori							
Pastaza	de la Torre			Guevara					Kubes	
Pichincha	González					Baroja				
Santa Elena	<i>Belonged to Guayas Province until 2007</i>					Cisneros				
Santa Dom.	<i>Belonged to Pichincha Province until 2007</i>					Benítez				
Sucumbíos	Azuero	Bermeo	Muñoz	Grefa	Vargas					
Tungurahua	Hortensia	Naranjo								
Zamora	Delgado	Rodríguez	Delgado	Quishpe						

 Re-elections under the Sangolquí constitution: 18 (of 43 possible)= 41.86%

 Re-elections under the Montecristi Constitution: 23 (44 possible)= 52.57%

*Source:* Author based on CNE.

**Graph 9:** Incentives for intertemporal linkages of the government



Source: Basabe-Serrano et al. (2018), GCR, WB.

**Table 25:** Components and index summary for intertemporal linkages (government)

Variable	Obs	Mean	Std. Dev.	Min	Max
c3gov_bas	19	.7810526	.561307	.27	2.27
c3gov_gcr	11	7.725454	6.413262	1.1	19.3
c3gov_wb	17	28.70294	8.868448	20.29	45.24

Table 26 summarizes the findings. I conclude that intertemporal linkages of the president and the ministers increased substantially. By contrast, the intertemporal linkages for prefects –representing subnational governments – remained at a medium level.

**Table 26:** Intertemporal linkages of the national and subnational government

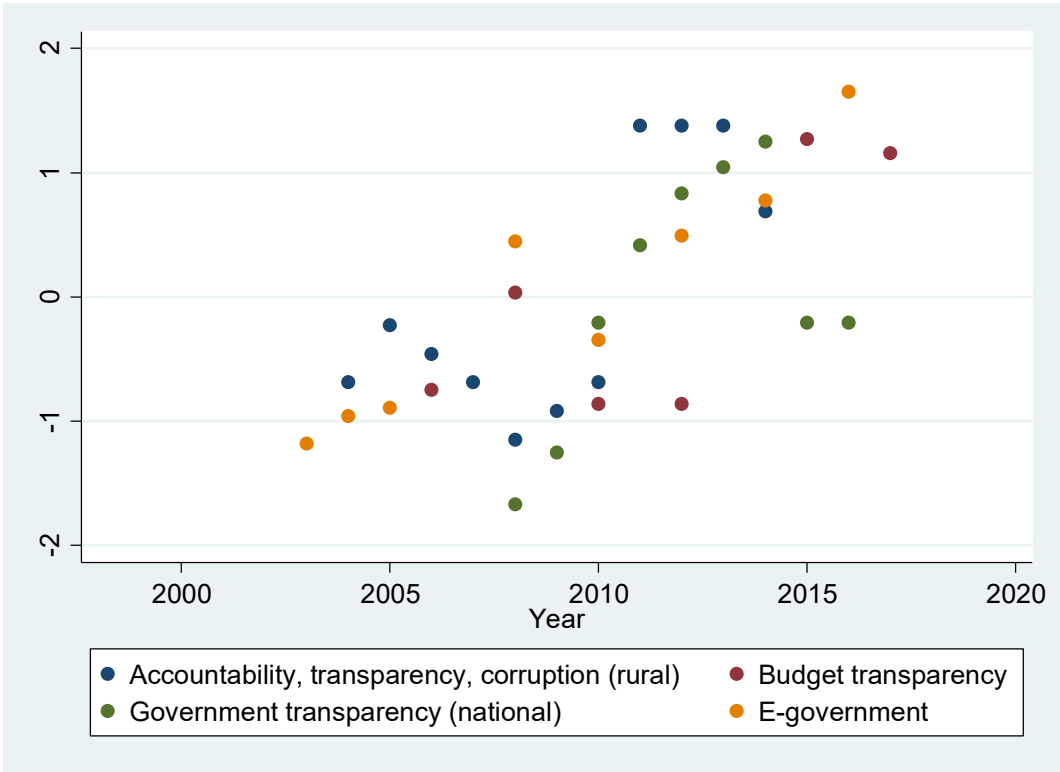
	Sangolquí	Montechristi
Presidential level	Low	High
Minister level	Low	High
Prefect level (provinces)	Medium	Medium

**6.1.5.4 Observability of Moves (c<sub>4</sub>)**

The constitutional rewriting in 2008 induced a centralization of power and a decrease of political actors involved in decision making. The president can designate key public officials and skirt the system of checks and balances. The head of government can maintain complex structures of government while effectively managing the flow of information within his inner circle of loyalists.

However, the new constitution also incentivized a growing professionalization of the bureaucracy as well as anti-corruption campaigns and the increase of meritocratic public management measures. The indicators of transparency in the budget process (data from International Budget Partnership, IPB) and from the GCR on the transparency of government policy making for the national government as well as the data of the International Fund for Agricultural Development (IFAD) on accountability, transparency and corruption in rural areas for subnational government actors, provide

**Graph 10:** Indicators for the observability of governmental moves



Source: IFAD, GCR, IPB, UN.

**Table 27:** Components and index summary for observability of government moves

Variable	Obs	Mean	Std. Dev.	Min	Max
c4gov_ifad	11	.63	.043589	.58	.69
c4gov_gcr	9	3.5	.4795831	2.7	4.1
c4gov_un	8	.4547375	.0651619	.378	.5625
c4gov_ibp	6	38.66667	8.914408	31	50

additional reason to conclude significant improvement in the observability of government action. Furthermore, the budget transparency increased, and e-governance tools and digital information systems – such as digital archives of decrees – became a powerful means of observability (United Nations E-Government Survey, graph 10). Ecuador is now among the top tier in implementing digital government strategies in Latin America (OECD and IDB 2016).

The data indicate a clear improvement of observability enhancers. Therefore, I conclude that an upgrade in the level of government observability has occurred under the constitution of Montechristi. As the data do not allow valid differentiation of the effect induced by sub-categories of government actors, I summarize the findings for all government actors as one aggregated unit of analysis. Results are shown in Table 28.

**Table 28:** Observability of government moves in comparison

	Sangolquí	Montechristi
Government	Low	Medium

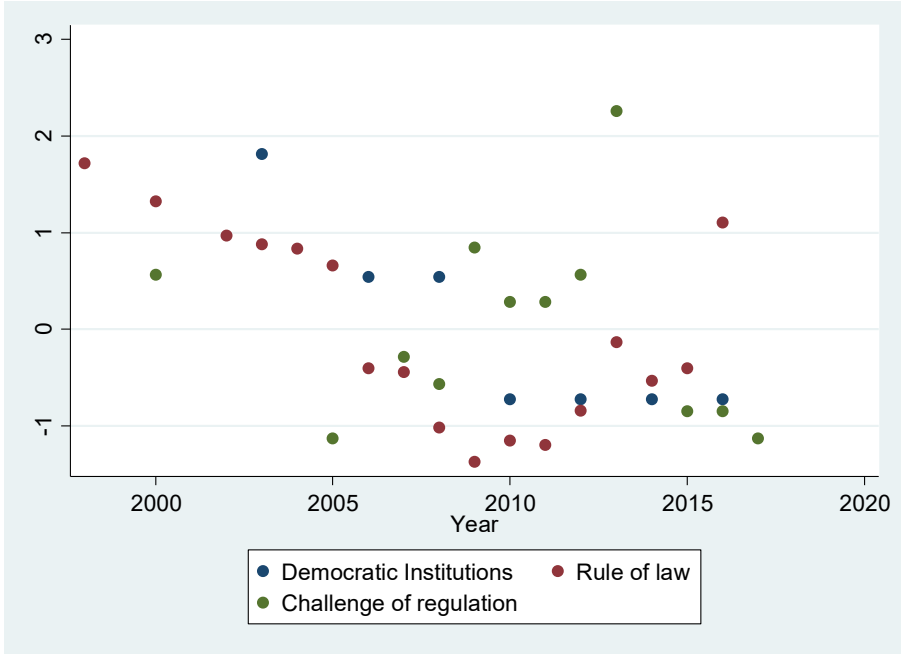
#### 6.1.5.5 Institutionalization of Arena ( $c_5$ )

Both constitutions implied a complex and detailed framework for the policy-making activities of the government. However, the constitution of Montechristi provided greater leeway for the president to ignore, adapt, or elude the rules of the game stipulated. Although ghost coalitions became relatively unnecessary after 2008, informal agreements remained a significant feature of policy making, and decisions by the Correa administration were often made in an inner circle of loyalists. Following my

argumentation on power concentration in the presidential office, unilateral moves became more common under the new constitution. The lack of effective checks and balances incentivized wider non-compliance of the incumbent, compared to under the 1998 constitution. In summary, both legal frameworks targeted a high level of institutionalization regarding governmental policy making. Yet, the allocation of power under Montechristi made efficient enforcement of the rules less likely.

Data directly illustrating rule-based government is barely available; Ecuador is not covered for the time before the constitutional rewriting by most of the popular rankings, such as Institutional Profile Database (IPD) or Word Justice Project (WJP).<sup>77</sup> However, it is possible to assess the institutionalization of government as a policy-making arena from indicators such as the following: BTI, which records democratic institutions that facilitate legitimate procedures for decision making; GCR, which measures the efficiency of a legal framework in challenging regulations from the government; and the World Bank’s aggregated indicator for the rule of law.

**Graph 11:** Institutionalization of government as a policy-making arena



<sup>77</sup> The Institutional Profile Database did not cover Ecuador before 2009 and the World Justice Project not before 2013.



**Table 29:** Components and index summary for institutionalization of policy-making arena  
(government)

Variable	Obs	Mean	Std. Dev.	Min	Max
c5gov_bti	7	4.571429	.7867958	4	6
c5gov_gcr	12	2.3	.3541956	1.9	3.1
c5gov_wb	17	-.9394118	.2262043	-1.25	-.55

*Source:* BTI, GCR, WB.

The qualitative findings confirm the theoretic insights. Table 30 presents the reasoning for using an aggregated unit of analysis, which highlights the decrease in institutionalization from a medium level under the Sangolquí constitution to a low level under the Montechristi Constitution.

**Table 30:** Institutionalization of the government as a policy-making arena: a comparison

	Sangolquí	Montechristi
Government institutionalization	Medium	Low

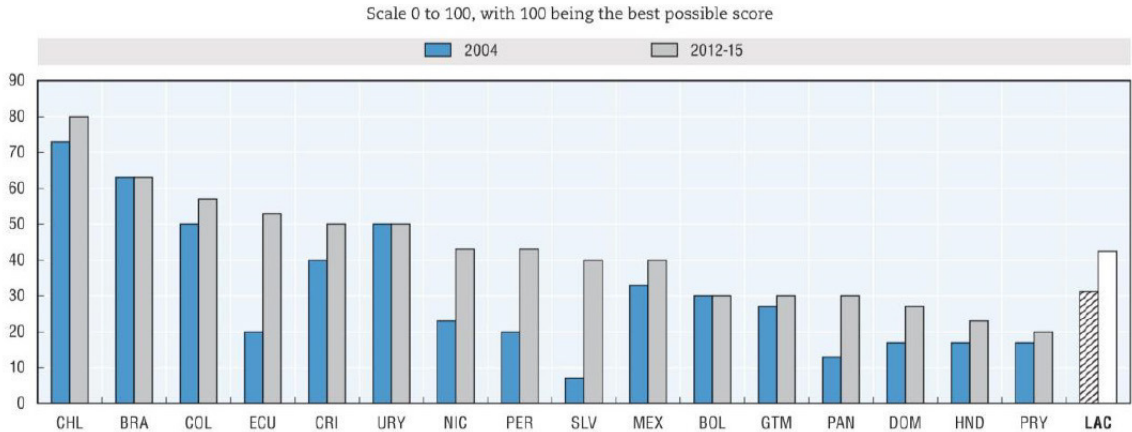
#### 6.1.5.6 Delegation and Enforcement Technologies ( $c_6$ )

In the model of Spiller and Tommasi (2003, 2007) and the logic of the IDB research program (Stein et. al. 2008), “delegation technologies” refers to the functioning of the bureaucracy. “Enforcement” is modelled as the effective working of the judiciary. Only delegation is considered in this section.

The arguments presented for characterizing the incentive structure and capabilities of the power-seeking central government also hold true for the delegation capabilities of the executive. Under the constitution of Montechristi, the president can execute power more effectively by controlling the cabinet relatively efficiently and delegating decision making to a reliable cascade of administrative levels. To maintain this “technology”, the government must set and continuously develop a system of human-resource management for the public sector, which comprises the planning, recruiting, training, and supervision of staff in the executive branch. A study by the IDB (OECD and IDB 2016) analyzed the evolution of the administration’s incentives

for professionalization induced by the government. The findings outlined a dramatic improvement of delegation capabilities, which more than doubled between 2004 and 2015 (graph 12). Under the new constitution, Ecuador features some of the most efficient public human-resource management systems in Latin America.

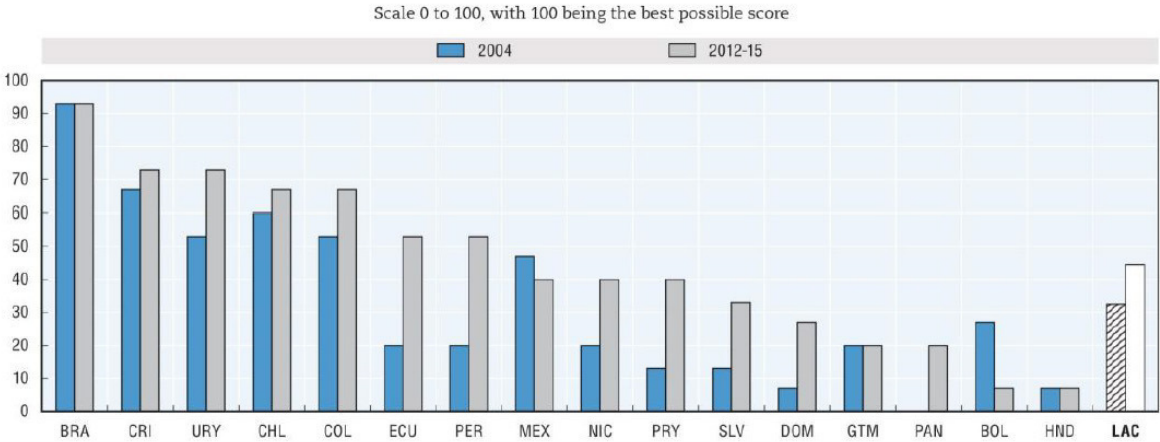
**Graph 12:** Human resource planning in the public sector (2004, 2012–2015)



Source: OECD and IDB (2016: 109).

The advanced human-resource planning coincidences with improved bureaucratic quality. Graph 13 outlines the merit-based quality of Ecuador’s civil service compared with the rest of Latin America, illustrating a significant improvement from 2004 to 2015.

**Graph 13:** Civil service merit in the public sector (2004, 2012–2015)



Source: OECD and IDB (2016: 107).

Table 31 summarizes the findings. They display an improvement in the delegation and enforcement technologies, from a low level before constitutional rewriting to a high level of delegation and medium level of enforcement under the new constitution.

**Table 31:** Delegation technologies of the government

	Sangolquí	Montechristi
Delegation	Low	High

## **6.2 Parliament, Legislators, and Political Parties**

Legislative branches play a key role in representing the citizenry, steering regulation, and holding the executive accountable. However, the capacities and performance of Latin America's parliaments in pursuing these tasks vary greatly (Saiegh 2010). The role and power of Ecuador's legislature underwent far-reaching change over time, being affected by a diverse sequence of institutional change (Roberts 2014). The last two of these institutional frameworks, the constitutions of 1998 and 2008, featured different legal settings for the parliaments and their individual members and thus implied different rules for policy making.

### **6.2.1 The National Party System**

Political parties are pivotal representative elements of liberal democracy. Their main functions are to aggregate the political demands of the constituency, to recruit politicians, to participate in elections, and thus to form governments and maintain legislative work in parliament. In Ecuador, the party system underwent several transformations and experienced major disruptions that caused –and were caused by– political instability. This instability was evident in the ousting of presidents, volatile election results, and the dissolution of parties that had existed for decades.

Among the reasons for instability, three appear predominant over time. First, Ecuador's party system is highly fragmented, with political parties that often address specific regional or ethnic target groups (Pachano 2004; La Torre and Ortiz Lemos 2016). These parties, as in other Latin American countries, are traditionally underdeveloped in staff and resources and “possess vast, deeply rooted, but predominantly informal, grassroots organizations” (Freidenberg and Levitsky 2006). In terms of scope, they feature all sizes and organizational forms, ranging from loose neighborhood networks to highly influential associations such as CONAIE. Given this diversity, political parties reflect the country's social, economic, and geographical cleavages. Actors who emphasize cleavages to pursue electoral success may adopt irreconcilable positions on policy issues, which further divides society into interest groups.

As Foweraker (1998) and (Jones 2010) pointed out, ideological polarization hampers the building of stable government coalitions. Furthermore, the intransigent supporter groups carry political conflicts from the parliament to the streets, and they mobilize protests as a mechanism for policy making – as occurred in 2005, 2010, and 2015. In consequence, the wide fragmentation of the party system hinders capacity building among the parties and impedes cooperation in the public interest at the national policy-making level.

A second characteristic contributing to the state of ongoing instability is the low level of institutionalization of Ecuador's party system. As a pivotal condition for an institutionalized party system, Mainwaring (2018) postulated that party interactions should be stable, predictable, and observable. This was not the case in Ecuador, especially before the constitutional rewriting of 2008. Parties in Ecuador are usually short-lived and many traditional actors have disappeared from the political landscape during episodes of turmoil (Quintero López 2005; Roberts 2016). Moreover, the anonymous involvement of non-government parties in the making and unmaking of presidential coalitions was a common practice of policy making in times when legislative support for the president was lacking. As Basabe-Serrano et al. (2018: 189) put it:

*[Nevertheless,] non-government parties contributed to legislative agreements with the executive in exchange for other types of coalition currencies besides cabinet positions, including policy concessions, patronage, budgetary allocations, and particularistic payments. Coalition anonymity was preserved by the common practice of not recording individual voting records in legislative roll call votes. As a result, parties could support government policies and cash in on currencies, while publicly denying any cooperation.*

The practice informal agreements outlined makes policy action hard to observe and predict for other parties (Mejía Acosta and Polga-Hecimovich 2011). It reflects information asymmetries among actors and the hidden intentions of clientelist machineries reaching into parliament. From a strategic point of view, 'ghost coalitions' and lacking transparency are severe obstacles for good public policies as they hinder

the development of an institutionalized party system. If moves are hard to observe and predict, exchange actions are insecure operation and require a risk premium. In effect, constitutional and non-constitutional veto-actors undermined presidential authority and contribute to erratic, short-viewed politics. The problem of presidents heavily relying on legislative support was addressed in both constitutions in 1998 and 2008. However, only the 2008 constitution created power centralization in the presidential office that curbed ghost coalitions and bargaining power of opposition parties.

Thirdly, political parties feature a ‘crisis of representation’ (Mainwaring et al. 2006) manifesting in highly negative reputation and wide discreditation among the constituent due to nontransparent bargaining, lacking continuity and socio-economic crises accompanied by widespread corruption. Echoing public skepticism, political actors have a strong incentive to appear ‘outsiders’ or revolutionaries that seek major breaks with traditional practices instead of gradual transformations of the institutional setting (Roberts 2016). Furthermore, the discreditation of established parties fueled a proliferation of new parties and rebirth of dissolved parties under new names. In consequence, long-term policy investments and intertemporal-agreements are less attractive strategies to pursue for political actors.

The instability of the party system is underscored by the volatile results in legislative elections (Table 32). According to Quintero López (2005: 65) 85 parties were founded 1925-2002 that operated on a national level. Under the constitution of Sangolquí, thirteen of those survived party system disruptions, competed successfully in national elections, and held seats in the *Congreso Nacional*. However, even during this short period, voters swung between different political orientations and voter preferences changed substantially. In 2007, a ‘critical juncture’ for Ecuador’s party system occurred (Roberts 2014). Discontent with neoliberal politics and political instability led to another major shift in the party landscape, and Correa’s citizens’ revolution heralded the end of some of Ecuador’s longest-standing parties. Of the 13 parties holding seats in the 1998 congress, eight quit operations and only three were represented in the assembly of 2017. New parties appeared, most of them calling themselves *movimientos* (movements) in order to differentiate themselves from established parties, and to underscore their innovative grassroots character.

**Table 32:** Major parties in Ecuador and seats in parliament (1998–2007 *Congreso Nacional*/ 2009–2017 *Asamblea Nacional*) and Constituent Assembly (2007)

Party	Founded	Dissolved	1998	2002	2006	2007	2009	2013	2017
Partido Conservador Ecuatoriano (PCE)	1925	2002	3						
Partido Socialista Ecuatoriano (PSE)	1926		1	3	1		1		
Concentración De Fuerzas Populares (CFP)	1947	2014	1						
Partido Social Christiano (PSC)	1951		28	24	13	6	11	7	15
Izquierda Democrática (ID)	1970		17	16	11	3	2		4
Frente Radical Alfarista (FRA)	1970	2007	2	1					
Democracracia Popular (DP)	1977	2013	35	4	5				
Movimiento Popular Democrático (MPD)/ Movimiento UP	1978/2014	2013	2	3	3	4	5		
Partido Roldosista Ecuatoriano (PRE)	1983	2014	22	15	6	1	3	1	
Movimiento de Unidad Plurinacional Pachakutik (MUPP-NP)	1995		7	10	6	4	4	5	4
Partido Renovador Institucional Acción Nacional (PRIAN)	2002	2014		10	28	8	7		
Partido Sociedad Patriótica 21 de Enero (PSP)	2002			7	24	18	19	5	2
Red Ética y Democracia RED)	2005	2013			1	3			
Movimiento Alianza Patria Activa i Soberana (PAIS)	2006					79	59	100	74
Movimiento Concentración Nacional Democrática (MCND)	2007	2012					1		
Movimiento Municipalista por la Integridad Nacional (MMIN)	2009						5		
Movimiento Crea, Creando, Oportunidades (CREO)	2012							10	
Movimiento Sociedad Unida Más Acción (SUMA)	2012							1	34
Partido Avanza (AVANZA)	2012							5	
Fuerza EC	2015								1

*Source:* Author based on Quintero López (2005), Legislatina (2009), CNE.

Table 33 summarizes the characteristics of party systems before and after the constitutional rewriting in 2008. The average number of parties in parliament remained nearly the same, but unstable coalitions disappeared under the constitution of Montecristi. This was mainly due to the predominance of the government party Alianza PAIS, which achieved single-party majorities in the legislative elections of 2013 and 2017. The first three legislative elections in 2009, 2013, and 2017 suggest that Alianza PAIS, unlike other main parties, succeeded in counteracting ‘floating voter’ mobility with inter-temporal party–voter linkages (Mustillo 2016). However, the confidence in political parties increased only slightly, reflecting the continued poor reputation of the Ecuadorian party system.

**Table 33:** Comparison of characteristics of Ecuador’s party system under the 1998 and 2008 constitutions

Legislative figures	1998 constitution (Sangolquí)	2008 constitution (Montecristi)
Average number of parties in parliament	10	8.66
Major parties stopping operation or dissolved	2	7
Terms with single-party majority	0	2
Average coalition duration in months <sup>a</sup>	3.32	48
Average coalitions per year <sup>b</sup>	1.73	0.25
Average confidence in political parties <sup>c</sup>	1.44	1.84

*Source:* Author based on <sup>a</sup> CNE; <sup>b</sup> Mejía Acosta and Polga-Hecimovich (2011) for 1996–2006; <sup>c</sup> Latinobarometro 1998–2015 transformed to a scale of 1 (no trust) to 4 (a lot of trust).

The arguments and figures presented illustrate that Ecuador’s party system remains fragmented, poorly institutionalized, and widely discredited. With regard to political parties, it was only due to the strong leadership of Correa and the dominant role of the Alianza PAIS that parties did not unfold their potential for clientelist, non-cooperative action in the policy-making process. Parties in Ecuador are thus weak aggregation mechanisms. From a systemic perspective, the new institution has yet to prove whether it can facilitate coalition stability and align rent-seeking parties to the overall national interest.



## 6.2.2 Legislator's Capacities and Professionalization

Before the constitutional reform of 2008, the legislative branch was the unicameral parliament. This legislature was called *Congreso Nacional* (National Congress) and was supported by the Commission of Legislation and Codification<sup>78</sup>. While the National Congress operated as the policy-making arena, the Commission had a technical-legal character (Oyarte Martínez 2009). Important laws governing the legislation in this period comprised the *Ley Orgánica de la Función Legislativa*<sup>79</sup> (LOFL 1992) and *Código de Ética de la Legislatura* (CEL, 1998). Based on Article 126 of the Constitution of 1998, the elections for National Congress selected two *diputados* (deputies) for each of the 22 provinces and one for every 200,000 inhabitants. The last National Congress before the constitutional rewriting held 100 deputies. A reform of the constitution and the bylaw on legislation (LOFL) in 1995–1996 abolished the two-year term of deputies selected in closed lists, and set up a four-year term, personalized open-list elections, and the possibility of immediate re-election. Furthermore, the mandatory time for parliament sessions was two months before 1996, which was altered to 10 months' session time and two months of vacation (Fish and Kroenig 2009). These regulations were upheld under the constitution of 1998 (art. 98, 127) and aimed for higher professionalization of legislators and improved inter-temporal cooperation (Mejía Acosta et al. 2008). However, legislators under the 1998 constitution could not rely on established career paths after dropping out of parliament. The unstable landscape of national parties was an insecure environment in which to build a political career, and legislators faced strong incentives to build their careers at the local level of administration or provincial government instead. They could do so by connecting with their constituency via clientelist politics (Mejía Acosta 2004).

The Montechristi Constitution of 2008 and the modernized *Ley Orgánica de la Función Legislativa* from 2009<sup>80</sup> maintained most of the fundamental electoral provisions. Regarding the term duration, the Montechristi Constitution (art. 118)

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<sup>78</sup> *Comisión de Legislación y Codificación* (Oyarte Martínez 2009: 46)

<sup>79</sup> Organic Law of the Legislative Branch of 1992 reformed in 1996 and 1998.

<sup>80</sup> Last modification of the LOFL on March 27<sup>th</sup> 2012.

confirmed the four-year term of the constitution of 1998, but originally allowed only one re-election. The provision of term caps was abolished by 2015, with constitutional reform allowing consecutive re-election of all elected officials. Despite this continuity, the reform process of the “citizens’ revolution” vowed to renew the traditional legislative organ that was widely discredited for lacking transparency and rampant corruption. A new legal architecture was thus supposed to be designed, and parliament found itself renamed as *Asamblea Nacional*.<sup>81</sup> In reality, little changed in the institutional setting that governed individual legislator recruitment. The composition of members of the National Assembly, now called *asambléistas*, is selected by national elections. These elections determine 15 members for the whole nation (*districto nacional*); two members for each province; and one for every 200,000 thousand inhabitants or part thereof over 150,000 (based on the more recent national population census) (art. 118). In addition, a law determines the number of assembly members who represent Ecuadorians abroad.<sup>82</sup> The legal fundamentals of legislators were unchanged. The new constitution upheld the strong incentives for fragmentation and volatility in the legislature, which was overcome only through the strong leadership of Correa – supported by high public approval ratings and the dominance of Alianza PAIS (Pachano 2010).

Table 34 provides a comparison of the minimally changed characteristics of the two legislatures. The National Congress under the 1998 constitution had a slightly lower re-election rate and fewer members overall, and was perceived as less trustworthy than the National Assembly under the Montecristi Constitution (from 2008). The National Congress maintained 18 permanent commissions, each having seven deputies as members, with a two-year term and possibility of re-election (art. 30, 31 LOFL 1992).

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<sup>81</sup> In the transition phase between the enactment of the new constitution and the convention of the first new National Assembly (Sept 30 2008 and 30 June 2009) the legislative function was exerted by an intermediary organ, called *Comisión Legislativa y de Fiscalización de Ecuador* (or colloquially “*Congresillo*”), with 76 members proportionally determined based on the parties represented in the Constituent Assembly. Beforehand, the Nacional Congress was dissolved by the Constituent Assembly.

<sup>82</sup> By the time of writing this number was determined to six members.

**Table 34:** Properties of legislative organs under the 1998 and 2008 constitutions

Legislative figures	1998 constitution (Sangolquí)	2008 constitution (Montechristi)
Average number of legislators per term <sup>a</sup>	110.5	132.6
Average rate of re-election <sup>b</sup>	11.65%	14,79%
Average number of commissions	18	12 (+1)
Average confidence in congress <sup>c</sup>	1.47	2.17

*Source:* Author based on <sup>a</sup> CNE; <sup>b</sup> Cabezas Rincón (2013), ELITES 2013 for 1998–2007; CNE for 2009–2017; <sup>c</sup> Latinobarometro 1998–2015 transferred into a scale from 1 (no trust) to 4 (a lot of trust).

The National Assembly includes 12 permanent specialized commissions (*Comisiones Especializadas Permanentes*) and the permanent *Comisión de Fiscalización y Control Político*, art. 22 LOFL 2009). The standard term for commission members is the same as in earlier regulation, namely two years with the possibility of re-election (art. 23 LOFL 2009). Assembly members must serve as full members and are entitled to vote in one commission, but can attend all commissions without voting. Given the short terms and high turnover in parliament under both constitutions, it is not surprising that the characteristics of both legislatures have barely changed, and that Ecuador’s parliament has remained an arena of actors with a relatively low level of professionalization.

While Ecuador’s parliament members remained amateur legislators, the number of professional politicians increased, particularly in the biggest party – the Alianza PAIS. Hence, the National Assembly became a more attractive place to build a career. Political stability, a focus on national (or rather presidential) interest, and long-term orientation facilitate the inter-temporal cooperation of actors in the legislative arena. Yet this holds true only for assembly members who are aligned with the government’s policy goals. Alianza PAIS or opposition legislators whose political positions deviated faced media campaigns and formal complaints by President Correa, or even criminal prosecution. An example was assembly member Cléver Jiménez, who was sentenced to 18 months in prison for non-fact-based insults of the president (art. 494 penal code) (El Universo 2013; Freedom House 2013).

In summary, the constitutional rights and derived capacities of individual parliament members barely changed under both constitutions from 1998 and 2008. However, the greater centralization of presidential power and dominance of the government party Alianza PAIS incentivized legislators to engage in intertemporal cooperative behavior, and constrained deviant behavior. Hence, not only constitutional powers but political power changed the individual strategies of legislators in the policy-making game.

### **6.2.3 Parliamentary Power and Executive–Legislative Relations**

Parliamentary powers and executive–legislative relations within the institutional architecture of the state have an impact on the policy-making process. These topics have received wide scholarly attention.<sup>83</sup> In the executive-centered political systems of Latin America, assemblies normally take the role of responders to the president’s legislative first move. This setting of executive–legislative relations “typically take the form of a constitutionally distinctive bilateral veto game” (Cox and Morgenstern 2001, 2001) with reactive but powerful legislators. In this constellation, the legislature is usually disadvantaged through three deficiencies in its ability to constrain the executive (Shair-Rosenfield and Stoyan 2017):

1. Executives have more effective tools to legislate, such as decrees, budgetary provisions, and veto powers.
2. Legislatures face serious information asymmetries and fewer capacities in financial and staffing resources to delegate the workload.
3. Actors in parliament cannot act unilaterally, and face high coordination costs to proactively legislate or reactively challenge initiatives or amendments of the executive.

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<sup>83</sup> See, for instance: Linz (1990); Shugart and Carey (1992); Mainwaring (1993); O'Donnell (1994); Cox and Morgenstern (2001); Haggard and McCubbins (2001); Llanos and Nolte (2006); Montero (2009); Moisés and Simoni (2016); Chernykh et al. (2017).

In Ecuador, the Sangolquí Constitution created an institutional setting aimed at further strengthening the president's decisiveness, and to compensate the frequent lack of support in parliament with intensified power (Mejía Acosta 2009; Pachano 2010). Indeed, the allocation of power between president and parliament ushered in another episode in which Ecuador's fragile government depended strongly on legislators' support. In cases of presidential crises, the consistency or erosion of parliamentary coalitions was the decisive factor for the survival or ousting of incumbents. As Mejía Acosta and Polga-Hecimovich (2010: 88) stated, "Paradoxically, a series of constitutional reforms adopted in the mid-1990s, originally conceived to strengthen presidents' policymaking abilities and to curb incentives for corruption, in practice blocked the formation of policy coalitions, paving the way for greater political instability."

The rewriting of the constitution in 2008 produced an institutional setting that implied only minimal formal change of the executive–legislative dynamics. Table 35 summarizes the adjustments in the provisions of parliament. Under the Montecristi Constitution, the parliament can be dissolved by the president. The "mutual death" of executive and legislative branches makes this an attractive strategy for the president, which has not yet been realized. Instead, the legislature lost its power to appoint key political actors, especially in the judiciary. The legislative branch is thus severely weakened in its oversight function, being isolated in a system of checks and balances where all other institutional players depend directly or indirectly on the executive (Montufar and Bonilla 2008; Mora 2013).

Regarding the procedures of legislation, the constitution of 2008 replicates the provisions of 1998. The president has strong capabilities to initiate, influence, or veto bills and can thus intervene in all stages of the process. However, in constitutional theory, the legislature can override presidential vetoes. In case of an absolute presidential veto, a bill is blocked for one year and can only be overridden with a two-thirds majority of all members of the parliament (art. 153 constitution of 1998, art. 138 constitution of 2008). If the president partially vetoes a bill of the legislative, the incumbent must present an alternative text, which can be approved or amended with a majority of the plenum within 30 days. Alternatively, two thirds of the legislative

**Table 35:** Legislative power in comparison by constitution

Legislative powers	1998 constitution (Sangolquí) <sup>a</sup>	2008 constitution (Montecristi) <sup>b</sup>
<i>Influence over executive</i>		
Replace executive directly	x	X
Ministers may serve as legislators		
Interpellate members of executive	x	X
Investigations	x	X
Oversee coercion		
No-confidence vote to remove government		
<i>Institutional autonomy</i>		
No dissolution by the executive	x	
No decree of the executive without legislative approval		
No veto of the executive on legislation		
No veto of the executive on budget amendments	x	
No judicial review of legislation		
No gatekeeping of executive		
No impoundment of expenditures	x	X
Control of own resources	x	X
Immunity	x	X
All members elected (not appointed e.g. by the executive)		
<i>Specified powers</i>		
Legislative alone can amend constitution	x	X
Declare or approve declaration of war		
Ratify international treaties	x	X
Grand amnesty	x	X
Grand pardon	x	X
Appoint judges	x	
Appoint chairman of central bank		
State media influenced by legislative		
<i>Institutional capacity</i>		
Regular sessions	x	X
Personal secretary by each legislator	x	X
Personal policy staff by each legislator		
No term limit restriction	x	X
Seek re-election due to attractiveness of office	x	X
Experienced legislators	x	X

*Source:* Author based on <sup>a</sup> Fish and Kroenig (2009); <sup>b</sup> Constitutions as of 2015, Oyarte Martínez (2009).

members can override the partial veto and restore the original bill (art. 153 constitution of 1998, art. 138 constitution of 2008). If parliament fails to consider timeously the alternative text submitted by the president, this is understood as approval and the law is enacted. In a similar vein, a majority within both parliaments could approve, modify, or reject bills of “economic urgency” initiated by the president, which automatically turn into decree law if parliament fails to decide timeously (art. 155 constitution of 1998, art. 140 constitution of 2008).

To assess the consequences of legal settings and to interpret the varying political outcomes under similar constitutions, one must differentiate between *de jure* constitutional power and *de facto* political power (Mejía Acosta 2009; Pachano 2010). The constitutional settings of 1998 and 2008 equipped presidents with strong legislative power *de jure*. However, presidents in Ecuador have traditionally been weak legislators until the new constitution of 2008 (Stein et al. 2005; Mejía Acosta et al. 2008; Saiegh 2010). Under the Correa administration, parliament featured a dominant party, the Alianza PAIS, which was unified by the strong leadership of Correa and his ability to pursue formal and informal agreements among the centrifugal forces of partisan interests.

The long-term orientation of the president, and his ability to allocate political currency in terms of offices, patronage, or local policy projects expanded the incumbent’s political power. The president’s increased political power also induced greater law-making power *de facto*. This was not the case under the constitution of 1998. At the same time and in contrast, the *de facto* legislative power of parliament decreased. The strict limit of 30 days for overriding presidential vetoes placed strong constraints on legislators trying to organize contrary moves, amidst great fragmentation of opposition parties under both constitutions (Morgenstern et al. 2013). In addition, the president only has to convince the pivotal share of legislators to counter resistance from parliamentary against his initiatives (Mejía Acosta 2009).

Table 36 underscores this conclusion. Between 2009 and 2016, most of the legislative initiatives originated from the National Assembly (709 bills compared to 122 bills initiated by all other actors). However, only 14.24% (101 laws) reached the final stage of the legislative process and were enacted into law by promulgation in the *Registro Oficial* (Official Register). Along the way, 63 laws were partly and 20 totally vetoed by the president. Hence, the president had a major influence on legislation in Ecuador. Only 5.36% of the bills originally initiated by the assembly passed into legislation without a veto by the president.

**Table 36:** Legislation procedure and success by institutional actor 2009– 2016

Initiative	Bills	Approved by CAL	First debate	Second debate	Approved by plenum	Presidential veto		Laws Enacted (no veto)	Success rate in % (no veto)
						partly	total		
President	104	102	93	86	79	42	0	76 (34)	73.08 (32,69)
Assembly	709	574	344	188	121	63	20	101 (38)	14.24 (5.36)
Citizenry	8	3	3	1	1	1	0	1 (0)	12.5 (0)
Other	10	8	7	7	7	6	1	6 (1)	60 (10)

Source: Author based on Asamblea Nacional.

In contrast, the success rate of the president’s legislation doubled compared to former constitutional settings: 73.08% of the bills initiated by the president between 2009 and 2016 were enacted into law,<sup>84</sup> with 32.69% facing no major resistance in parliament. More than half of the bills initiated by assembly members and approved by the plenum are vetoed by the president. It is thus clear that under the constitution of Montechristi, the president represents a serious bottleneck for all bills initiated by any actors, and he functions as the key legislator in the institutional system.

In summary, the president was equipped with strong constitutional power for legislation under both constitutions. He lacked de-facto political power in formal and informal coalition building under the constitution of 1998. After the rewriting of the

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<sup>84</sup> Considering the long-run average success rate of Ecuador’s presidents before the constitutional rewriting in 2008, incumbents only got 30% of their submitted legislation approved Mejía Acosta et al. (2009: 127).



constitution, the shifting of additional power to the president created a political system centered around the president, and thus increased his political power. This fundamentally affected the executive–legislative relations at the expense of parliament. The expanded influence of the president affected all institutional capabilities of the legislature, including the loss of the legislator’s key function in horizontal accountability and legislation.

#### **6.2.4 The Budget Process**

The budget process is an excellent field to study executive–legislative relations and the power of parliaments in action (Hallerberg et al. 2009). Constitutional provisions regarding the budget process were changed often after Ecuador’s return to democracy, and echoed power struggles and the country’s dependency on oil rents.

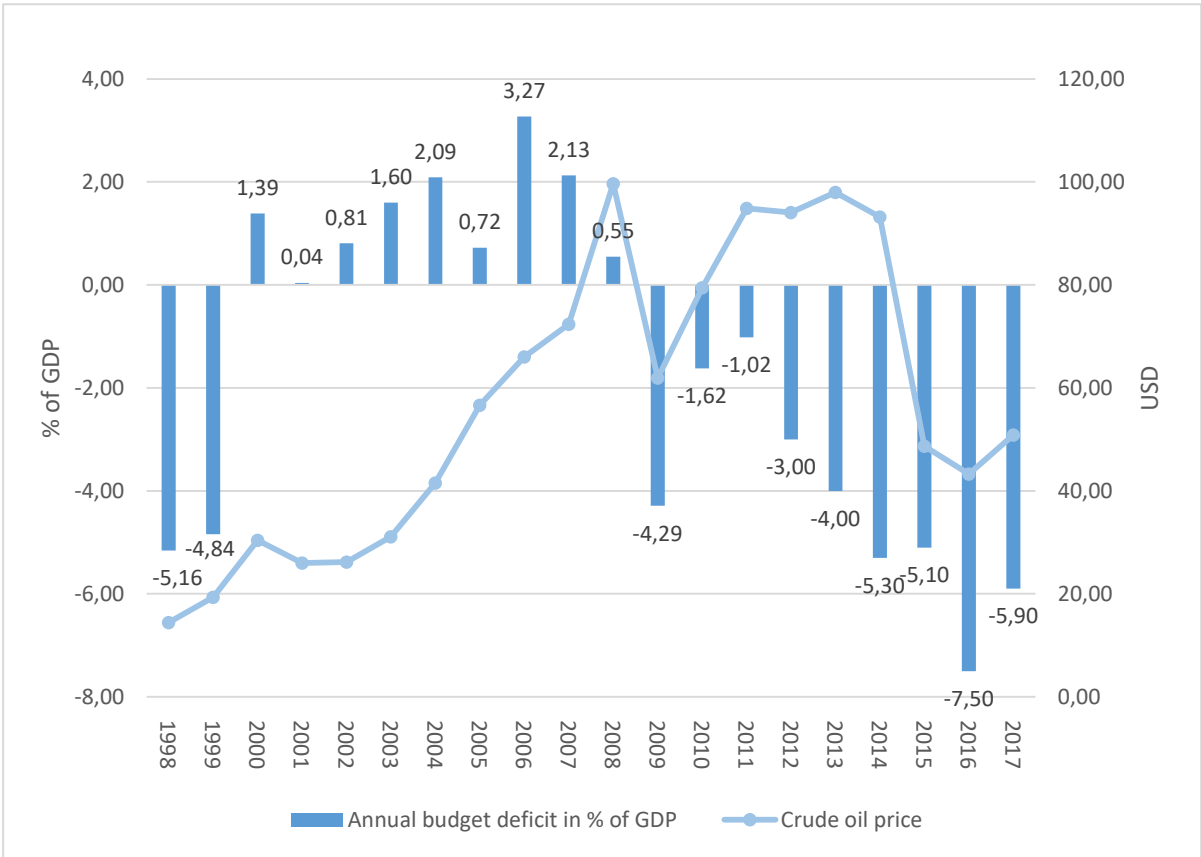
The budget process under the Sangolquí constitution allocated strong agenda-setting power to the president, whereas the legislative can engage with amending powers. Art. 258 and 260 assigned the formulation of the budget to the executive, directed by the president and assisted by the Ministry of Finance. The legislative could only accept or amend the budget proposal regarding the allocation of funds by income and expenditure sectors; the overall amount of the draft budget could not be subject to objection (art. 258). Unlike most other Latin American countries at the time, in Ecuador the president did not have the power to veto this amendment (Santiso 2005).

Moreover, the budget process was characterized by strong involvement of other constitutional and non-constitutional players at the national and subnational levels. These included the Central Bank, the National Planning Office, the Comptroller General, subnational governments, public enterprises, interest groups, and civil movements. To fight partisan mechanisms, the reforms of 1998 restricted legislators’ abilities to bargain budget shares for provincial disposition. This produced contradictory incentives for legislators. Although they had a long-term perspective, with personalized elections established through the legal reforms in the mid-1990s, legislators were unable to connect with their constituencies because they could not allocate funds from the budget to provincial projects (Mejía Acosta et al. 2009).

Ecuador thus experienced less bargaining and budget shuffling, which – combined with the effects of dollarization in 2000 and legislation regarding better fiscal management – led to more fiscal responsibility (Almeida et al. 2006; Arteta and Hurtado 2005).

These positive fiscal developments, shown in graph 14, actually contributed to increased political instability. Legislators faced less political currency for cooperation in the long run, and thus migrated to subnational governments, where they had better access to national funds and partisan rents (Mejía Acosta et al. 2009). The constitutional design of 1998 furthermore tried to formally abolish the traditional earmarking of funds. Nevertheless, earmarking remained a common practice, with up to 90% of the general budget dedicated to purposes such as staff, education, health, and debt reduction (Arteta and Hurtado 2005; Bustamente 2006; Cueva 2008). The persistence of earmarking consolidated Ecuador’s vulnerability to external shocks through ongoing rigidity in the budget design (Díaz Alvarado et al. 2005).

**Graph 14:** Annual budget deficit in Ecuador and market price for crude oil between 1998 and 2007



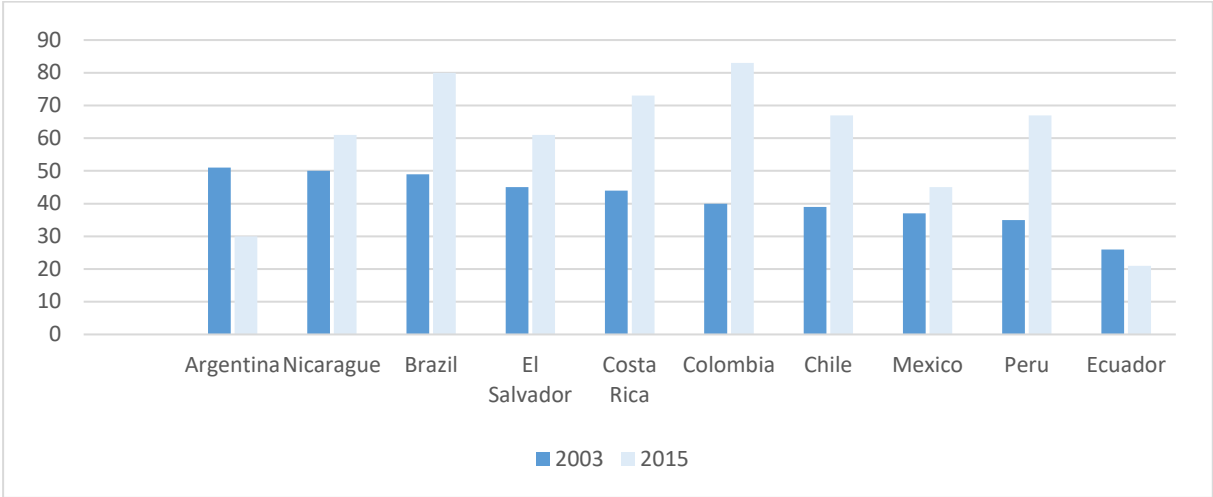
Source: Author based on Ministerio de Economía and Finanzas, USEIA.

Mejía Acosta et al. (2009) argued that oil prices largely shaped the design of institutions that governed the budget process. For instance, regulations of the *Ley Orgánica de Responsabilidad, Estabilización y Transparencia Fiscal* (LOREYTF, Organic Law on Fiscal Stabilization and Transparency) were enacted in 2002. At that time, a scenario of low oil prices prevailed; the core regulations had thus been removed by 2005 when oil prices rose again (graph 14). This example illustrates the volatility of regulations and the inability to pursue long-term agreements.

Under the constitution of Montechristi, the policy making implied in the actual working of the budget process revealed a recentralization of decision making and placed the president as the key actor in the process. The legislative has lost most of its power to influence the budget process (Pachano 2010). This is primarily due to alteration of the constitutional provision governing the presidential veto on the budget. Under the Sangolquí Constitution, presidents had no veto on alterations by the National Congress. In contrast, the Montechristi Constitution equips the president with a veto power on the legislative's objections, which can only be overridden with a two-third majority of its members (art. 295). Repeating the argumentation on highly fragmented and demobilized opposition parties and the predominance of Alianza PAIS, this *de facto* excluded the National Assembly from decision making about the budget.

Graph 15 depicts the decrease in oversight of the legislative budget across time. All observed Latin American countries, apart from Argentina and Ecuador, improved their legislative oversight of the budget process over time. Ecuador's legislative powers have remained on the lowest rank. The president exerts a strong influence, directly or indirectly, to steer key public officials involved in the wider budget process, such as the Comptroller General, the head of SENPLADES, the Minister of Finance, and people within the Central Bank. Clearly the president plays the role of master of the budget under the constitutional praxis of the Montechristi legal framework.

**Graph 15:** Budget oversight provided by legislature in 2003 and 2015



Source: Author based on IBP Open Budget Surveys 2003 and 2015.

The degradation of the budget process, from a field of competitive policy making to just another tool of the president to wield power, is expressed in the wording of the new constitution. Art. 292 labels the General State Budget as an “instrument” of undefined legal nature (*instrumento*), whereas the budget “was traditionally legislated in Ecuador through a law before 2008” (De La Guerra Zúñiga 2016: 57).

**6.2.5 Legislators’ Incentives and Constraints for Good Public Policy**

**6.2.5.1 Short-Run Payoffs for Non-Cooperation ( $c_1$ )**

Parliament members in Ecuador are amateur legislators with weak capabilities, and they have a high turnover rate. However, under the Montechristi Constitution, long-term political career paths have opened up due to greater stability and political currency allocated by the president. Hence, for parliament members affiliated with the government party Alianza PAIS, intertemporal agreements in exchange for presidential patronage became lucrative. Opposition legislators lost their ability to generate added value for interest groups or provinces. Formerly, these rents were achieved through non-cooperative, clientelist behavior; they implied informal bargaining, looming gridlocks, or the threat of presidential impeachment. Thus, seeking rent by migrating to arenas outside the legislature (e.g. in provincial parties or administrations) became

an attractive strategy for parliament members. For those legislators who seriously pursued the key duties of a parliament through competitive – and potentially contentious – policy making, the Asamblea Nacional became a field with poor odds of success. The presidential veto combined with the unlikely two-thirds majority necessary for overriding the president’s initiatives in legislation and budgeting framed the rules of the game, which favored the president at the expense of parliament. Moreover, the permanent public campaigning of the incumbent against the “enemies of the revolution,” his control over key public officials, and the threat of legal prosecution posed further constraints for deviating opinions and action inside and outside the plenum. In sum, non-cooperative behavior became less attractive for parliament members. Constraints induced by *de jure* constitutional and *de facto* political powers of the president rendered short-run payoffs lower for all legislators after the constitutional rewriting in 2008.

**Table 37:** Short-run payoffs for non-cooperation in the legislature

	Sangolquí	Montecristi
Government-party affiliated legislators	Medium	Low
Opposition legislators	High	Low

**6.2.5.2 Number of Political Actors and Aggregation Mechanisms (c<sub>2</sub>)**

Under the constitution of Sangolquí, legislators were effective veto players in the policy-making game. Government and non-government parties were involved in legislation and increased the number of players involved. In addition, many pressure groups intervened in the legislation and budgeting process.

Formally, the number of players involved in legislation under the Montecristi Constitution increased, comprising more overall seats in the assembly, several actors of the five branches, and citizen involvement in several stages of legislation. However, the president presented a bottleneck for all legislation that was initiated, effectively reducing the number of players involved in decision making. Instead, channels of access to presidential patronage or provincial funds became mechanisms to aggregate political demand within Alianza PAIS, the key ministries, or at an administration level.

In summary, the overall number of and changes to players in and around parliament are hard to evaluate, given the various arrays of interest groups engaged in the legislative policy-making game. However, the number of political actors who effectively influence legislation and budgeting clearly decreased overall.

**Table 38:** Number of government actors and veto players

	Sangolquí	Montecristi
Players with <i>de jure</i> veto power	Medium	Low
Players with <i>de facto</i> veto power	High	Low
Players without veto power	Medium	High
Quality of parties for aggregation	Low	Low

**6.2.5.3 Intertemporal linkages Among Political Actors (c<sub>3</sub>)**

Research on Ecuador’s party system revealed that parties are short-lived and voter mobility is highly floating between various major national and minor regional parties. Nevertheless, Alianza PAIS achieved the creation of intertemporal party-veto linkages for the first three terms of legislation. At the same, not many opposition parties survived the disruptions to party system related to the constitutional rewritings and political transformations of both 1998 and 2008.

In the new legislative, created by the constitution of Montecristi, turnover among members of parliament remains high and re-election rates are almost as low as under the earlier constitution (14.79% compared to 11.65%). However, long-term career opportunities have been created through more political stability, continuity in the government party, and a rise of presidential power. These opportunities have incentivized and established more intertemporal linkages among political actors and between the legislative and other branches of government. While this holds true only for a limited circle of loyal and high-potential legislators, the increase of linkages is not as high as under the top-public officials within the executive (compare Tables 26 and 39). Overall, I conclude that intertemporal linkages increased from low to medium for voters and legislators, and remained at a low level for parties and party members (Table 39).

**Table 39:** Intertemporal linkages of legislators, voters and parties

	Sangolquí	Montechristi
Voters	Low	Medium
Legislators	Low	Medium
Parties and party members	Low	Low

#### 6.2.5.4 Observability of Moves ( $c_4$ )

Ghost coalitions, hidden characteristics, and informal agreements under the Sangolquí constitution made policy making hard to observe and thwarted party-system institutionalization. Little has changed in this regard under the constitution of Montechristi. Yet, the new Asamblea Nacional enables the public to keep track of formal legislation procedures via an online information system,<sup>85</sup> and ghost coalitions have been unnecessary due to the dominance of Alianza PAIS. Nevertheless, legislation has shifted to other policy-making arenas, especially the presidential office. Transparency and observability of decision making within the inner circle around the president and key ministers has not improved verifiably, and infringements of the freedom of the press are legitimate under the new constitution. Hence, I rate the observability of moves of legislators in parliament and party actors as low under both constitutions.

**Table 40:** Observability of moves of legislative and party actors in comparison

	Sangolquí	Montechristi
Members of parliament	Low	Low
Parties	Low	Low

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<sup>85</sup> See, for instance, Sistema de Formación de la Ley (<https://leyes.asambleanacional.gob.ec>)

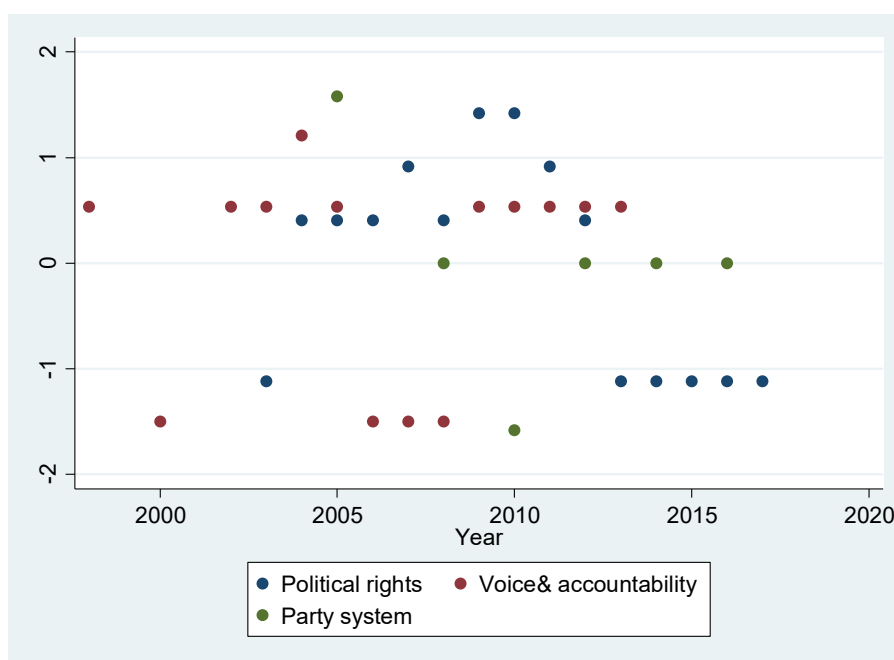
#### **6.2.5.5 Institutionalization of Arena (c<sub>5</sub>)**

After the resurgence of democracy in Ecuador, the electoral process in legislative elections worked in a straightforward and unbiased manner. Moreover, the fundamentals of democratic legislation remained enduring, despite political and economic crises – and against scholarly expectations and empirical patterns. Both constitutions of 1998 and 2008 provided a detailed framework for legislative procedures accompanied by more fine-grained bylaws. From a theoretical legal perspective, the legislative is a highly institutionalized arena that provides a well-designed setting for effective legislation. From a political economy perspective, however, these legal frameworks did not accomplish the institutionalization of legislative forces inside and outside parliament in practice. Informal and nontransparent rules of the game determined policy making and laws were largely made outside the parliament building. Consolidating this state, the party system has been poorly institutionalized in the long run, featuring erratically acting members and voters and regularly experiencing overthrows that erased even the most long-standing parties. Inchoate structures and a lack of bonds between actors hampered the evolution of stable, institutionalized alliances in both legislations of 1998 and 2008.

To provide further support for these arguments, I employ indicators from Freedom House for political rights (elections, political pluralism, and functional executive/legislative); from BTI for the party system (institutionalization and fragmentation of party system, degree of clientelism, polarization and voter volatility); and from WMO for voice and accountability (institutional permanence and representativeness). The data on the legislative as a policy-making arena show little deviation of the values measured (Table 49). Furthermore, graph 16 illustrates that many data points centered around the baseline of 0, with some values in the negative array.



**Graph 16:** Institutionalization of parliament as a policy-making arena



Source: Author based on FH, WMO, BTI.

**Table 41:** Components and index summary for institutionalization of policy-making arena (parliament)

Variable	Obs	Mean	Std. Dev.	Min	Max
c5leg_fh	15	26.2	1.971222	24	29
c5leg_bti	6	4	.6324555	3	5
c5leg_wmo	14	.4242857	.0295386	.38	.46

In summary, no clear tendency for improvement or setback is obvious in theory or quantitatively. Hence, I conclude that parliament remained an arena of policy making that was institutionalized at a medium level under both constitutions (Table 42).

**Table 42:** Institutionalization of the parliament as a policy-making arena in comparison

	Sangolquí	Montechristi
Parliament	Medium	Medium

## 6.3 The Judiciary

### 6.3.1 Structural Adjustments

In addition to expanding the presidential powers and limiting the legislators' powers, the Constitution of Montecristi altered the status of checks and balances by significantly transforming the judiciary. These adjustments to Ecuador's judiciary coincide with a phenomenon termed *judicialization* (Hirschl 2004, 2008a; Domingo 2004; Sieder 2005), which means the transfer of political conflicts to the courts. As courts played an increasingly important role in policy making, political actors developed a growing interest in influencing judicial decision making (Ríos-Figueroa 2011). Therefore, a key property of Ecuador's new judicial architecture is the possibility of judges functioning as political agents of the executive. This effect is achieved through *de facto* and often unconstitutional actions by the executive, such as the impeachment and removal of judges during their term, on the one hand (Pérez-Liñán and Castagnola 2008; Llanos et al. 2017). On the other hand, *de jure* modifications of the institutional setting can change "court competency, judge selection mechanisms, and the way of filling vacancies on the bench that do not produce early dismissal of judges but are, nevertheless, politically consequential" (Basabe-Serrano 2012: 340).

A closer look at the institutional implications of the 2008 constitution shows that political transformation also implied another episode of *de jure* modifications in addition to *de facto* power politics of Correa. The Montecristi Constitution established a series of provisions and organs linking the judiciary more tightly to the executive. Article 429 et. seqq. of the Montecristi Constitution introduced a new Constitutional Court (*Corte Constitucional*, CC) with few checks of horizontal accountability (Cameron 2010). The Constitutional Court could override the Supreme Court, now called *Corte Nacional de Justicia* (National Court of Justice, CNJ).<sup>86</sup> Hence, the Constitutional Court plays a key role in legitimizing the dissolution of the legislature, presidential impeachments, and popular consultation. In line with the Latin American

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<sup>86</sup> The formerly highest court in Ecuador was the Supreme Court called *Corte Suprema de Justicia*. It existed from 1835 until the enactment of the Montecristi constitution in 2008.

**Table 43: Comparison of higher courts in Ecuador**

Court level	Highest ordinary court		Constitutional court	
Constitution	Sangolquí	Montechristi	Sangolquí	Montechristi
Name	Corte Suprema de Justicia	Corte Nacional de Justicia	Tribunal Constitucional	Corte Constitucional
<i>Court structure</i>				
Chambers	10	8	1	1
Judges per chamber	3	3	9	9
<i>Judge staffing</i>				
Minimum experience of judge	15 years, JD in law	10 years, law degree	15 years, JD in law	10 years, law degree
Judge nomination			2 by executive, 2 by legislative, 2 by Supreme Court, 3 by others	Qualification committee of 2 executive, 2 legislative and 2 TSC deputies
Judge selection	Nacional Congress	Judiciary Council	Nacional Congress	Qualification committee
Term limit of judges	Lifetime	9 years	4 years	9 years
Re-election		No re-election and 2/3 renewal every 3 years	Yes	No immediate re-election and 2/3 renewal every 3 years
Impeachment	No	No	No	No
<i>Court provisions</i>				
Appeal decision of lower level	Cassation	Cassation	No	Yes
Propose constitutional reform	Yes	Yes	No	No
Initiate legislation				Yes

*Source:* Author based on constitutions of Ecuador as of 1998 and 2015; Basabe-Serrano (2012); Lara-Borges et al. (2012).

syndrome of influencing court compositions, the appointment of the Constitutional Court judges is made by a commission designated in equal shares of two deputies each by the president, the National Assembly, and the Consejo de Participación Ciudadana y Control Social (CPCCS, art. 434). The commission has been reported to be highly politicized and displays a lack of transparency by restricting public participation, despite its promises (van Zyl Smit 2016). Hence, the court's composition practically depends on the president due to a strong influence on the National Assembly, the CPCCS, and the qualification committee. Furthermore, the short duration and continuous renewal of judges in both courts of the present constitution (CNJ and CC) prevent the judiciary from building a stable bloc against other branches of the state. From this perspective, it seems likely that for the sake of career building, judges develop intertemporal linkages to the executive rather than to their colleagues within the judiciary. In this manner, the president has constitutionally granted tools to politicize the courts *de jure*, without using unconstitutional *de facto* force. However, these mechanisms do not necessarily undermine judicial independence. As Grijalva 2010: 158) puts it:

*According to the separation-of-powers theory, we should now see in Ecuador a constitutional court dependent on the president, given the existence of unified government, long judicial terms, and no reappointment. However, other institutional features supporting judicial independence such as renewal of one third of the court every three years, elimination of parliamentary impeachment, and implementation of merit-based appointment criteria elicit empirical questions.*

Under the Correa administration, various examples have occurred of both *de facto* and *de jure* action by the executive to influence the courts and to politicize the jurisdiction. The first test case for the interpretation of the judiciary's role and power within Ecuador's new political era occurred in 2007, when the Supreme Court declared the dismissal of 57 legislators who had opposed Correa's call for a constituent assembly

unconstitutional.<sup>87</sup> In return, the congress, led by the president's supporters, discharged nine top judges of the Supreme Court, significantly weakening the independence of the court and further politicizing of the judiciary. Another example of *de facto* moves took place during reforms of the judicial system in 2011:

*Since 2011, a judicial council made up almost entirely of former members of the administration of President Rafael Correa has appointed and removed hundreds of judges through highly questionable methods. [...] The Council of the Judiciary was established in January 2013. Previously, a transitional council was in charge of overseeing the reform. The transitional council and the current Council of the Judiciary have appointed 1,430 judges, suspended 273, and removed 380 between July 2011, when the justice reform began, and November 2013, according to official information from the council. (HRW 2014)*

Furthermore, the transitional council that executed the reform designated all 21 members of the National Court of Justice together with all respective *suplentes* (substitute judges). The events outlined show a mixed strategy of manipulating the judiciary with political pressure on the one hand and institutional adjustments on the other hand.

For this study, in summary, the new constitutional features obvious in the institutional design of the judiciary allow various scenarios for actors of the executive to set, direct, and enforce political agendas. In an ambiguous manner, the inclusion of delegative elements theoretically foster vertical accountability, whereas in practice, manipulation of the courts and judges seem an attractive strategy for the president. While this strengthens the autonomy and effectiveness of the incumbent who pursues political agendas, it potentially undermines liberal democracy.

### **6.3.2 Delegation and Enforcement Technologies (c<sub>6</sub>)**

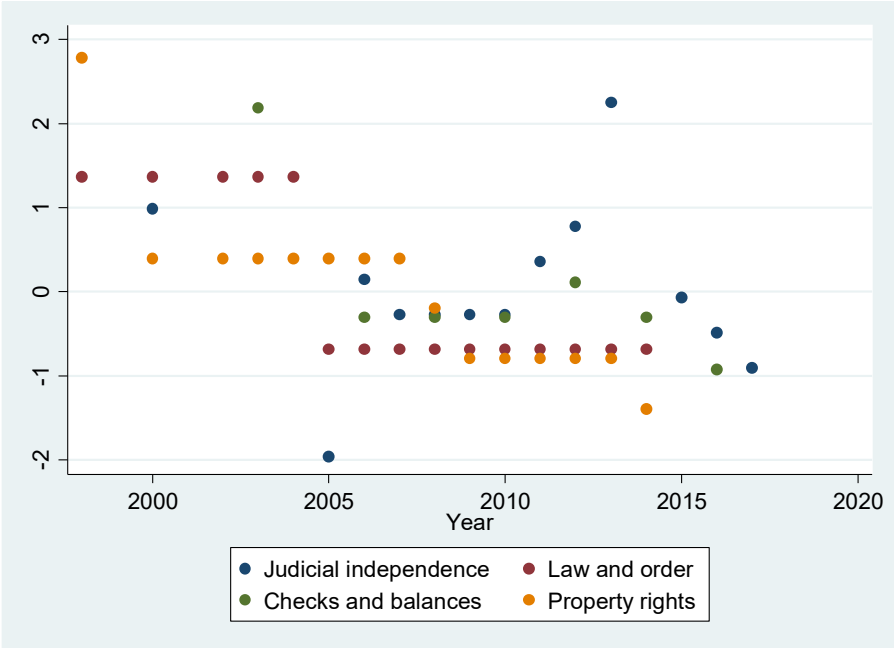
With regard to good public policy, I employed quantitative figures to examine the judiciary's quality as an enforcement technology. My data sources were GCR for

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<sup>87</sup> See 5.2.2.

judicial independence, BTI for the rule of law, PRS for law and order, and the Heritage Foundation (HF) Index of Economic Freedom for the protection of property rights (Table 44). Graph 17 illustrates that the judiciary’s capacity as an enforcement technology decreased over time. Under the constitution of Montechristi, Ecuador’s jurisdiction is less independent, effective, and fair than it was under the Sangolquí constitution.

**Graph 17:** The judiciary’s capacities as an enforcement technology



Source: Author based on GCR, BTI, PRS, HF.

**Table 44:** Components and index summary for enforcement technology

Variable	Obs	Mean	Std. Dev.	Min	Max
c6jud_gcr	13	2.130769	.4750169	1.2	3.2
c6jud_bti	7	4.957143	.4825527	4.5	6
c6jud_prs	15	.4466667	.039036	.42	.5
c6jud_hf	15	.2666667	.0838082	.15	.5

In summary, alteration of the institutional setting of Ecuador’s judiciary led to courts facing a higher turnover of judges, recruitment that is influenced by the executive, and a resulting lower level of independence. This weakens the courts’ capacity to moderate inter-actor conflicts, enforce long-term agreements, and defend civil rights

independently. I therefore conclude that a downgrade has occurred in the quality of legal enforcement technologies (Table 45).

**Table 45:** Enforcement capabilities of the judiciary in comparison

	Sangolquí	Montechristi
Judiciary	Medium	Low

## 6.4 Social Actors

### 6.4.1 Civil Participation

When the new constitution of Ecuador entered into effect in 2008, the elements of direct democracy were a major factor in popularizing Latin America's new constitutionalism (Nolte 2016). Among the instruments of citizenry's legal empowerment, the following are the most prominent:

- 1) the right of *consulta previa* (prior consultation, articles 57, 398),
- 2) the right to initiate legislation *iniciativa popular normativa* (article 103),
- 3) the right of *consulta popular* (public referendum, article 104),
- 4) the right to revoke elected public officials *revocatoria del mandato* (article 105),
- 5) the *Consejo de Participación Ciudadana y Control Social* CPCCS, Council for Public Participation and Social Control, articles 204–210).

The institutional innovations were meant to increase citizens' participation as well as government transparency and vertical accountability.<sup>88</sup> Although the introduction and potential of those mechanisms were embraced by large parts of the scholarly community, the implementation was critically reflected (Wolff 2012).

Falleti and Riofrancos (2018) characterized the *consulta previa* as weak and incomplete institutions of political participation. Especially when governmental extraction-policy interests collide with private and communal rights of indigenous communities, the mechanisms of participation are ineffective (Novo 2013). Due to the dependency on the government's commitment to strengthen the *consulta previa* as an effective mechanism of political integration and legal emancipation, affected indigenous groups often choose protest instead of consultation (Fontaine et al. 2016; (Falleti and Riofrancos 2018).

The most complex mechanism of Ecuador's direct democracy is the 'fifth branch' of government, the *Consejo de Participación Ciudadana y Control Social* (CPCCS).

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<sup>88</sup> For the concepts of vertical accountability and delegative democracy see, for instance, O'Donnell (1994).



The Council for Public Participation and Social Control ought to contribute to vertical accountability and fight corruption. Therefore, it is equipped with a wide range of faculties, including the designation of key public officials – such as the state prosecutor, the superintendencies, the human rights ombudsman, the attorney general, the comptroller general, and the members of the National Electoral Council. However, Bowen (2011a: 1) critically noted that “With its broad constitutional mandate, the CPCCS is an illustrative example of a potentially positive reform that has languished due to an apparent lack of political will to implement it.” A key deficiency is that the council itself is staffed in a non-transparent way in practice. Elaborating this point, Conaghan (2016: 112) stated that “All council members have held executive-branch posts, and questions continue to swirl around the process by which they were chosen and their status as loyalists of the current government.” In line with this claim, Ortiz (2015: 34) reported that

*Four of the seven elected members of the new council were militant activists of PAIS. Two others were members of the Movimiento Popular Democrático (MPD - Popular Democratic Movement) which at the time of the election was an unconditional ally of the government. Only one councilor was a member of an opposition group.*

This influence in selecting the members of the council could make the council “a *de facto* extension of the executive” (Conaghan 2016: 112). In effect, the CPCCS adopts responsibilities that formerly belonged in the sphere of the legislative without transparent democratic legitimization. The lack of legislative participation signifies a major exclusion of opposition parties and thus potentially undermines the system of checks and balances within the political system.

Which implications do these various means of direct democracy have for policy making in Ecuador? In brief, the features of accountability of the Montecristi Constitution shift the control over agents of horizontal accountability from the legislature to the president, or replaces them with agents of horizontal accountability. Some scholars have outlined the potential for empowering marginalized groups (Romero Bonifaz 2008; Cameron et al. 2012) and the positive impact of the

mechanisms, such as shifting budget priorities towards fighting poverty or more efficient local governance (Pogrebinski 2013). However, others have highlighted the low practical relevance (Leifsen et al. 2017) and the menace of populist manipulation by the plebiscitary executive (Altman 2011; Ortiz 2015). Hence, the president is largely responsible for committing to, strengthening, and transparently implementing the institutions of direct democracy. Otherwise, the innovative mechanisms are mere “parchment institutions” (Falleti and Riofrancos 2018) that contributing only to a “mirage of participatory democracy” (Ortiz 2015: 41) and power centralization in a hyper-presidential political system (Cameron 2010; Alcívar Santos 2012; Wolff 2012).<sup>89</sup> Regarding the focus of this study, we can confirm the insights from the reflection on the constitutional features of presidential power. The constitution provides leeway in the execution of power that strongly depends on the president’s actions. In consequence, the micro-foundations of policy making, the actual behavior of political actors, and the quantitative outcome of their moves are necessary observations for this study to evaluate the constitutional design.

#### **6.4.2 Social Regulation**

The new constitutional provisions together with the *Ley Orgánica de la Participación Ciudadana* (LOPC, Organic Law on Citizen Participation) of 2010 guarantee citizens the right to induce, control, and correct the policy making process, either as individuals or as organizations. The same laws clearly expanded participation rights in comparison to the constitution from 1998. However, Correa’s attitude to civil society was ambivalent throughout his time in office; he saw it as both a source of and threat to his power (Becker 2013). As Correa puts it (Conaghan 2008; La Torre and Ortiz Lemos 2016): “Let’s not be naïve. We won the elections, but not power. Power is controlled by economic interests, the banks, the partidocracia, and the media connected to the banks.” This skepticism towards societal actors is not baseless, given the trajectory of

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<sup>89</sup> In a similar vein, others authors outline the parallels to developments in Chavez’ Venezuela that work as a role model in linking direct democracy, populism and hyperpresidentialism (Penfold 2010, Madrid 2012, La Torre 2013a, Pereira Da Silva 2015).

ousters and political instability in the years before Correa took office, when partisan media and powerful social movements played a significant role (Mejía Acosta et al. 2008; Becker 2010, 2013; Bowen 2015). Arteta and Hurtado 2005: 157) described the situation as follows:

*What many judge as corruption, a rampant ill in the country, in many cases is a manifestation of extreme rent-seeking activity by interest groups that use legal and illegal means for their benefit. The reign of interest groups both contribute to and prey upon the weakness of economic and political institutions. In some cases, interest groups capture public institutions or influence their design to serve their purpose.*

This historical background, together with Correa's diagnosis of a state suffering from the "threats" of corruption and the rule of corporate interest-groups, led to various forms of legal regulation of society (Conaghan 2015). A proliferation of regulatory decrees and laws thus targeted a containment of the constitutional freedoms of Montecristi and subjected organizations of civil society, the media, and higher education to the predominant influence of the executive (Levitsky and Roberts 2011; La Torre 2013a). Scholars refer to this kind of expansion of state powers into the sphere of society as "politicized legalism" (Brinks 2012; Conaghan 2015) or "discriminatory legalism" (Weyland 2013; La Torre and Ortiz Lemos 2016).

The first wave of regulation affected societal organizations. Drawing on previous regulatory mechanisms of the Noboa administration, such as Decree 3054 of 2002 – which governed the registration, controlling, and dissolving of organizations for reasons of national security, Correa expanded the existing system of social regulation (Ospina 2011). His first move towards intensified surveillance was Executive Decree 982 of 2008, which not only implied more invasive control mechanisms but also the right to dissolve organizations that run against the interests of the state (Chérrez 2012). Furthermore, art. 36 of *Ley Orgánica de la Participación Ciudadana* of 2010 together with the Executive Decrees 16 (June 2013) and 739 (August 2015) required the registration and

legalization<sup>90</sup> of organizations in the *Sistema Unificado de Información de las Organizaciones Sociales y Ciudadanas*<sup>91</sup> and allowed the dissolution by reason of partisan political activities (art. 26.7, ED 16).<sup>92</sup> A consequence of this institutional evolution was the continued absence of strong societal associations. This has been a distinctive feature of Ecuadorian politics since the return to democracy in 1979 (Basabe-Serrano 2018). With the decline of social-movement activities, public space lost much of its importance as a policy-making arena (Pachano 2010).

The second pillar of civil society that Correa tackled was the media, which he also viewed as corrupt and a threat of the revolution. When Correa was swept into office, the media landscape of Ecuador was made up of 17 regionally based family groups, featuring strong fragmentation and partisan advocacy reporting (La Torre and Ortiz Lemos 2016). Correa aspired to break the influence of the media, and stated as follows (BBC 2012): “Media cannot be political actors, [...]. We have to put an end to the illegitimate, immoral political power that certain media have. All they do every day is a political campaign against the government.” The media consequently underwent a dramatic change of regulation, which was widely reflected in scholarly and public debate, and which augmented the perception of the Correa administration as increasingly authoritarian. The Montecristi Constitution codifies the freedoms of speech and information, and guarantees the creation, allocation, and accessibility of the media (art. 16.3 and 17, 18, 384). However, it also comprehends regulations to counterbalance or contradict these provisions, such as:

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<sup>90</sup> Original text: “*Legalización y registro de las organizaciones sociales*”

<sup>91</sup> Unified Information System of Civil and Citizen Organizations governed by the *Secretaría de Gestión de la Política* (National Secretary of Politics Management).

<sup>92</sup> See, for instance, Ortiz Lemos (2014) and Conaghan (2015). This regulation was used to dissolve influential NGO’s, such as Pachamama in 2013 or Union Nacional de Educadores in 2016, and was abrogated by the new president Lenín Moreno in October 2017 (El Comercio 2017). Compliance is monitored by *Secretaría de Pueblos, Movimientos Sociales y Participación Ciudadana* (Secretary for Peoples, Social Movements Citizen’s Participation) and respective Ministries.

- Freedom of information is limited to “information that is truthful, accurate, timely, taken in context, plural, without prior censorship about the facts, events, and processes of general interest, with subsequent responsibility” (art. 18.1)
- the right to protect one’s reputation from wrong media broadcasting (art 66.7)<sup>93</sup>
- the president’s faculty to order prior censorship of information in the media for “the reasons for the State of Exception and the security of the State” (art. 165.4)
- the prohibition of financial-sector entities or their representatives to own or hold shares in media organizations (art. 312), including the state’s obligation to expropriate the shares (Transitory Provision 29).

Complementing the constitution, the widely contested *Ley Organica de Comunicación* (LOC, Law of Communication) was enacted as centerpiece of media regulation in June 2013, after several unsuccessful attempts. The law created two state agencies to regulate, monitor, and police the media.<sup>94</sup> It also created quasi-liability of journalists who write against the media standards of art 18.1 and the public interest (La Torre 2013b; Montúfar 2013; Bermeo 2016). As a result, critical broadcasting or investigative journalism was largely repressed through harassment, fines, and law suits (Conaghan 2016; HRW 2016).

The third pillar of civil society to fall under intensified direction of the state was the education sector. This included schools, higher education institutions, and entities related to science, technology, and innovation – which the Correa government considered of high priority, especially for higher education (Saavedra 2012; Post 2011). Hence, the Montechristi Constitution includes provisions on the freedom of education (art 27 et. seqq.), grants free education up to post-secondary undergraduate level (art. 28), and confirms the maintenance of the intercultural bilingual education system (art 57.14). All jurisdiction regarding education policies is exclusively assigned to the central

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<sup>93</sup> Art. 66.7: “The right of all persons wronged by information broadcast by the media, without evidence or based on inaccurate facts, to immediate, mandatory and free corresponding correction, reply or response, in the same broadcasting slot or time.”

<sup>94</sup> Superintendencia de Información y Comunicación (SUPERCOM) and Consejo de Regulación y Desarrollo de la Información y Comunicación (CORDICOM)

state (art. 261.6, 347), whereas infrastructure management falls to the municipalities (art. 264.7, 348). As a result of a drawn-out inter-agency and cross-actor dialogue between governmental actors, the *Ley Orgánica de Educación Superior* (LOES, Organic Law on Higher Education) was enacted. It signified a drastic alteration of the accreditation, administration, organization, and implementation of education and research at higher education institutions (van Hoof et al. 2013; Villavicencio 2013; Ganga and Maluk 2017; Johnson 2017; Schneider et. al. 2019). At the level of political economy, the LOES created state agencies influenced by the president,<sup>95</sup> excluded stakeholder groups such as corporate or civil society organizations, and placed educational operation and quality under strict state supervision (Oviedo 2013; Castro 2013; Conaghan 2015). At the primary and secondary school level, the *Ley Organica de Educación Intercultural* of 2011 (LOEI, Law of Intercultural Education) strengthened the role of the executive and limited the influence of indigenous civil organizations regarding education. It did so by shifting agency design, erasing bilingualism as a potential feature of schools, and emphasizing the decentral nature of education governance (Martínez Novo 2014; Cevallos and Bramwell 2016; Baxter 2016).

### **6.4.3 Incentives and Constraints for Good Public Policy of Social Actors**

#### **6.4.3.1 Short-Run Payoffs for Non-Cooperation ( $c_1$ )**

From a game-theory perspective, sequences of games between political actors and social actors occur in relatively long cycles, which in democracies regularly manifest in electoral terms. During electoral periods, political actors could unilaterally deviate from agreements with voters implied in campaign promises. Long-run countermoves observed encompass floating voter preferences that negatively affect the party system

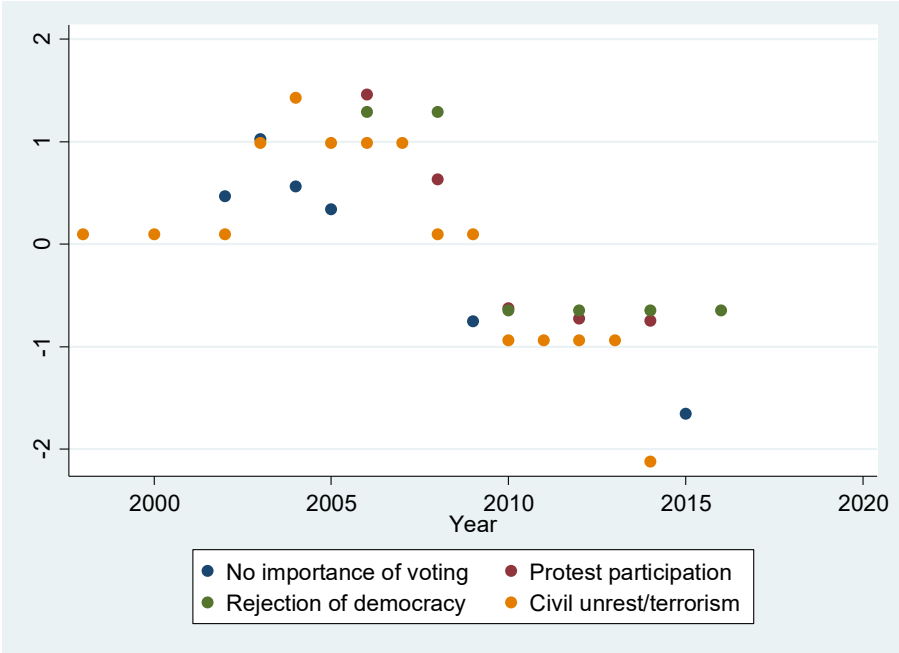
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<sup>95</sup> *Secretaría de Educación Superior, Ciencia, Tecnología e Innovación* (SENESCYT) with secretary designated by the president, *Consejo de Educación Superior* (CES) with 6 merit-based senior academic board members elected under supervision of the National Electoral Council (CNE), and the *Consejo de Evaluación, Acreditación y Aseguramiento de la Calidad de la Educación Superior* (CEAACES) with 6 board members select half by the president and half by CNE-supervised vote (Conaghan 2015).

and government stability. If civil actors opt to deviate more immediately during electoral terms, they can realize short-run payoffs for non-cooperation that entails the influence of pressure groups, street protest, or violent civil unrest. The latter holds true especially in environments of weak institutional settings (Machado et al. 2011). In Ecuador, long-term and short-term non-cooperation played a major role in policy making under the constitution of Sangolquí and contributed to the ousting of several presidential incumbents. However, the constitution of 2008 and bylaws on social regulation curtailed the influence of interest groups and made mobilization of street protest less attractive. Hence, the importance of public space as a policy-making arena has gradually diminished over time.

To illustrate civil society’s preference for long-term cooperation instead of short-term non-cooperation using quantitative analysis, I examined data from Vanderbilt University’s LAPOP survey (participation in protest), BTI (reversed democracy acceptance), Latinobarometro (percentage of people deeming voting irrelevant for political change), and WMO (civil unrest or terrorism). All figures indicated a shift from a short-term orientation, expressed in protest and unrest activities, towards preferring more institutionalized long-term means of political participation, such as voting.

**Graph 18:** Incentives for short-term non-cooperative behavior of civil actors



Source: Author based on LB, BTI, VU, WMO.

**Table 46:** Components and index summary for short-term non-cooperative behavior of civil actors

Variable	Obs	Mean	Std. Dev.	Min	Max
clciv_lb	6	44.95	11.23935	26.4	56.5
clciv_vu	5	11.83	6.713691	6.82	21.63
clciv_bti	6	4.333333	.5163978	4	5
clciv_wmo	15	.5666667	.0675771	.47	.71

In summary, the incentives for short-term non-cooperation of both organized and unorganized actors from civil society decreased from a medium to a low level (Table 47).

**Table 47:** Short-run payoffs for non-cooperation in the legislature

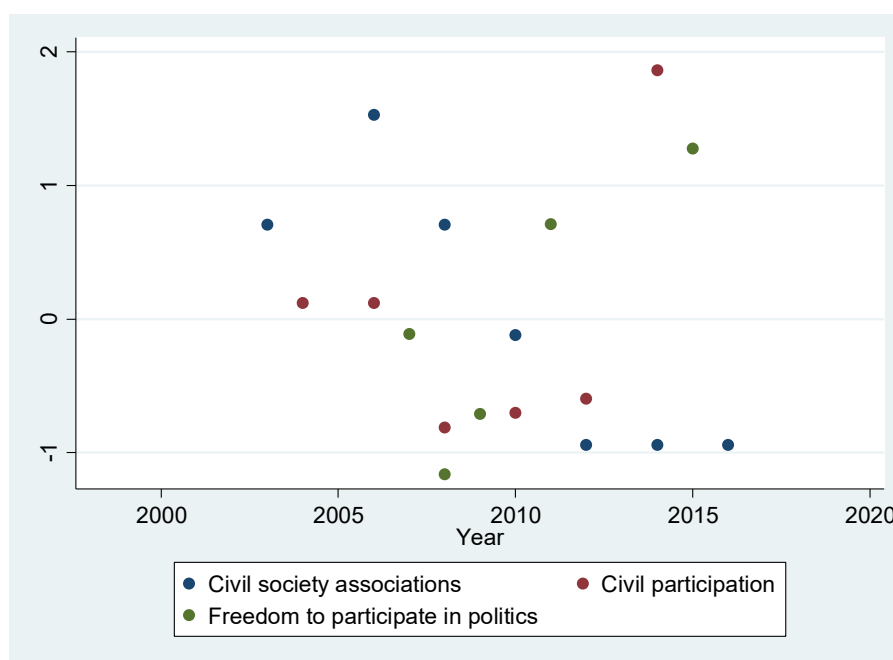
	Sangolquí	Montechristi
Organized civil society actors	Medium	Low
Unorganized civil society actors	Medium	Low

#### 6.4.3.2 Number of Political Actors and Aggregation Mechanisms ( $c_2$ )

Ecuador is a country with a rich tradition of political participation in organized civil society movements and associations. Despite the tools of power execution of the president, civil society did not change its level of activism under the new constitution. Nevertheless, social regulation severely affected the possibilities for civil actors to establish civil society organizations and engage in policy making on a large scale. While many organizations and parties are tolerated by the oversight agency, others – particularly with a political or environmental agenda – withdrew operations or faced interdiction of their activities. The BTI indicator on the range of civil society associations and interest groups underscores the shrinking influence of civil society on the policy-making process. By contrast, the participation of citizenry itself did not decrease significantly. Despite regulatory pressure on organizations, citizens continue to participate in town hall meetings, charity initiatives, and political parties, as the Latinobarometro and LAPOP surveys indicate. However, the vehicles of political participation were altered and activism became focused on issues less contrary to the political mainstream.



**Graph 19:** Number of civil society actors and quality of aggregation mechanisms



Source: Author based on BTI, VU, LB.

**Table 48:** Components and index summary for civil society actors and quality of aggregation mechanisms

Variable	Obs	Mean	Std. Dev.	Min	Max
c2civ_bti	7	5.142857	1.214986	4	7
c2civ_vu	6	10.37333	1.533775	9.13	13.23
c2civ_lb	5	17.3	3.52562	13.2	21.8

In summary, the possibility of concentrating political demand in major organizations is restricted and once-powerful interest groups with a national range have lost their leverage in policy making. While this reduces the number of players in the policy-making game, the transformation of political demand into good public policy lacks a direct reference to civil society (Table 49).

**Table 49:** Number of civil society actors and quality of aggregation mechanisms

	Sangolquí	Montechristi
Number of actors	High	Medium
Aggregation mechanisms	Medium	Low

**6.4.3.3 Intertemporal Linkages Among Political Actors (c<sub>3</sub>)**

Regarding intertemporal linkages of citizens and civil society organizations with other policy-making actors, evidence-based insight is difficult to gain; no surveys or longitudinal studies exist for Ecuador. Yet high voter mobility is evident, floating between different electoral vehicles in an unstable party system. The decrease of civil unrest and the pervasive presence of Alianza PAIS in both major national and small-scale local political structures contribute to greater linkages and stability. However, this effect is counterbalanced by the strong social regulation of the state, which hinders organized civil activism from interconnecting and exchanging with policy-making actors in the long run.

**Table 50:** Linkages between civil society and policy-making actors

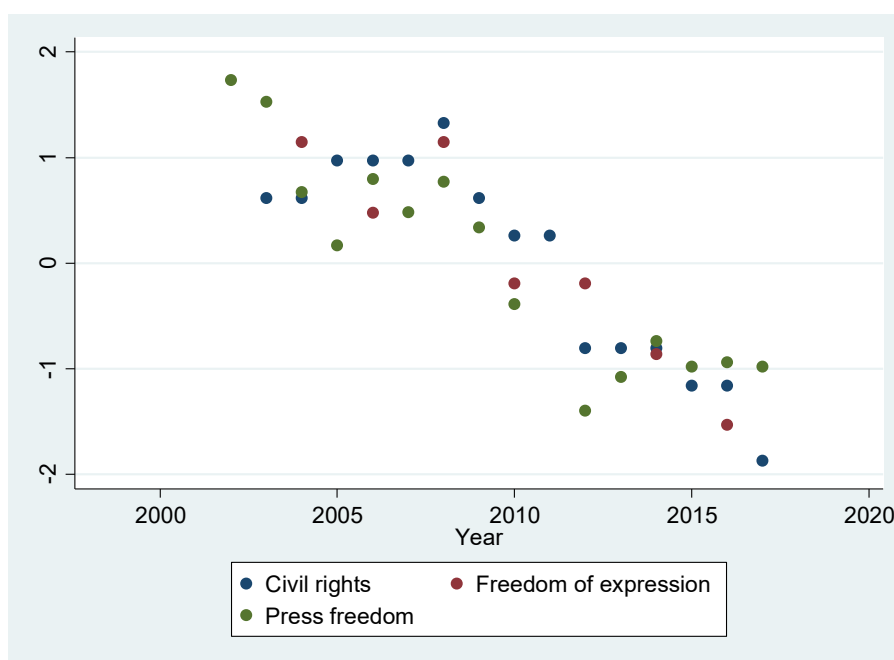
	Sangolquí	Montechrsti
Linkages	Low	Low

**6.4.3.4 Institutionalization of Arena (c<sub>5</sub>)**

Instead of providing clear legal guidelines for civil society’s contribution to policy making, social regulation in Ecuador laid the ground for arbitrary interventions of the executive in civil activism. Operational security and basic freedoms for organizations, the media, and the educational sector are less guaranteed under the new constitution of Montechrsti. Moreover, the increase of oversight agencies linked to the president and a lack of checks and balances provided more leeway to the executive to police contrary behavior in an erratic way. The result was impairment of the institutional environment governing civil society as a policy-making arena.

This judgement is clearly supported by quantitative indicators. The Freedom House civil rights index, the freedom of the press indicator of Reporters Sans Frontiers (RSF), and the BTI data on freedom of expression all underscore that basic rights – crucial for sustainable involvement of society in policy making – were downgraded under the constitution of Montechrsti (graph 20).

**Graph 20:** Institutionalization of civil society as a policy-making arena



Source: Author based on FH, RSF, BTI

**Table 51:** Components and index summary for institutionalization of society as a policy-making arena

Variable	Obs	Mean	Std. Dev.	Min	Max
c5civ_rsf	15	23.50133	10.37246	5.5	38
c5civ_fh	15	38.26667	2.814926	33	42
c5civ_bti	7	6.285714	1.496026	4	8

**Table 52:** Institutionalization of society as a policy-making arena in comparison

	Sangolquí	Montechristi
Civil society	Medium	Low

## 7 Synthesis: Do the New Rules of the Game Incentivize More Cooperation?

In the following synthesis, I answer the question of how much the new institutional setting facilitates intertemporal transactions (long-term cooperation) among political actors in Ecuador. I merge the insights of the previous chapters from the perspective of individual units of analysis with an evaluation of the complete institutional macro system, which is nothing other than the rules of the policy-making game. This synthesis also provides a sound data-supported perspective on the discourse of democratic backsliding (*correísmo*) and institutional path dependence (*restauracion conservadora*) in Ecuador.

### 7.1 From Actor-Centered to Institutional-System Perspective

At the outset of this study, I posed the question of what an expedient institutional setting would be regarding the production of good public policy, and whether the new 2008 constitution of Montecristi in Ecuador provided for such a setting. Based on the logic of repeated games, I reviewed Ecuador's policy-making process as a series of strategic interactions in which utility-seeking actors opt for stable and adjustable policies in the long run, if the rules of the policy-making game incentivize intertemporal cooperation.

To operationalize the incentivizes for cooperation, I employed the conditions ( $c_i$ ) introduced by Spiller and Tommasi (2003, 2007) and used in the IDB *Politics of Policy* study (Stein et al. 2005). Adjusting this approach to the recent features of institutional reality and policy making in Ecuador, I investigated the constraints and incentives of the executive, legislature, judiciary, and civil society implied in the two latest constitutions of Ecuador (1998 Sangolquí, 2008 Montecristi). As a result of this work, Table 53 merges the findings for all units of analysis and illustrates the performance of both institutional systems that evolved under the two constitutions.

**Table 53:** Index summary for institutional system performance by condition ( $c_i$ ) and unit of analysis

Units\ $c_i$	$c_1$	$c_2$	$c_3$	$c_4$	$c_5$	$c_6$	Sum
	Non-coop.	Actors	Linkages	Observability	Arenas	Enforcement	
<i>Sangolquí</i>							
Executive	1.66	2	1.33	1	2	1	1.5
Legislators	1.5	1.5	1.66	1	2		1.53
Judiciary						2	2
Civil actors	2	1.5	1		2		1.63
<b>Sum</b>	<b>1.72</b>	<b>1.66</b>	<b>1.33</b>	<b>1</b>	<b>2</b>	<b>1.5</b>	<b>1.54</b>
<i>Montechristi</i>							
Executive	2	2.33	2.66	2	1	2.5	2.08
Legislators	3	2	1	1	2		1.5
Judiciary						1	1
Civil actors	3	1.5	1		1		1.62
<b>Sum</b>	<b>2.66</b>	<b>1.94</b>	<b>1.55</b>	<b>1.5</b>	<b>1.33</b>	<b>1.75</b>	<b>1.79</b>

Units of analysis are rated according to medium scores based on the observed performance levels (high=3, medium= 2, low=1 and reversed respectively in  $c_1$  and  $c_2$ ). Fields not applicable are left blank.

*Source:* Author.

In detail, my findings for each condition were as follows:

- $c_1$ )** From an overall perspective, the Montechristi Constitution constraints short-term non-cooperation more effectively for all actors except the president. Compared to the constitution of 1998, breaches in agreements and political stalemates are less likely and long-term cooperation is more attractive.
- $c_2$ )** The quality of aggregation mechanisms remains poor. Nevertheless, the number of actors in the policy-making game dropped under the new constitution. Particularly, the number of veto players able to manipulate government authority decreased. Hence, the costs of coordination and coherence related to cooperation decreased. Furthermore, opting for benefits from long-term cooperation is less risky due to the lack of intervening actors.

- c<sub>3</sub>)** Slightly more inter-temporal linkages among actors were created after 2008, especially of those actors linked to the president and Alianza PAIS. Thus, long-term cooperation and transactions became more feasible.
- c<sub>4</sub>)** Under the new constitution, the observability of policy-making moves was enhanced, manifesting in a more open government and greater transparency. This in turn entails less opportunism and facilitates cooperation.
- c<sub>5</sub>)** The institutionalization of policy-making arenas has declined under the new constitution. This means that policy making has become more prone to arbitrary and erratic action and depends more on the leadership, good will, and constructive informal institutions of key political actors. Lack of institutionalization could hinder cooperation, because policy moves could become less predictable and a necessary risk premium could make transactions costlier.
- c<sub>6</sub>)** The Montechristi Constitution promotes better delegation and enforcement technologies than did the Sangolquí Constitution. This incentivizes intertemporal transactions and promotes overall long-term cooperation among actors, because agreements are more likely to be enforced and implemented nationwide.

Recapitulating these findings, the current constitution of Montechristi outperforms the previous constitution of Sangolquí in five of the six condition categories I considered. The Montechristi Constitution constrains short-term deviation more effectively, reduces the circle of actors involved in decision making, promotes stronger creation of intertemporal linkages, facilitates better observability, and fosters delegation and enforcement to a larger extent.

**Therefore, the constitution of Montechristi provides a better institutional framework for intertemporal political transactions (long-term cooperation).**

However, condition  $c_5$ , the institutionalization of policy-making arenas, clearly downgraded under the new constitution compared to the Sangolquí framework. A comparison of both constitutions from the actor perspective (units of analysis) shows that, interestingly, the legislature, the judiciary, and civil society all faced losses in the capacity to contribute to policy making under the new constitution. At the same time the executive experienced a strong gain in policy-making capacities. This point directly relates to the question of democratic erosion, hyperpresidentialism, and the dominant style of governing described as *correísmo*.

## **7.2 From Instability to Stability to Autocracy?**

After years of economic and political instability, the political events during the *revolución ciudadana* in Ecuador ushered the country into a period of stability, governability, and prosperity with no reference in its recent history. Yet, the scholarly community has dedicated much attention to the “hyperpresidential” design of the Montecristi Constitution and Correa’s style of governance, connecting policy making in Ecuador with setbacks in democracy and authoritarian rule. This notion is closely linked to the question of which institutional mechanisms affect public policy outcome and how, and whether governability is an inevitable trade-off for accountability.

Indeed the Correa government was less tamed by strong checks and balances; in addition, there was centralized decision making in an environment of fewer institutionalized policy-making arenas. Moreover, alarming infringements of civil rights had been reported, especially regarding the freedom of expression, civil society organizations, education, and economic regulation. This study clearly confirms the emergence of these phenomena through legal and quantitative analysis. However, I assert that the diagnosis of democratic backsliding is only partly correct, to the extent that Ecuador under Correa was not an authoritarian regime. Referring to the relationship between governability and accountability, I argue that the constitutional reform was a pivotal step towards better public policy; however, it implied deficiencies that a populist government capitalized on in a mode of power seeking.

Without a doubt, Ecuador suffered an economic and political crisis over decades, despite being continuously constituted as a democracy as of 1979. Focusing on the reason for this crisis, Mainwaring (2006) stated that not a lack of formal institutions of representation but the disaffection of citizens with their democratic representation was the driving factor for political crisis and a major threat for democratic order. This diagnosis was made for the whole region, both Ecuador and other third-wave democracies in the Andes. The widespread disaffection itself is rooted in deficiencies of state performance, which *objectively* manifest in the state's inability to tackle crucial issues – such as security, poverty, corruption, and education. They manifest *subjectively* in the erosion of trust in political agents (Mainwaring 2006).

To increase governability and thereby overcome weak state performance, power and provisions in the constitution of Montechristi were reshuffled in favor of the president in the 2007/2008 Constituent Assembly. Indeed, the gain in governability was not achieved by increasing presidential rights; the 1998 constitution already provided a high amount of formal power for the incumbent. It was rather rooted in the weakening of accountability formerly exerted by constitutional and non-constitutional veto players:

- The impeachment of the president by legislative initiative under Montechristi could result in the mutual death (*muerte cruzada*) of both branches (art. 148)
- Parliament lost its power to ultimately veto the national budget proposals of the executive (art. 295)
- Parliament can no longer designate key public officials and shares the obligation to appoint judges with other branches (art. 181, 183)
- Subnational actors are tied more closely to the central government by a new fiscal transfer system (art. 270 et. seqq.)
- Financial entities or their members are forbidden to have shares in the media (art. 312).



While this relative downgrade of accountability is critical from a checks-and-balance perspective, it implements the general idea of the Ecuadorian presidential system as a representative democracy. In presidential systems, unlike in parliamentary systems, the key actor in politics is the president. The people, as principal, assign power to authorities as their agents for a given period. Many constitutions of post-1979 Ecuador tried to empower the president in that sense to tackle the country's chronic ungovernability. However, *de facto* power in Ecuador was often held by unconstitutional actors, influence groups, and clientelist machines; these undermined, manipulated, or disrupted the political system. Correa was not completely wrong when he blamed partisan media, corrupt parties, or civil unrest as contributing to instability. Only the constitution of Montechristi achieved equipping the government with the legal powers to set and pursue Correa's political agenda without the permanent and high risk of political blackmail, coalition breakdown, or impeachment. At the same time, the number and variety of actors working as formal or informal veto players in the policy-making game decreased under the new constitution.

From a macro perspective, this reflection on the constitutional design of Montechristi displays a trade-off between governability on the one hand and accountability on the other hand. The institutional drift, which caused greater effectiveness and autonomy of government at the expense of accountability, was described by Bowen as the "tripartite dilemma" of creating democratic state capacities (Bowen 2015). Bowen (2015: 105) stated as follows: "And although all three pillars may be normatively desirable, efforts to strengthen one pillar may undermine (intentionally or not) the others." Until the creation of the new constitution of Montechristi, this trade-off could have been a necessary or at least effective step towards governability, to overcome indecisiveness, irresoluteness, and grassing clientelism.<sup>96</sup> Yet, the deficiencies in checks and balances unfolded under the populist

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<sup>96</sup> As outlined in this study, the gain in presidential power could not be explained by constitutional adjustments alone. The content side of policy making, shared by many of the *Left Turn-* leaders in Latin America successfully addressed marginalized voter groups and improved living conditions of millions of Ecuadorians. Furthermore, the continuing electoral success based on (contestably) fair elections not only strengthened the incumbent but also Alianza PAIS, a political party that was popular and stable enough

government of Correa, whose electoral vehicle was a major driver in the creation of the new constitution.

Under the new constitution, governability – as represented by indicators linked to the quality of public policy (e.g. stability, adaptability) and to development (poverty, inequality, infrastructure, security) – improved *objectively*. At the same time, the *subjective* trust of Ecuadorians in their key political actors (government, parliament, courts, political parties, police) and their support of democratic institutions also increased substantially under the new constitution.<sup>97</sup> This was despite some actors in the policy-making game experiencing a downgrade in their political influence and a setback of the rule of law. The downside of this development, namely the lack of horizontal and vertical accountability, was enabled by two major constitutional deficiencies:

- Procedures to staff important branches of government that were responsible for controlling and limiting the power of the executive (such as the judiciary, the Transparency and Social Control branch or the National Electoral Council) were not set up precisely in the constitution or they fell under the control of the president.
- Elements of delegative or direct democracy had no effect in practice.

This impairment of the system of checks and balances could have been healed by effective bylaws or constitutional amendments. However, the Correa administration took advantage of the deficits by placing loyalists in key positions and pursuing further legislation and constitutional amendments, which deepened the imbalances implied in the ill-designed parts of the constitution:

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to recruit politicians, create inter-temporal linkages and offered sustainable political careers. This electoral vehicle contributed to de-escalating the executive-legislative game that traditionally ended up in political stalemate.

<sup>97</sup> See, for instance, Latinobarometro survey data for confidence in national institutions 1998-2015.

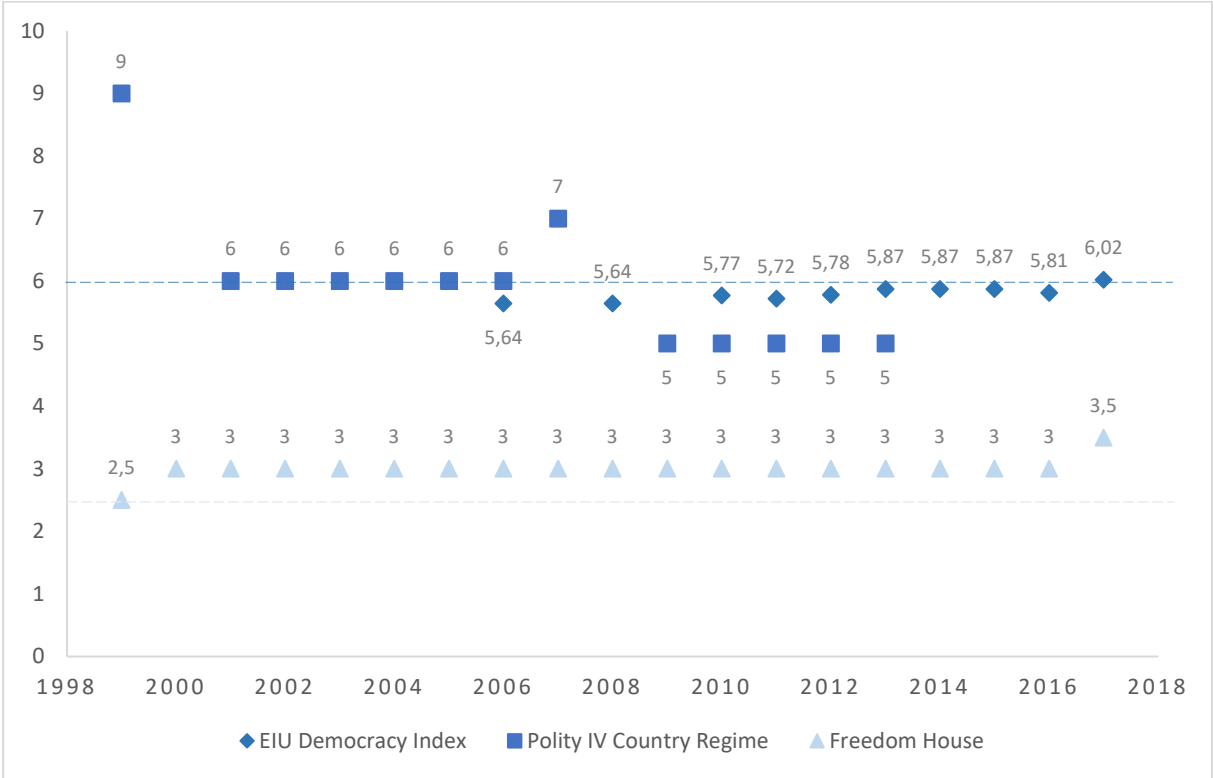
- The cessation of term limits for all public officials, including the president, signified a further strengthening of the already dominant presidential office.
- The reform of the judiciary (including the creation of the new Constitutional Court) further impeded judicial independence.
- Social regulation, including the Law of Communication and Decree 16, placed massive pressure on the media and civil society organizations.

In consequence, Ecuador experienced criticism from democracy advocates, human rights organizations, and the scholarly community. This account brings us to the blurry borderline between populism and autocracy and raises the following question: Did Rafael Correa transform Ecuador into an authoritarian regime, as claimed by other authors?

To start from the very end: This study, eventually and against some predictions, ended parallel to the orderly transition of the Correa administration into a new administration which revoked social regulation, initiated a reform of the TSC branch and re-enacted term limits for public officials including the president. The Montecristi Constitution and the Buen Vivir development paradigm are still in effect. For the full period that this study covered (1998–2017), Ecuador was never ranked as an authoritarian regime or an unfree country in the major indices, such as the Polity Data Series (*Polity IV*), FH's *Freedom in the World Report* or EIU's *Democracy Index*. Polity IV, Freedom House, and the EIU Democracy Index repeatedly rated Ecuador close to the threshold value for a democratic (6.00) and free (2.5) country (graph 21).

With respect to quantitative findings, Ecuador experienced a period of populist politics and democratic setbacks. Anti-opposition narratives, a personalized leadership style, power concentration, and institutional adjustments are a viable path to autocracy. Yet, Ecuador was not transformed into an authoritarian regime at any point but rather represented a category of countries that Bermeo (2016: 6) described as “ambiguously democratic or hybrid.” Indices of democracy suggest the same conclusion. In that sense, fractions of the discourse and judgement around the Correa administration are not precise. Nevertheless, the country is still not a full democracy;

**Graph 21:** Ecuador’s democracy status on different indices between 1998 and 2017



Index scales: EIU (10 to 8.01= Full democracy, 8.00 to 6.01= Flawed democracy, 6.00 to 4.01= Hybrid regime, 4.00 to 0= Authoritarian); Polity IV (10= Full democracy, 9 to 6= Democracy, 5 to 1= Open Anocracy, 0 to -5= Closed Anocracy, -6 to -10= Autocracy); FH (1.0 to 2.5= Free, 3.0 to 5.0= Partly Free, 5.5 to 7.0= Not free)

Source: Author based on EIU, Polity IV (PITF), FH.

the menace of authoritarian rule will remain until the system of independent checks and balances is fully restored and civil rights are guaranteed without constraints. Other democracies ranked high on the indices mentioned prove that accountability is not necessarily a trade-off for government effectiveness. Both can exist at a high level. However, under circumstances of severe political instability, poor state performance, and gridlock due to corruption and an excessive number of legitimate and illegitimate veto players, a trade-off towards governability at the expense of accountability might be justified, if only non-constitutional veto players and clientelist interest groups are affected and the standards of representative, liberal democracy are upheld. Sadly, adjustments of this kind often lead to autocracies and failed states, as the recent example of Venezuela illustrates.

Ultimately, constitutional reality is what rulers make it and the citizenry tolerates. If rulers take advantage of institutional loopholes and leeway to undermine democratic order, backed up by parliamentary, judicial, and public consent, we see evidence of ill-designed constitutions on the one hand, but also an expression of a deviating understanding of what good governance is on the other hand. Too often, populist promises trump civil rights even under reasonably designed constitutions. This point leads to a conclusion articulated by Arteta and Hurtado (2005: 200) regarding the constitution of Sangolquí:

*The last experience in 1998 – Ecuador has had one constitution every nine years on average – suggests that constitutional engineering is not enough to resolve the governance problems of Ecuadorian democracy, or enough to build the necessary institutions for a well-functioning democracy.*

If political culture, basic institutions, and informal rules do not facilitate the evolution of legal environments for democratic rule and good public policy, constitutional change will have little effect. Rulers in power will pursue any means to centralize power in their office. In this case, a path dependence of institutions surviving all kinds of political transformation would become evident.

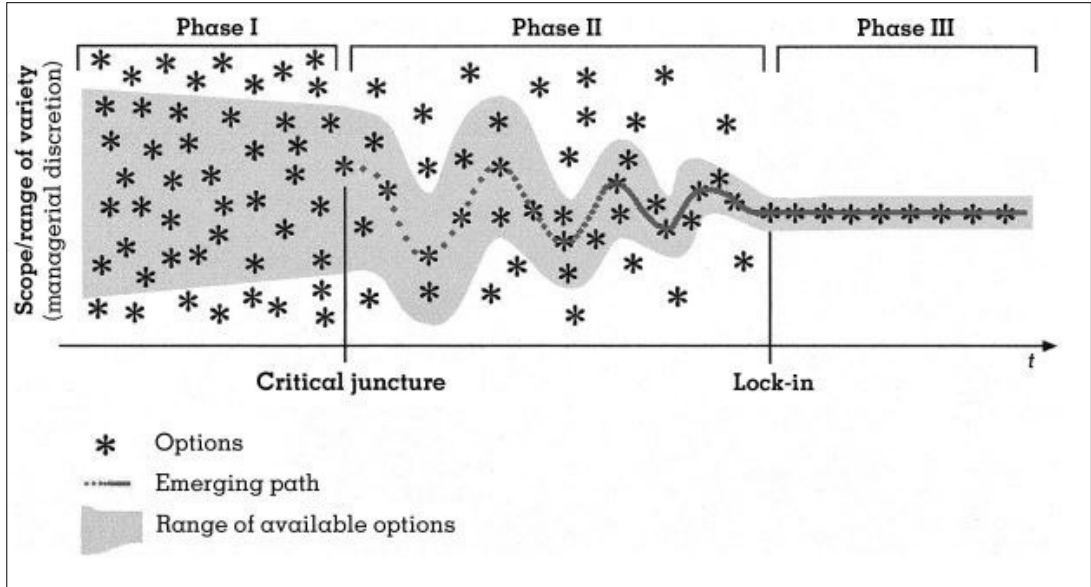
### **7.3 Institutional Path Dependence**

A great deal has been written about the persistence of power structures and hidden dynamics of policy making in Ecuador. As Basabe-Serrano (2018: 150) puts it: “Much of the structure of Ecuadorian political life changed in 2007. This, however, did not translate into profound changes. Old practices and players are still in the force.” The scholarly community in Latin America coined the term *restauracion conservadora* for the imperishability or perpetual resurgence of the underlying principles governing politics since the country’s foundation in 1822. In that sense, *caudillos* are revenants of the old times, inequality is the lasting witness of colonial property structures, and interest groups are the strongholds of powerful principals. This account focuses on political and economic institutions, particularly the persistence of elites governing the state and the neoliberal model dominating the economy (Valdivia 2008, Montufar and

Bonilla 2008, Basabe-Serrano 2009, Kennemore and Weeks 2011, Arsel 2012, Becker 2012, Hogenboom 2012, Radcliffe 2012, La Torre 2013, Novo 2014, Bowen 2015, Shade 2015, Conaghan 2016). This study can only support these claims partially. I argue that Ecuador indeed experiences a continuance of an elite governing the country, which largely excludes vast segments of the population politically and holds onto most principles of free-market economy. However, this elite is not an elite of unconstitutional actors or local clientelist machineries but comprises elected professional politicians. These persons, democratically legitimized, have empowered millions of citizens economically and at least partly added state-directed economic practice to the economic toolkit.

From a technical point of view, the immunity to change of fundamental institutions and their effect on further institutional design is called institutional path dependence (North 1990b; Engerman and Sokoloff 1997; Acemoglu et al. 2001). Path dependence occurs when past institutional foundations determine and limit institutional choices and outcome in the future (Figure 17).

**Figure 17:** The evolution of institutional path dependence



Source: Sydow et al. (2009: 692)

To clarify whether institutions are enduring or change over time, Acemoglu and Robinson (2008, 2009) drew on the allocation of *de jure* and *de facto* political power –

a distinction also used in this study. Institutional path dependence, in that sense, means that *de facto* political power remains unchanged despite profound *de jure* institutional changes, such as constitutional rewritings and reform politics. Acemoglu and Robinson (2008) argued that underlying institutions can change if *de facto* political power, on the one hand, or the nature of political incentives and political strategies, on the other hand, change. An indicator for a shift in political power can be economic incentives, as they depend on economic institutions that result from the political equilibrium.

In this study, arguments for and against a *restauración conservadora* have been considered. These arguments are in line with the views of Acemoglu and Robinson (2008, 2009), who claimed that a simultaneous persistence and change within a set of institutions is possible. Hence, the political transformation in Ecuador consists of a complex change in institutional incentives and payoff structures with regard to *de jure* and *de facto* power of political actors.

Comparing the allocation of *de facto* power under the constitutions of 1998 and 2008, a power decline of influence groups is evident under the Montechristi Constitution – such as landowners, media-owners, business elites, and local caudillos. While property rights of these non-constitutional veto actors remained largely unviolated, their channels and mechanisms to manipulate government for clients have been confined by political institutions. This has been achieved mainly by changing the procedures for the national budget draft, a cascade of recentralization policies, state control over the petroleum industry, strict regulation of civil society organizations, and tight government control of the media sector. Moreover, parliament – which formerly operated as a marketplace for exchanging political currency such as patronage, policy concessions, and funds – lost its function as a major arena for political transactions. The executive, namely the presidential office, has adopted this function. Through the massive gain in *de facto* power, the president is less dependent on influence groups and unstable party coalitions, however. Thus, the “conservative” actors who maintained and reproduced neocolonial power structures did not vanish but lost access to *de facto* power to a verifiable extent.

This argument is underscored by the evolution of Ecuador’s economy. Although neoliberal practice remained in place in some sectors (Yates and Bakker 2014), state-

driven initiatives seeking alternative modes of economic and agricultural activity, promoted as the *economía popular y solidaria*, showed small-scale but gradual process. The recentralization of strategic economic sectors (e.g. in the field of natural resources, measures against free trade, and the massive subsidies of national food and consumer-goods industry) is quite contrary to neoliberal practice. Moreover, an overall improvement of living conditions is evident, as are the decrease of poverty and a significant decline of inequality. While the mode of government action to pursue these goals is contested, the impact of economic empowerment and social progress is striking.

A contrasting argument that highlights the existence of the *restauración conservadora* pertains to the setback of political participation. Civil society has not solved its collective action problem under either constitution. Under the constitution of Sangolquí, well-organized non-constitutional actors determined policy action. By contrast, under the Montechristi Constitution, *de facto* power is held by a well-organized inner circle within the executive. Voters, in contrast, lack effective aggregation mechanisms to set and pursue political goals under both frameworks (Scarlatto 2012). The innovative means of direct democracy that is guaranteed by the new constitution has turned out to be weak in practice. An elite that governs the country has remained in place and citizen participation remains an unfulfilled promise. However, the elite produced by the populist project of the *revolución ciudadana* is a technocratic-functional elite of constitutional actors. Most of the political projects were backed by elections or referenda and executed by a more professional and less corrupt bureaucracy, throughout the nation. The centralist power structures of the president and consolidation of Alianza PAIS as a major political party have made regular political careers more attractive. Despite attempts by the Correa administration to weaken civil society and despite the unfair practice of dominating political competition, the confidence in democratic institutions has increased.

In summary, I conclude that an overall shift has occurred in political and economic power. This shift has entailed the following alterations of incentives and *de facto* power structures in policy making:



- From interest groups and clientelist machines to the president and the central government
- From local and provincial interests to the national interest
- From favoring high-income voter groups to favoring low- and middle-income voter groups
- From free (yet not independent) private media towards censored, state-dominated media
- From neoliberal economic practice to a mix of free-market and state-centered economy
- From social movements, street protest, and coups to more institutionalized means of policy making, such as voting.

Therefore, I find evidence for a continuing imbalance of power between the rulers and the ruled. However, the actors, incentives, and practices involved have gradually changed.

## 8 Conclusion and Reflections

This study set out to shed light on the new institutional framework that has evolved under the Buen Vivir development paradigm, and to explain the linkages between institutions, good public policy, and development. A special motivation of this endeavor was to identify institutional mechanisms that align policy makers to public regardedness by democratic means. Drawing on the idea of Spiller and Tommasi that cooperation among political actors is a key driver for good public policy, I examined and compared the two latest constitutions of Ecuador and relevant laws that govern actors' behavior. The periods of interest to this research were the two decades before and after the beginning of the Buen Vivir constitutional project in 2008. Referring to the mission of the study, I conclude the following insights:

- The rules of the game set up with the Montechristi Constitution in 2008 provided a better framework for cooperation among political actors. In five of the six categories examined, the set of rules existing from 2008–2017 outperformed the framework existing 1998–2007. Disruptive behavior and clientelist veto players are contained to a greater extent, and politics have become more observable and enforceable and are more strongly based on intertemporal linkages. Yet, the arenas of policy making are less institutionalized, making the political system prone to power-seeking and arbitrary behavior of *de facto* power holders in the government.
- In line with the theoretical approach of Spiller and Tommasi, indicators reflecting the quality of public policy (stability, adaptability, implementation, coordination, efficiency, public regardedness) have improved since the constitution in 2008 provided enhanced incentives for cooperation.<sup>98</sup> The data furthermore show that these improvements

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<sup>98</sup> See, for instance, graph 1 on page 84.

slowed down in the second half of the Correa era, when power concentration was facilitated by institutional adjustments.

- The political transformation directed by the Correa administration was characterized by an ongoing effort at power centralization from the start. The new constitution alone equipped the executive with strong instruments to set, pursue, and enforce political agendas and to place loyalists in all branches of government. Nevertheless, Correa further tailored the legal framework to abolish term limits and enact repressive regulation that targeted the media and civil society organizations. Although this created an uneven playing field for the opposition, infringed civil liberties and downgraded its quality of democracy, Ecuador did not become an authoritarian regime at any point. Core principles of democracy, such as substantial individual rights and basic mechanisms of accountability, remained largely intact during all the years observed in this study.
- The institutional changes outlined here signify a profound change in power dynamics in the country. Still, Ecuador remains a place of inequality and exclusion governed by an elite. However, the political transformation effectively reduced economic inequality, improved social inclusion, and reshaped the circle of actors who hold *de facto* power. Before 2008, unconstitutional actors – such as business corporations, local strongmen, and interest groups – made up an important share of the political elite. Since 2008, a technocratic-functional group of elected party-based politicians have acted as principal decision makers. Long-lasting power structures have not been completely overturned, but broader voter groups and the national interest became a greater focus for political activity.

After 10 years of the Montechristi Constitution and the Buen Vivir development paradigm being in place, the long-term social effects and political costs of the *Revolución Ciudadana* are slowly unfolding. The unprecedented political stability together with major investment programs have created economic growth and improved development indicators substantially. According to World Bank data for 2008 to 2017, Ecuador's poverty headcount ratio has fallen from 35% to 21.5%, the Gini coefficient on income inequality has dropped from 0.54 to 0.45, and the Human Development Index score has improved from 0.711 to 0.752. During the years before the launch of Buen Vivir transformation, Ecuador had already experienced a positive growth trajectory, fueled by growing commodity revenues. The new government accelerated this development and the quality of public infrastructure, health, and education improved on a remarkable scale. Especially in the years from 2007 to 2014, strategic macroeconomic choices and allocation politics were backed up by peak revenues of a largely nationalized oil industry. In consequence, public works and social spending programs generated impact for millions of poor people and empowered marginalized groups. However, this legacy of the Correa government was not without costs.

The 2007 Ecuadorian Constituent Assembly assigned vast power to the president at the expense of constitutional veto players. In the course of his two-and-a-half terms, Correa further tailored the constitution by amendments to an extent that he could fill key positions in all five branches with loyalists and could mute opposition from media and social-society organizations. Moreover, elements of direct democracy feature major deficiencies and turned out to be irrelevant in practice (e.g. Council of Citizen's Participation and Social Control). Without effective horizontal and vertical accountability, many policy moves were implemented without being contested. Overall, the pursuit of welfare for the masses implied the following hidden costs for the Ecuadorian people:

- From a fiscal viewpoint, the Correa administration escalated instead of cured Ecuador's endemic problem of budget deficits and national debts. Especially the steep decline of oil prices after 2014 required intensified lending, and national debts became a far greater burden on the next

government than the Correa administration admitted (Wolff 2018). As large-scale credit lines incurred from places like China are safeguarded and repaid by national oil yet to be drilled, the costs of the Citizens' Revolution are a grave burden on future generations of Ecuadorians.

- Compared to the previous period, the Correa government did not intensify crude oil production in terms of barrels per year. However, extensive oil drilling and mining continued despite pioneering cultural and environmental protection rights in the constitution. Furthermore, drilling and mining companies expanded their extraction to protected lands, provoking conflicts with native people and endangering some of the world's most diverse rainforest regions. Among those, drilling in the Yasuni National Park (Yasuni-ITT region) remains a highly controversial issue. As a symbol for the infringement of Buen Vivir's core principles, drilling in Yasuni underscores Ecuador's perpetual dependency on oil revenue.
- Another aspect of social costs, which is harder to grasp on a factual basis, is the change of political culture that Correa's style of leadership introduced. While the professionalization of state bureaucracy and improved welfare systems have increased people's trust in state institutions and organs, Correa's polarizing political narratives created cleavages in Ecuadorian society. Branding opposition groups as "foes of the people," discrediting civil organizations, and demonizing journalists generally impairs social trust and jeopardizes cooperation in politics and society.

Much has been achieved within the last 10 years under the transformation agenda set up in the name of Buen Vivir. Ecuador underwent a profound social, political, and economic transition – which was already occurring but accelerated after 2008, pushing Ecuador to a higher level of development. During these years, the country experienced

advances and setbacks. From a quantitative perspective, the transformation was successful in terms of better public policy and enhanced living conditions. This study concludes that, in line with the institutions–development nexus, the new legal framework based on the 2008 constitution of Montechristi has been a key factor in maintaining cooperation and thus policy-making capacities in Ecuador. The populist drive to alter the constitutional achievement in favor of even more power concentration in the presidential office became a threat for the project it had successfully created. The peaceful transition during the 2017 presidential election, together with a 2018 referendum that restored presidential term limits, signified further milestones in Ecuador’s path to greater development and democracy. The long-term sustainability of these achievements must be the target of future research.

## Data Appendix I

Variable	Content details and scale	Sources
<i>Quality indicators</i>		
<b>Stability</b>		
Risk of policy instability: <i>stab_gcr</i>	From a list of 15 factors, respondents of the GCR survey were asked to select the five most problematic factors for doing business in their country/economy and to rank them between 1 (most problematic) and 5. The measure taken from the survey show the percent of responses weighted according to their rankings. Measure are always in between 0 and 30. Therefore I reverse the measure, so that 0 indicates a very low risk of policy instability and 30 indicates a very high risk of policy instability. Subsequently, I normalize these figures with a z-transformation.	Global Competitiveness Report (GCR)
Risk of contract viability: <i>stab_prs</i>	Expert assessments subject to peer review at the topic and regional levels. The item describes the risk of unilateral contract modification or cancellation of public actors, changes of policy framework, non-payment and, at worst, outright expropriation of foreign owned assets. (Scale 4= very low risk to 0= very high risk)	Political Risk Services Group (PRS); 2001, 2003, 2005, 2009, 2011, 2013, 2015 (all for month June)
Political Consistency, Forward Planning and Quality of Bureaucracy: <i>stab_wmo</i>	Measure indicates how confident businesses can be of the continuity of economic policy stance - whether a change of government will entail major policy disruption, and whether the current government has pursued a coherent strategy. This factor also looks at the extent to which policy-making is far-sighted, or conversely aimed at short-term economic advantage. The measurements are complemented with measures for the quality of bureaucracy.	Global Insight Business Risk and Conditions (WMO); 1998, 2000, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012
Long-term perspective (prioritization): <i>stab_bti</i>	The item describes the political capability to take on a longer-term perspective going beyond immediate concerns of electoral competition and to maintain strategic priorities over periods of crisis and stalemate and therefore focus on the strategic capacity of the government to prioritize and organize its policy measures. Survey question 14.1: To what extent does the government set and maintain strategic priorities? (Score 1-10)	Bertelsmann Transformation Index (BTI); 2003-2017

<b>Adaptability</b>		
Policy Learning: <i>adapt_bti</i>	Policy Learning and flexibility refers to a government's ability to adapt to and take advantage of developmental opportunities inherent to a given political situation. Flexibility and learning allow governments to replace failed policies with innovative ones. The item refers to question 14.3: How innovative and flexible is the government? (Score 1-10)	Bertelsmann Transformation Index (BTI); 2003-2017
Inflation <i>adapt_infl</i>	The inflation rate can be interpreted as the government's ability to adapt to exogenous shocks. Ecuador underwent a process of dollarization in 2000 which significantly lowered inflation rates. However, the measure is still a good indicator of the governments success in responding to sudden shocks such as disasters or political conflicts as well as to gradual changes of production, supply, or consumption.	International Monetary Fund (IMF); 2002-2017
<b>Coordination and coherence</b>		
Policy coordination: <i>coord_bti</i>	As many policies have conflicting objectives, reflect competing political interests and affect other policies, the government has to ensure that its overall policy is coherent. The item refers to question 15.2: To what extent can the government coordinate conflicting objectives into a coherent policy? (Score 1-10)	Bertelsmann Transformation Index (BTI); 2003-2017
Government cohesion: <i>coord_prs</i>	Expert assessments subject to peer review at the topic and regional levels. Government cohesion describes the extent to which the executive/cabinet is coalesced around the government's general policy goals. (Scale 4= very low risk to 0= very high risk)	Political Risk Services Groups (PRS); 2001, 2003, 2005, 2009, 2011, 2013, 2015 (all for month June)
<b>Implementation and enforcement</b>		
Implementation: <i>impl_bti</i>	The item refers to question 14.2 of the BTI survey: How effective is the government in implementing its own policies? (Score 1-10) This question examines the extent to which the government has been able to achieve its own strategic priorities.	Bertelsmann Transformation Index (BTI); 2003-2017



Lawfulness of citizens <i>impl_lb</i>	This measure is extracted from a variable of Latinobarometro surveys referring to the question: “Do countrymen obey the law?” (Score: Not at all; A little, Quite, Very; recoded to 1-4)	Latinobarometro (LB); 1998-2016
Reliability of police services <i>impl_gcr</i>	On a day-to-day basis police services function as a primary body of law enforcement. Inactive, arbitrary, or corrupt police services can be a major obstacle to the implementation of enacted laws. Therefore, I employ the item of policy service reliability from the GCR. Questions are scored on a 7-point scale.	Global Competitiveness Report (GCR)
<b>Public regardedness</b>		
Favoritism in decisions of government officials <i>publicreg_gcr</i>	The GCR surveys gather the views of domestic and foreign-owned firms on a range of issues related to the business environment. The item refers to question 1.07 of the GCR survey: In your country, to what extent do government officials show favoritism to well-connected firms and individuals when deciding upon policies and contracts? [1 = show favoritism to a great extent; 7 = do not show favoritism at all]	Global Competitiveness Report (GCR);
Corruption Perceptions Index <i>publicreg_ti</i>	The TI’s Corruption Perception Index ranks 180 countries and territories by their perceived levels of public sector corruption according to experts and businesspeople, uses a scale of 0 to 100, where 0 is highly corrupt and 100 is very clean.	Transparency International (TI)
<b>Efficiency</b>		
Wastefulness of government spending <i>effic_gcr</i>	The item on wastefulness refers to the question: In your country, how efficiently does the government spend public revenue? Questions are scored on a 7-point scale (1 = extremely inefficient; 7 = extremely efficient in providing goods and services).	Global Competitiveness Report (GCR)
Efficient use of assets <i>effic_bti</i>	The item refers to the BTI’s question 15.1: To what extent does the government make efficient use of available human, financial and organizational resources? (Score 1-10)	Bertelsmann Transformation Index (BTI); 2003-2017

*Condition indicators (c<sub>i</sub>)*

**Executive**

<p>Government accountability <i>c1gov_prs</i></p>	<p>Refers to the democratic accountability indicator of PRS: “A measure of, not just whether there are free and fair elections, but how responsive government is to its people. The less responsive it is, the more likely it will fall. Even democratically elected governments can delude themselves into thinking they know what is best for the people, regardless of clear indications to the contrary from the people.”</p>	<p>Political Risk Service Group</p>
<p>Checks and balances <i>c1gov_bti31</i></p>	<p>Refers to question 3.1 of the BTI: “To what extent is there a working separation of powers (checks and balances)? This question refers to the basic configuration and operation of the separation of powers (institutional differentiation, division of labor according to functions and, most significantly, checks and balances). However, it does not refer to the tendency toward convergence and a fusion of powers that can be observed in parliamentary systems. It does include the subjection of state power to the law.”</p>	<p>Bertelsmann Transformation Index</p>
<p>Prosecution of office abuse <i>c1gov_bti33</i></p>	<p>Refers to questions 3.3 of the BTI: “To what extent are public officeholders who abuse their positions prosecuted or penalized? This question seeks to assess if public servants and politicians are held accountable by legal prosecution and public contempt when they break the law and engage in corrupt practices. It also includes conflicts of interest and ethical misconduct. The focus should be on the extent to which the rule of law is undermined by political corruption.”</p>	<p>Bertelsmann Transformation Index</p>
<p>Veto powers and political enclaves <i>c2gov_bti22</i></p>	<p>Refers to questions 2.2 of the BTI: “To what extent do democratically elected political representatives have the effective power to govern, or to what extent are there veto powers and political enclaves? Veto powers refer to individuals or groups who have the power to undermine democratic procedures without questioning the system as such. Veto powers can come from the military, the clergy, landowners, business elites, and external actors, among others. They can ‘veto’ the results of democratic decisions or retain prerogatives that cannot be touched by democratically elected officeholders (e.g., nominating the commander-in-chief of the armed forces).”</p>	<p>Bertelsmann Transformation Index</p>

Influence of interest groups <i>c2gov_lb</i>	Refers to a question of LB the questionnaire: “Generally speaking, would you say that (country) is governed for a few powerful groups in their own interest? Or is it governed for the good of all?” The indicator applied reflects the percentage of people supporting the statement “Powerful groups in their own interest” Data used for the years: 2004-2011, 2013, 2015-2017.	Latinobarometro
Governance risk from civil disorder <i>c2gov_prs</i>	Indicator extracted from PRS’ sub-score for internal conflict that targets to reflect political violence and its actual or potential impact on governance. By civil disorder civil society actors can become powerful veto players and influence the executive’s decision making. PRS definition: “The potential risk to governance or investment from mass protest, such as anti-government demonstrations, strikes, etc.”	Political Risk Service Group
Cabinet continuity <i>c3gov_bas</i>	Cabinet continuity is based on my analysis of data provided by Basabe-Serrano et al. (2018). The data covers all cabinets of Ecuador’s national government between 1998 and 2017. Cabinet continuity was calculated as the reversed turnover rate of cabinet reshuffling. E.g. if 10 out of 10 ministers of the cabinet are exchanged turnover rate is 1 while 5 out of ten is a rate of 0.5.	Basabe-Serrano et al. (2018)
Absent risk of government removal/ coups <i>c3gov_gcr</i>	Reversed value for the risk of government removal/ coups from GCR questionnaire on the biggest risks for business. A low risk of political instability, government removal or coups facilitate long-term orientation of political actors and thus incentivizes intertemporal cooperation.	Global Competitiveness Report
Political stability/ absence of violence <i>c3gov_wb</i>	Aggregate Indicator of the World Bank’s Worldwide Governance Indicators. The indicator for Political Stability and Absence of Violence/Terrorism is composed of 9 harmonized sub-scores from Economist Intelligence Unit, World Economic Forum Global Competitiveness Survey, CIRI Human Rights Database & Political Terror Scale, iJET Country Security Risk Ratings, Institutional Profiles Database, Political Risk Services International Country Risk Guide, IMD World Competitiveness Yearbook, World Justice Project, IHS Global Insight Country Risk Rating.	World Bank, Worldwide Governance Indicators

Accountability, transparency, corruption (rural) <i>c3gov_ifad</i>	I extracted this indicator from the World Bank's Worldwide Governance Indicators that was originally constructed by expert assessment for the IFAD's Rural Sector Performance Assessment. IFAD country economists (subject to centralized review) evaluate the rural policy environment on a 6-point scale. Numbers were normalized by the WB to fit the Worldwide Governance Indicator methodology.	WB/ International Fund for Agricultural Development
Government transparency (national) <i>c4gov_gcr</i>	GCR measure for transparency of government policymaking: "In your country, how easy is it for companies to obtain information about changes in government policies and regulations affecting their activities? [1 = extremely difficult; 7 = extremely easy]". Yearly weighted average Source: World Economic Forum, Executive Opinion Survey.	Global Competitiveness Report
E-government <i>c4gov_un</i>	The indicator for electronic government originates from the UN's E-Government Survey: "Mathematically, the E-Government Development Index (EGDI) is the weighted average of normalized scores on the three most important dimensions of e-government, namely: (i) the scope and quality of online services quantified as the Online Service Index (OSI); (ii) the status of the development of telecommunication infrastructure or the Telecommunication Infrastructure Index (TII); and (iii) the inherent human capital or the Human Capital Index (HCI)."	United Nations, E-Government Survey
Budget transparency <i>c4gov_ibp</i>	Figure taken from the OBS budget transparency index. Based on 145 annually launched scored questions on the central government's budget transparency, "the IBP's Open Budget Survey (OBS) assesses the three components of a budget accountability system: public availability of budget information; opportunities for the public to participate in the budget process; and the role and effectiveness of formal oversight institutions, including the legislature and the national audit office (referred to here as the 'supreme audit institution'). The majority of the survey questions assess what occurs in practice, rather than what is required by law."	International Budget Partnership

Democratic institutions <i>c5gov_bti</i>	Refers to question 4.1 of the BTI on the performance of democratic institutions: “Are democratic institutions capable of performing? This question aims to establish if democratic institutions exist and to what extent they perform their functions effectively and are free from extensive, counterproductive friction. Democratic institutions include national, regional and local governments, the parliament, the judiciary and the public administration.”	Bertelsmann Transformation Index
Challenge of Regulation <i>c5gov_gcr</i>	Refers to question 1.08 of the World Economic Forum’s Executive Opinion Survey on the efficiency of the legal framework in challenging regulations: “Response to the survey question “In your country, how easy is it for private businesses to challenge government actions and/or regulations through the legal system?” [1 = extremely difficult; 7 = extremely easy].” Yearly weighted average.	Global Competitiveness Report
Rule of Law <i>c5gov_wb</i>	Aggregate Indicator of the World Bank’s Worldwide Governance Indicators. The indicator for Rule of Law is composed of 16 harmonized subscores from BTI, Economist Intelligence Unit, FH, FH Countries at the Crossroads, GCR, Global Integrity Index, Gallup World Poll, Heritage Foundation Index of Economic Freedom, IFAD, Institutional Profiles Database, LB, PRS, US State Department Trafficking in People Report, Vanderbilt University’s Americas Barometer (LAPOP), World Justice Project and WMO.	World Bank, Worldwide Governance Indicators
<b>Legislative actors and parties</b>		
Political rights <i>c5leg_fh</i>	Evaluation of political rights from the FH’s Freedom of the World Report: “A country or territory is awarded 0 to 4 points for each of 10 political rights indicators, which take the form of questions; a score of 0 represents the smallest degree of freedom and 4 the greatest degree of freedom. The political rights questions are grouped into three subcategories: Electoral Process (3 questions), Political Pluralism and Participation (4), and Functioning of Government (3).”	Freedom House, Freedom of the World Report

<p>Political parties <i>c6leg_bti</i></p>	<p>Refers to question 5.1 of the BTI: “To what extent is there a stable and socially rooted party system able to articulate and aggregate societal interests? To answer this question, please consider:</p> <ul style="list-style-type: none"> <li>· the extent to which parties are socially rooted and organizationally institutionalized</li> <li>· the degree of clientelism and the effects it has in promoting or inhibiting stability</li> <li>· the fragmentation of the party system</li> <li>· the level of polarization</li> <li>· the degree of voter volatility”</li> </ul>	<p>Bertelsmann Transformation Index</p>
<p>Voice and accountability <i>c6leg_wmo</i></p>	<p>Variable from WMO composed of two sub-score: 1. Institutional permanence: “An assessment of how mature and well-established the political system is. It is also an assessment of how far political opposition operates within the system or attempts to undermine it from outside.” And 2. Representativeness: “How well the population and organized interests can make their voices heard in the political system. Provided representation is handled fairly and effectively, it will ensure greater stability and better designed policies.”</p>	<p>Global Insight Business Risk and Conditions (WMO)</p>
<p><b>Judiciary</b></p>		
<p>Judicial independence <i>c6jur_gcr</i></p>	<p>Refers to question 1.06 of the World Economic Forum’s Executive Opinion Survey on the independence of the judiciary: Response to the survey question “In your country, how independent is the judicial system from influences of the government, individuals, or companies? [1 = not independent at all; 7 = entirely independent).” Yearly weighted average.</p>	<p>Global Competitiveness Report</p>
<p>Checks and balances <i>c6jud_bti</i></p>	<p>Taken from section three of the BTI this figure reflects the extend of the rule of law in terms of how far: “State powers check and balance one another and ensure civil rights. 3.1 To what extent is there a working separation of powers (checks and balances)? 3.2 To what extent does an independent judiciary exist? 3.3 To what extent are public officeholders who abuse their positions prosecuted or penalized? 3.4 To what extent are civil rights guaranteed and protected, and to what extent can citizens seek redress for violations of these rights?”</p>	<p>Bertelsmann Transformation Index</p>

Law and order  <i>c6jud_prs</i>	Equals the PRS' variable for law and order: "Two measures comprising one risk component. Each sub-component equals half of the total. The 'law' sub-component assesses the strength and impartiality of the legal system, and the 'order' sub-component assesses popular observance of the law."	Political risk service group
Property rights  <i>c6jud_hf</i>	From the HF's Index of Economic Freedom, section on property rights. Variable is composed of: "Strength of investor protection, Risk of expropriation, and Quality of land administration. Each of these sub-factors is derived from numerical data sets that are normalized for comparative purposes" Sources: "The Index relies on the following sources for assessing property rights: World Economic Forum, World Competitiveness Report; World Bank, Doing Business; and Credendo Group, Country Risk Assessment."	Heritage foundation, Index of Economic Freedom
<b>Civil actors</b>		
Vote for change  <i>c1civ_lb</i>	Reply on the LB's question: "Some people say that the way you vote can make things different in the future. Which is the closest statement to your way of thinking?" (% of people answering: It doesn't matter how I vote, nothing is going to make things different in the future.). Data used from the years 1998, 2003, 2004, 2005, 2009, 2015.	Latinobarometro
Protest participation  <i>c1civ_vu</i>	Variable equals the percentage of participants answering positively on the following question from the LAPOP questionnaire: "¿En los últimos doce meses, ha participado en una manifestación o protesta pública?" Data used from the years 2006, 2008, 2010, 2012, 2014.	LAPOP of Vanderbilt University
Rejection of democracy  <i>c1civ_bti</i>	Reversed rate for democracy acceptance reflected in the results of the BTI's question: "To what extent are democratic institutions accepted as legitimate by the relevant actors? The relevant actors are all individuals and organizations that are able to concentrate political power. This includes government bodies, political parties, associations, interest groups and civic organizations, as well as groups with potential veto powers, such as the military or the clergy."	Bertelsmann Transformation Index

Civil unrest/ terrorism	<p>1998-2013 Civil unrest and terrorism: Definition for civil unrest: “How widespread political unrest is, and how great a threat it poses to investors. Demonstrations in themselves may not be cause for concern, but they will cause major disruption if they escalate into severe violence. At the extreme, this factor would amount to civil war.”</p> <p>2013-2016 Protest and riots, terrorism and war: Definition for protests and riots: “The risk that the nature and impact of protests and riots (excluding those related to labour) cause damage to assets or injure or detain people, particularly if these disrupt normal movement, business operations, and activity.”</p> <p>Data used from the years 1998, 2000, 2002- 2016.</p>	Global Insight Business Risk and Conditions (WMO)
<i>c1civ_wmo</i>		
Civil society associations	<p>Refers to question 5.2 of the BTI: “To what extent is there a network of cooperative associations or interest groups to mediate between society and the political system? This question addresses the representation of societal interests in the political system. In evaluating the systemic nature and the quality of representative patterns, please consider:</p> <ul style="list-style-type: none"> <li>· the spectrum of interest groups, ranging from social movements and community organizations to unions and professional associations</li> <li>· the capacity to incorporate all (competing) social interests and to avoid the dominance of few strong interests</li> <li>· the degree of cooperation between different interest groups.”</li> </ul>	Bertelsmann Transformation Index
<i>c2civ_bti</i>		
Freedom to participate in politics	<p>Percentage of people answering “strongly guaranteed” to the question: “To what extent do the following freedoms, rights, opportunities and securities are guaranteed in (country)?: Freedom to participate in politics”. Data used from the years 2007-2009, 2011, 2015.</p>	Latinobarometro
<i>c2civ_lb</i>		
Civil participation	<p>Average percentage of people stating in the LAPOP survey that they participated in the following assemblies: “1. Participación en reuniones de un comité o junta de mejoras. 2. Participación en reuniones de un partido politico. 3. Participación en reuniones municipales”.Data used from the years 2004, 2006, 2008, 2010, 2012, 2014.</p>	LAPOP of Vanderbilt University
<i>c2civ_vu</i>		



Civil rights <i>c5civ_bti</i>	Refers to question 3.4 of the BTI: “To what extent are civil rights guaranteed and protected, and to what extent can citizens seek redress for violations of these rights? Civil rights contain and limit the exercise of state power by the rule of law. Their most important aspects comprise: · the protection of personal liberty against state and non-state actors, including the right to life and security of the person, prohibition of torture, cruel and inhuman treatment or punishment and the protection of privacy · equality before the law, equal access to justice and due process under the rule of law.”	Bertelsmann Transformation Index
Freedom of expression <i>c5civ_fh</i>	Evaluation of civil rights from the FH’s Freedom of the World Report: “A country or territory is awarded 0 to 4 points for each of 15 civil rights indicators, which take the form of questions; a score of 0 represents the smallest degree of freedom and 4 the greatest degree of freedom. [...] The civil liberties questions are grouped into four subcategories: Freedom of Expression and Belief (4 questions), Associational and Organizational Rights (3), Rule of Law (4), and Personal Autonomy and Individual Rights (4).”	Freedom House, Freedom of the World Report
Press freedom <i>c5civ_rsf</i>	Variable equals the score of the RSF Press Freedom Index. The score is compiled by 87-question expert online questionnaire covering six indicators: Pluralism, media independence, environment and self-censorship, legislative framework, transparency, and infrastructure. These numbers are “combined with the data on abuses and violence against journalists during the period evaluated”.	Reporters without borders, Press Freedom Index

## DATA APPENDIX II:

Legislation procedure and success by institutional actor by year

2009

Initiative	Bills	Approved by CAL	First debate	Second debate	Approved by plenum	Presidential veto		Laws enacted (orig.)	Success rate
						partly	total		
President	19	19	19	19	15	12	-	14 (2)	
Assembly	74	60	52	47	39	24	3	36 (12)	
Citizenry	2	1	1	1	1	1	0	1 (0)	
Other	3	1	1	1	1	1	0	1 (0)	

2010

Initiative	Bills	Approved by CAL	First debate	Second debate	Approved by plenum	Presidential veto		Law enacted (orig.)	Success rate
						partly	total		
President	19	18	17	16	15	5	-	13 (8)	
Assembly	140	115	81	50	29	4	13	16 (12)	
Citizenry	1	0	0	0	0	0	0	0	
Other	4	4	3	3	3	2	1	2 (0)	

2011

Initiative	Bills	Approved by CAL	First debate	Second debate	Approved by plenum	Presidential veto		Law enacted (orig.)	Success rate
						partly	total		
President	19	18	15	12	11	3	-	11 (8)	
Assembly	120	106	59	37	13	7	2	11 (2)	
Citizenry	0	0	0	0	0	0	0	0	
Other	2	2	2	2	2	2	0	2 (0)	

## 2012

Initiative	Bills	Approved by CAL	First debate	Second debate	Approved by plenum	Presidential veto		Law enacted (orig.)	Success rate
						partly	total		
President	6	6	6	6	6	4	-	6 (2)	
Assembly	121	86	59	21	15	14	0	15 (1)	
Citizenry	3	2	2	0	0	0	0	0	
Other	1	1	1	1	1	1	0	1	

## 2013

Initiative	Bills	Approved by CAL	First debate	Second debate	Approved by plenum	Presidential veto		Law enacted (orig.)	Success rate
						partly	total		
President	9	9	9	8	7	3	-	7 (4)	
Assembly	35	22	17	5	4	1	2	2 (1)	
Citizenry	1	0	0	0	0	0	0	0	
Other	0	0	0	0	0	0	0	0	

## 2014

Initiative	Bills	Approved by CAL	First debate	Second debate	Approved by plenum	Presidential veto		Law enacted (orig.)	Success rate
						partly	total		
President	14	14	12	12	12	9	-	12 (3)	
Assembly	48	42	28	13	10	7	0	10 (3)	
Citizenry	0	0	0	0	0	0	0	0	
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	

## 2015

Initiative	Bills	Approved by CAL	First debate	Second debate	Approved by plenum	Presidential veto		Law enacted (orig.)	Success rate
						partly	total		
President	8	8	6	5	5	4	-	5 (1)	
Assembly	71	67	24	8	6	2	0	6 (4)	
Citizenry	0	0	0	0	0	0	0	0	
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	

## 2016

Initiative	Bills	Approved by CAL	First debate	Second debate	Approved by plenum	Presidential veto		Law enacted (orig.)	Success rate
						partly	total		
President	10	10	9	8	8	2	-	8	
Assembly	100	76	24	7	5	4	0	5 (1)	
Citizenry	0	0	0	0	0	0	0	0	
Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	

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