

# Polarization, Fractionalization and Reform: A Framework of Political Collaboration with Application to Lebanon

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Working Paper Version – December 2018

**ABSTRACT** How do polarization and fractionalization affect political collaboration on reform? We develop a conceptual framework in order to explore the transmission channels by which polarization and fractionalization affect political collaboration and thereby the type and nature of legislative output. We argue that reform needs to be understood as a multi-layered concept based on the legal code of a country in order to fully reflect the political dynamics of collaboration on reform. We apply our framework to the case of Lebanon. We present mixed-methods evidence based on a novel comprehensive database of legislative activity in Lebanon and 32 semi-structured interviews with parliamentarians, ex-ministers, and government officials. To test the predictions of the framework, we exploit a natural experiment: the so-called “Cedar Revolution” (2005) which represents a case of an exogenous shock that led to a sudden reconfiguration of the extent to which polarization and fractionalization determine policymaking in a country. Based on our interview data, we identify transmission channels through which polarization and fractionalization impede collaboration on reform. Our findings contribute to explain ambiguous evidence in the literature on the political economy of reform.

**Keywords:** Reform, Political Collaboration, Policymaking, Polarization, Fractionalization, Lebanon

**JEL:** P48, K00, D78

## 1. Introduction

Much of the established literature on the political economy of reform seeks to explain why reform becomes protracted. Prominent explanations focus on the degree of political polarization and fractionalization between interest groups within a given country: the more polarized or fractionalized a polity is, the more difficulties political actors encounter in their efforts to collaborate on reform (Drazen, 2000). Yet, some countries carry out reform at a faster pace than others, despite exhibiting similar levels of polarization or fractionalization (for example Banerjee and Munger 2004). There exists substantial variation across countries in terms of how a given degree of polarization and fractionalization determines the incidence of reform (Campos and Esfahani, 1996; Rodrik, 1996; Bortolotti and Pinotti, 2008; Galasso, 2014).

This article studies how polarization and fractionalization affect political collaboration on reform in Lebanon. We develop a conceptual framework that links a polity’s degree of political polarization and fractionalization to its legal code, which defines the “objects of collaboration,” such as individual laws or decrees. We argue that the essential properties of a reform project determine the extent to which polarization and fractionalization affect political collaboration on reform: the higher the institutional requirements of a reform are, i.e., the number and nature of political actors and institutions involved in accrediting the legislation, and the more groups are affected by it, the more polarization and fractionalization can impede political collaboration.

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<sup>1</sup> Dublin City University. We are grateful for support and helpful comments on earlier drafts provided by Marsin Alshamary, Michael Breen, Melani Cammett, Jonas Draege, Jeffrey Frieden, David Jacobson, Sarah El-Jamal, and research groups at the Harvard Kennedy School *Middle East Initiative*, Orient Institute Beirut, and Issam Fares Institute.

We derive our core concepts from *political transactions theory* (Spiller and Tommasi, 2003; Stein *et al.*, 2006; Scartascini, Stein and Tommasi, 2013; Tommasi, Scartascini and Stein, 2014). To achieve reform, political actors need to engage in political collaboration, which requires political transactions in the form of intertemporal agreements. These transactions are intertemporal in nature in the sense that political concessions today are exchanged in return for concessions tomorrow. The central argument of political transactions theory is that the functioning of political institutions impacts on the capacity of political actors to engage in political transactions and, hence, the quality of policies. Because the concept of political transactions applies to democratic regimes independent from the structure of a polity, we employ it as an epistemological framework in this paper. In what follows, we refer to political collaboration as the process of engaging in intertemporal political transactions which has reform in the form of the issuance of legislative texts as an outcome.

The literature on the political economy of reform mainly focuses on the aggregate impact of polarization and fractionalization on reform (Drazen, 2000). In the context of political collaboration on reform, we refer to polarization as the degree to which policy positions of groups of actors are homogenous within groups and heterogeneous across groups (Torenvlied and Haarhuis, 2008). Fractionalization of the polity relates to the number of politically significant social groups with veto powers (Cox and McCubbins, 2001; Tsebelis, 2002). For example, higher degrees of polarization are found to delay reform (Alesina and Drazen, 1991; Alesina, Ardagna and Trebbi, 2006; Martinelli and Escorza, 2007), lower the occurrence of ‘significant’ reform (Mayhew, 1991; Binder, 1999; Howell *et al.*, 2000; Jones, 2001; Clinton and Lapinski, 2006), and law production (McCarty, Poole and How, 2006, pp. 176–183). Similarly, higher degrees of fractionalization decrease the likelihood of reform in certain policy areas, such as trade or privatization (Banerjee and Munger, 2004; Brooks and Kurtz, 2007; Bortolotti and Pinotti, 2008; Galasso, 2014), and the ‘level’ of reform (Tsebelis, 1999; Torenvlied and Haarhuis, 2008). As many of these findings are results of panel-data regression analyses, they tend to leave transmission channels that could explain individual reform episodes underdetermined (Scheemaekere, Oosterlinck and Szafarz, 2015; Mahmalat and Curran, 2018). Our study addresses this gap by identifying transmission channels by which polarization and fractionalization influence political collaboration.

We apply the framework developed in this paper to study the effects of polarization and fractionalization in Lebanon. Lebanon is a particularly relevant case to study, as its polity is highly affected by high degrees of fractionalization and polarization among sectarian communities (Makdisi and Marktanner, 2009) and has a track record of protracted reform and low legislative output.<sup>2</sup> We present evidence in a mixed-methods approach in two steps. First, based on a novel database of legislative activity, we show that increased levels of polarization and fractionalization reduce the production of legislation with high requirements and broad impact, while it leaves legislative activity with lower requirements relatively unaffected (Section 3). To that end, we exploit a natural experiment that occurred in 2005: the so-called “Cedar Revolution,” which ended Syrian military presence in Lebanon. The revolution led to a sudden surge in polarization and fractionalization as several significant political parties (re)appeared on the political spectrum that had formerly been outlawed or oppressed. That way, the revolution is an example of an exogenous shock that led to a sudden, rather than gradual, reconfiguration of the degree to which polarization and fractionalization influence policymaking in a given polity.

In a second step, we identify transmission channels that link polarization, fractionalization and the properties of reform projects to political collaboration (Section 4). The analysis is based on 32 guideline-based semi-structured expert-interviews with parliamentarians, ex-ministers, and government and party officials of all political factions represented in the Lebanese parliament.<sup>3</sup> We find that polarization and fractionalization in Lebanon affect political

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<sup>2</sup> For example, the average number of laws passed per year from 1990 until 2009 in Lebanon was 56.3 compared to 186.3 for a set of European countries. Source: Authors’ calculation based on data of the “Comparative Agenda Project” and the Lebanese Official Gazette. Countries included: Belgium, Denmark, France, Hungary, Netherlands, Spain. Available at: [comparativeagendas.net](http://comparativeagendas.net)

<sup>3</sup> Analyzing just one country is, of course, only a step towards a comprehensive comparative approach. However, case studies are found to be a suitable means to explore heretofore unobserved causal mechanisms between variables “because they are not limited to the

collaboration more in cases of reform for which the time-horizons of the collaboration game overstretch those of political actors in office, and for which a higher degree of trust is required to make intertemporal agreements credible.

Our findings contribute to explain ambiguous results in the literature on the political economy of reform (Section 5). First, we find that electoral cycles matter for the likelihood of reform, however, depending on the requirements of reform. Second, in environments without impartial enforcement mechanisms of intertemporal agreements – i.e., in “weak” and divided states with low bureaucratic capacity or an undermined judiciary – fractionalization impedes collaboration via the transmission channel of mutual trust. The framework developed in this paper offers a basis for comparative approaches in order to gain a fuller understanding of political collaboration in divided societies.

The remainder of the paper is organized as follows: Section two develops a conceptual framework of political collaboration on reform. Section three present evidence of the effect of polarization and fractionalization on legislation. Section four identifies transmission channels to explain the findings. Section five situates the findings within the literature of the political economy of reform. Section 6 concludes.

## 2. The Framework

This section sets out the conceptual building blocks of our framework of collaboration on reform as illustrated in Figure 1. We discuss four analytical concepts of policymaking and their connection to the phenomenon under consideration, that is, political collaboration. We are ultimately concerned with the type of reform which constitutes our dependent variable, such as laws or decrees (1). We view reform as the outcome of political collaboration in the form of intertemporal political agreements. Political collaboration, in turn, is conditioned by the functioning of political institutions (the “rules” of the collaboration game) (2), the setting of social groups (their political polarization and fractionalization) (3), and the essential properties of a reform project (a projects’ institutional requirements and breadth of impact) (4). While the setup of social groups and the properties of a reform project interact with the functioning of institutions, we argue that they constitute separate analytical dimensions. Last, we derive hypothesis which we test in subsequent sections.

### [FIGURE 1 ABOUT HERE]

#### 1) Political Collaboration and Reform

Empirical literature provides numerous concepts for measuring reform, mostly reflecting changes in the regulatory environment of a given country. However, extant methods of modeling reform based on traditional reform indices fall short of capturing the underlying political dynamics that are essential for explaining their occurrence. They risk conflating distinct causal connections that link economic conditions and regulatory change, thereby making conclusive interpretation of results elusive (Babecký and Campos, 2011; Campos and Horváth, 2012).

In an attempt to capture the complexity of the concept of reform this study follows a model of Tommasi and Spiller (2003) and a definition emanating from Stein et al. (2006). Stein *et al.* define ‘policy reform’ as “the outcomes of complex exchanges among political actors over time.” (p. 15) According to Stein *et al.*, adopting reform requires “specific responses from economic and social agents, and therefore necessitates several forms of cooperation and positive beliefs about the durability and other properties of the policy.” (p. 15) Hence, reform represents the outcome of a series of political transactions within a bargaining game, which in turn depends on the institutional, political, and cultural context of a polity. What is more, few political transactions can be

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variables or measures of complex concepts that appear in preexisting datasets” (Gerring, 2007; Weller and Barnes, 2014, p. 4). Therefore, the paper aims at providing a conceptual basis for the application to future empirical work on a comparative basis.

concluded on the spot but involve a time dimension. In most cases “current actions or resources (such as votes) are exchanged for promises of future actions or resources (they are inter-temporal transactions)” (pp.17, emphasis added in original).

This paper defines reform as the outcome of an exchange of intertemporal political agreements between political actors that results in legislative action. That way, reform can be understood as the succession of bargains between political actors by which legislation is processed within a polity: from the initial necessity assessment to drafting a proposal, discussing and voting in respective institutions, and the eventual publication in official journals. In the remainder of the paper, the concepts of “policy,” and “reform” will be used interchangeably as they describe the same outcome of a political collaboration game.

## 2) Political Institutions and Political Collaboration

Political transactions theory defines a set of determinants of an institutional environment that facilitates the ability of political actors to engage in intertemporal agreements (Spiller and Tommasi, 2003, pp. 288–291). First, the number of key political actors with veto powers should be small. The larger the number of veto players, the smaller the win-set over the status quo, that is, the realm of acceptable solutions to all players (Tsebelis, 2002). Second, political actors need to have strong intertemporal linkages. Frequent replacements of key political actors undermine the ability to engage in credible intertemporal agreements. Third, political moves should be easily observable. Collaboration is harder to sustain if actions of actors are difficult to verify or predict. Fourth, there should be strong and impartial enforcement mechanisms, such as an independent judiciary or bureaucracy to which certain tasks can be delegated. Fifth, key political exchanges should take place in formal rather than informal arenas in which the properties one to four are satisfied. These arenas, such as parliamentary institutions, offer an environment that makes agreements easier to observe and enforce. Sixth, the short-run payoff from deviating from collaboration should not be too high. The payoffs-structure of collaboration should provide incentives to sustain collaboration.

As we will discuss in Section 4, Lebanese political institutions tend to violate many of these conditions. Key actors face short time-horizons, a bureaucracy of low capacities, and collaborate in informal arenas which cannot offer credible enforcement mechanisms. As many veto players are involved in bargaining games, their political moves are moreover difficult to observe and their objective functions hard to predict. This contributes to making Lebanese political collaboration highly opportunistic and deters reform with high requirements and a broad impact.

However, as the political transactions argument designates the *quality* of policies as its dependent variable, it does not specify how the specific *type* of a reform project can affect political collaboration, i.e. whether a reform constitutes a law, decree, or otherwise. As we will discuss below, different types of reform change the nature of the bargaining game as they involve different institutional processes, actors and incentives.

## 3) The Setting of Social Groups and Political Collaboration

It is not only the functioning of political institutions that influences collaboration. The setting of social groups too – commonly indicated by the degree of their political polarization and fractionalization – exhibit distinct patterns by which they affect political collaboration (Easterly and Levine, 1997; Gören, 2014; Papyrakis and Mo, 2014; van Staveren and Pervaiz, 2017). A polarized or fractionalized polity reflects the difficulties actors encounter to make concessions beyond group boundaries.

### *Polarization*

The concept of polarization has first been formalized by Esteban and Ray (1994) who offer two mechanisms to capture the sum of effective interpersonal antagonism in a society: i) the degree of identification towards members of the own group and ii) the alienation felt towards other groups. Polarization becomes larger when group members become more similar vis-à-vis each other or the distances between groups increases.<sup>4</sup> For Esteban and Ray (1994) and other scholars, economic inequality is the main distinguishable feature between groups (see Galor, 2011 for a review).<sup>5</sup>

However, recent scholarship shows that polarization has multiple sources, such as political inequalities (Alesina, Michalopoulos and Papaioannou, 2016). In particular, conflict over the distribution of economic resources is not sufficient condition for the polarization of political behavior of actors: political actors do not necessarily politicize distributional conflict to the same degree as their preferences over resource allocation differ. Instead, political inequalities as a result of politicized behavior constitute an important element of polarization and consequence of distributional conflict. Reynal-Querol (2002), for example, shows that religiously divided polities are more prone to conflict than countries where groups contest the allocation of resources or where divisions are based on language.

These considerations in mind, we follow Torenvlied and Haarhuis (2008) in referring to differences in policy positions and defining polarization as a function of two elements: i) as the extent to which groups of actors are homogenous with respect to the policy positions of their own group and ii) the distance between policy positions across groups. The source of polarization in Lebanon is political inequality partly fueled by foreign economic and political support for specific groups, rather than economic inequalities across regions and groups (Salti and Chaaban, 2010).

### *Fractionalization*

Collaboration on reform tends to be more difficult in countries with higher fractionalization (Haggard and Webb, 1994; Williamson and Haggard, 1994). Fractionalization in the governmental context commonly refers to the “probability that two deputies picked at random from among the government parties will be of different parties” (Cruz, Keefer and Scartascini, 2016, p. 12).<sup>6</sup>

Literature identifies several mechanisms by which fractionalization within a governing body can affect the nature of the bargaining game over reform and impede collaboration. A relatively higher degree of fractionalization may lead to gridlock over differing preferences (Haggard and Webb, 1994; Williamson and Haggard, 1994; Easterly and Levine, 1997; Alesina, Baqir and Easterly, 1999; Alesina and La Ferrara, 2005; Putnam, 2007; Beach and Jones, 2017). Consequently, a higher number of veto players – an actor whose agreement is needed to change

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<sup>4</sup> Esteban and Ray’s (1994) simplified polarization measure,  $P$ , can be written as:

$$P(\pi, D) = K \sum_{i=1}^n \sum_{j=1}^n \pi_i^{1+\alpha} \pi_j d_{ij},$$

where the relative group proportion  $\pi_i$  is  $0 \leq \pi_i, \pi_j \leq 1$ .  $d_{ij}$  captures the degree of alienation between groups  $i$  and  $j$ . Given the group proportions  $\pi$ , the effective antagonism between groups  $i$  and  $j$  is  $\pi_i^{1+\alpha} \pi_j d_{ij}$ . Therefore,  $P$  refers to the total effective antagonism between each pair of groups within a country. There are three crucial axioms that have to be satisfied, which requires  $0 \leq \alpha \leq 1.6$ . The constant  $K > 0$  has no effect on the order of polarization and can be used for population normalization.

<sup>5</sup> For  $\alpha = 0$ , the measure  $P$  equals the Gini coefficient, which makes  $\alpha$  a parameter for “polarization sensitivity” (Esteban and Ray, 1994, p. 834).

<sup>6</sup> In empirical models, fractionalization measures ethnic diversity based on a Herfindahl index:

$$F = 1 - \sum_{i=1}^n \pi_i^2,$$

where  $\pi_i$  is the proportion of group  $i$  and  $n$  the total number of groups in a country. The degree of fractionalization,  $F$ , can therefore be interpreted as the probability that two random draws of individuals within a country are from the same political group (Papyrakis and Mo, 2014).

policy – reduces the win-set of the status quo and lowers the likelihood of ‘political change’ (1995, 1999, 2002). What is more, the competencies and capacities of politicians are likely to decrease in fractionalized polities, particularly in consociational ones, which impedes the quality of political engagement (Samuels, 1999; Banerjee and Pande, 2007). Lastly, more fractionalized countries exhibit lower levels of trust among political actors (Alesina and Zhuravskaya, 2011; Chakravarty and Fonseca, 2014; Desmet, Ortuño-Ortín and Wacziarg, 2017). In the logic of intertemporal transactions, trust (or the lack thereof) influences actors’ perceptions of other actors’ future objective function. In consequence, lack of trust makes it more difficult to engage in intertemporal agreements since commitments become less credible.

In what follows, we refer to fractionalization as the number of salient social groups whose identity is politically significant. In turn, the number and nature of veto players among these groups, as well as the level of mutual trust between them, affects political collaboration. It is important to note here that the concept of fractionalization refers to any identification criterion that gains in political meaning, including ethnicity or religion. As discussed below, fractionalization in the Lebanese case refers to sectarian-based political identities.

#### **4) Essential Properties of Reform Projects and Political Collaboration**

The previous two sections discussed how the functioning of political institutions, as well as the setting of social groups affect collaboration on reform. However, important questions remain to explain variation in legislative activity: Why do polarization and fractionalization hinder reform efforts in some areas, while collaboration in others remains unaffected? Which conditions determine the relative legislative activity of governmental institutions, such as the parliament, or a council of ministers? Which *types* of reform are possible in the face of increased polarization and fractionalization, and which are blocked?

With a view to answering these questions, the remainder of this section discusses how the properties of a reform project – the “objects of collaboration” – condition the collaboration game. To that end, we review how a country’s legal code defines the type of legislation, such as laws, decrees, or resolutions. We contend that reform needs to be understood as a multi-layered concept based on the legislative hierarchy of country’s legal code to explain the political dynamics of bargaining over reform. We identify two essential properties of a reform project that determine political collaboration: the institutional requirements of a reform and its breadth of impact. ‘Institutional requirements’ reflect the number and nature of political actors and institutions that are involved in accrediting the legislation under consideration. The dimension ‘breadth of impact’ refers to the number of and degree to which different social groups are affected by a reform proposal.

##### *Institutional Requirements*

Reform originating from different governmental institutions, such as a parliament or a council of ministers, require different processes (Kingdon, 1995; Jones and Baumgartner, 2005). These processes expose collaboration to distinct challenges depending on the institutional requirements of a reform project.

As the requirements to pass a legislation increase, more parties and institutions – and thereby potential veto players – become involved in the collaboration game. Therefore, institutional requirements differ among types of legislation, such as laws, decrees or resolutions and increase with their legislative hierarchy as outlined within a country’s legal code. While the type of reform does not by itself say much about its “significance” as even many laws can be rather administrative in nature (Mayhew, 1991; Clinton and Lapinski, 2006), the higher the hierarchical position of a legislative proposal, the higher – on average – the institutional requirements for collaboration.

To illustrate the relationship between institutional requirements and the legal code, we briefly refer to the example of the Lebanese legal code – an example which informs the empirical analysis in Sections 3 and 4. However,

the concept is easily adaptable to the legislative context in other countries. Table 1 shows a simplified hierarchy of the Lebanese legal code, which is modeled on the French legal code.

**[TABLE 1 ABOUT HERE]**

The scope and impact of legislation depends on its hierarchical position.<sup>7</sup> Laws set the legal framework for all further legislation further down the hierarchy. Decrees and resolutions are, in principle, subordinate to laws and rather apply it instead of creating new generally applicable impersonal rules. Circulars issued by ministries have little effect on legal and institutional structures outside of the organization of the ministry. The institutional requirements to get legislation passed thereby increase with their position in the legislative hierarchy.

Laws have – on average – the highest institutional requirements. They involve the largest set of political actors, as they need to be elaborated in commissions, crafted by associated lawyers and experts, lobbied by civil society groups, and discussed by all parties in the parliament. For example, every law that is introduced into the Lebanese parliamentary cycle needs to be approved by the judiciary commission, the largest commission of the parliament in which all parties are present (Moukheiber, 2013). Unity governments, then, potentially maximize the number of veto players that can block reform. At the lower end of the complexity spectrum, resolutions and circulars serve the purpose of applying the law on an administrative basis and potentially involve the lowest number of actors. Such legislation is issued by ministries which are usually governed by party members or affiliates that enjoy administrative authority over the legislation a ministry provides.

The degree to which collaboration needs to occur between parties to pass legislation hence increases with a legislations' institutional requirements. Lack of collaboration, then, is likely to block the policymaking process in institutions at the top (i.e., laws in the parliament) rather than at the bottom (i.e., resolutions by ministries) of the legal hierarchy. As the process of elaborating a law – on average – involves more veto players, polarization should affect the collaboration of laws over political disagreements more than governmental functions further down in the legal hierarchy.

*Breadth of Impact of Reform*

The discussion on fractionalization emphasized the role trust in shaping political collaboration. Some political transactions can be concluded on the spot. However, in most cases transactions involve inter-temporal agreements, such as the exchange of votes today for actions or resources tomorrow (Stein *et al.*, 2006). The intertemporal nature of political exchanges, in turn, makes collaboration susceptible to trust. In polities with weak legislatures, and we argue that Lebanon is such a case, political exchange takes place in alternative settings that are less formal, more uncertain and harder to enforce as credible enforcement mechanisms, such as an independent judiciary, are absent (Spiller and Tommasi, 2003; Scartascini, Stein and Tommasi, 2013). Political actors' ability to engage in such transactions then depends on their ability to accurately forecast the likelihood that other players will abide by their commitments. The ability to predict future preferences of actors is conditioned by the trust that other actors' commitments are sufficiently credible. However, the credibility of commitments is likely to vary with the breadth of the impact of a policy issue. The broader the impact of a reform proposal in terms of its effect for a larger number of interest groups, *ceteris paribus*, calculations about future preferences increase in complexity and information asymmetries are harder to overcome (Alesina and Drazen, 1991; Fernandez and Rodrik, 1991; Drazen and Grilli, 1993; Laban and Sturzenegger, 1994).

The extent to which the unpredictability of the outcomes of a policy *ex ante* affects collaboration depends on the degree of trust between political actors in each other's commitments. If the impact of reform is sufficiently

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<sup>7</sup> The following discussion is based on Table 1 and the Lebanese constitution. Available at: <http://www.ministryinfo.gov.lb/en/sub/Lebanon/LebaneseConstitution.aspx> [Retrieved: October 2017]

narrow or balanced and allows for sufficiently reliable predictions of future preferences of other groups, collaboration on reform becomes less susceptible to lack of trust in the absence of enforcement mechanisms. As our discussion in Section 4 will support, local environmental projects constitute examples of reforms for which lack of trust is less of an issue for collaboration, as the distribution of costs and benefits is clearly defined. In contrast, if the impact of reform is broad, such as for tax reforms, a large number of groups is affected which complicates the assessment of the implications of reform.

### **Implications for the Occurrence of Reform**

This section has developed a framework of political collaboration on reform that describes political collaboration as a function of three factors: the functioning of political institutions, the setting of social groups, and the essential properties of reform projects. Political collaboration, in turn, determines which types of reform occur. There are two central hypotheses that emerge.

Divergent policy positions affect political collaboration, but not all legislative projects are equally exposed to polarization. That is because divergent policy preferences do not have to be politicized to the same extent preferences differ. Different governmental institutions hence need not to be equally affected by polarization. Rather, legislation that gives actors more opportunity to gain political capital will more likely be contested or blocked. This applies to the bargaining over legislation with high requirements that involves actors from multiple parties over extended periods of time.

*Hypothesis 1):* We expect polarization to affect collaboration on reform more the higher the requirements of a reform are, as higher ranking governmental institutions are more prone to political contestation over divergent policy preferences. We should hence observe that increased polarization leads to a reduction of reform that needs to pass higher numbers of governmental institutions, in particular laws that are channeled through parliamentary institutions, and that address unusual and complex issues that require input from multiple sources in order to be elaborated.

A multitude of actors with veto powers decreases the win-set of the status quo of a reform project. However, not all actors necessarily have equal incentives to leverage their veto powers over all legislative projects. Although in high ranking political institutions all potential veto players can be present, actors opt for allocation of attention to bargaining processes depending on the potential impact on their own social group or the predictability of distributional consequences. If their own group is unaffected by a proposed reform and the distributional consequences are certain and well contained, actors have less incentives to exercise veto powers.

*Hypothesis 2):* We expect that fractionalization deters collaboration on reform with a broad impact as it increases the number of veto players with an incentive to exercise their veto powers. Therefore, we should observe that higher fractionalization reduces the likelihood of reforms that establish impersonal, general rules, such as laws, which apply to multiple or all social groups in a country or have distributional consequences that are difficult to predict.

Therefore, an increase in polarization and fractionalization should result in a significant reduction of high-profile legislation – i.e., legislation with high requirements and broad impact – while it leaves the number lower-level legislation relatively unaffected. We test these hypotheses in the next section. We identify transmission channels that to explain the results thereafter (Section 4).

### **3. Effects of Polarization and Fractionalization on High-Profile Law Production**

To test the hypotheses derived above, we exploit a natural experiment that occurred in Lebanon in early 2005: the assassination of former prime minister Rafiq Hariri and the subsequent “Cedar Revolution” (Bosco, 2009).

These events led to a sudden increase in both political polarization and fractionalization and represent a case of an exogenous shock in which established power structures realigned quickly in that political agreements had to be made on a broader political consensus.

### *Historical Background and Identification*

Following military involvement during the Lebanese civil war (1975-1989), Syria maintained a military presence with direct political influence in Lebanon until 2005. During that period, the Syrian government served as an important arbiter in Lebanese politics: whenever a dispute between the major political veto-players over legislation threatened to lead to gridlock, the Syrian government intervened to resolve conflict (Makdisi, 2004). The Syrian government prevented several parties that fought against them during the civil war from partaking formally in the political arena (Harris, 2012). In February 2005, ex-prime minister and critic of the Syrian presence Rafiq Hariri was assassinated by a car bomb in Beirut, an attack for which large parts of the international community and the Lebanese population held the Syrian government responsible. The events that followed led to the so-called “Cedar Revolution” which led to the withdrawal of Syrian troops from Lebanon by April 2005 and ended the direct Syrian influence over domestic political affairs.<sup>8</sup>

Two consequences of the revolution proved to be of particular and immediate significance for Lebanese political collaboration: First, Syrian withdrawal increased the fractionalization of the political setup and increased the number of veto players. The Syrian withdrawal led to the reappearance of political parties in the political arena that have been forbidden during the Syrian presence, specifically the Lebanese Forces and the Free Patriotic Movement. These two parties henceforth played a major role in Lebanese politics and won 6 and 15 of 128 parliamentary seats in the 2005 general elections that were held in May and June after the revolution.<sup>9</sup> Secondly, the events led to major political polarization along the lines of foreign policy positions: all political parties grouped into the so-called “March 8” and “March 14” alliances which gained in political meaning on the grounds of taking political stance pro or contra Syrian influence (Harris, 2012). These two blocs were formed before the 2005 general elections that took place after the revolution and remained politically relevant until the general elections 2018.<sup>10</sup> Importantly, no other extraordinary institutional or constitutional amendment has been introduced in this period which could have changed political collaboration and superseded the effects of the Cedar Revolution.

### *The Dataset*

We use a novel comprehensive database on legislative activity in Lebanon since 1950.<sup>11</sup> The data is based on the Lebanese *Official Gazette*, the official government journal that publishes all legislative texts enacted by any governmental body in order to take effect and become legally binding.<sup>12</sup> Each legislative text, from laws to decrees or circulars, constitutes one observation.

The dataset is retrieved from *Al-Mustachar*, a private provider of an online archive of legislation data,<sup>13</sup> and is organized as follows. In total, the dataset includes 15,112 observations (i.e., legislative texts) over 67 years from 1950 until 2016. The database distinguishes between 34 issue categories of legislation and provides for each

<sup>8</sup> Second semi-annual report of the Secretary-General to the Security Council on the implementation of resolution 1559, available at: <https://undocs.org/S/2005/673>, [accessed 7/12/2018]

<sup>9</sup> See the official webpages of the Lebanese Government, <http://www.pcm.gov.lb/arabic/subpg.aspx?pageid=31>, [accessed October 2017].

<sup>10</sup> While they remained major political platforms during the 2018 general elections, they ceased in their relevance to structure political life after 2015/2016 and amended the political narrative that gave them political meaning.

<sup>11</sup> See Mahmalat (2018) for a detailed discussion of the dataset

<sup>12</sup> See the official webpages of the Lebanese Government and parliament, <http://www.pcm.gov.lb/arabic/subpg.aspx?pageid=31>, <http://www.loc.gov/law/help/legal-research-guide/lebanon.php>, [accessed October 2017].

<sup>13</sup> The archive can be accessed under: <https://almustachar.com/> [accessed May 2018], dataset available upon request from the authors.

observation the reference number, the type of legislation (i.e., law, decree, resolution, circular, or other), the date of publication, and the title. Table 2 displays summary statistics.

**[TABLE 2 ABOUT HERE]**

*The Dependent Variable – Indicating High-Profile Reform*

We test our hypotheses by examining the effect of the 2005 Cedar Revolution on legislative outcomes. We use a measure of high-profile legislation as our dependent variable. To indicate high-profile legislation, we reviewed the content of all laws between 1990 and 2016 in order to identify issue categories that comprise high-profile legislation. The choice of issue categories is based on the assumption that laws published in these categories are high requirement reform and required a political bargain that involved the approval of most, if not all political parties and veto players. We follow the recommendations by Mayhew (1991), Binder (1999), Clinton and Lapinski (2006), and others to validate the choice of, in their words, “significant” legislative categories with third sources: we consulted legislative experts, politicians, and extant literature on the work of parliament (Lebanese Center for Policy Studies, 2018) to identify high-profile legislative categories. Based on these considerations, we create a variable that comprises of legislation within the following categories: banks and financial institutions, environment and health, industry and oil, public finance and water and electricity. Although significantly affected by polarization, we exclude treaties since these are not necessarily discussed in joint parliamentary commissions. We conduct robustness checks with alternative specifications.

*The Model: The Effect of the Cedar Revolution*

We utilize a differences-in-differences model in order to analyze the impact of the sudden change in political polarization and fractionalization that the Cedar Revolution induced. Higher degrees of polarization and fractionalization should reduce the amount of high-profile legislation, while they leave lower layers of governmental activity relatively less affected. The framework hence predicts that parliamentary activity (laws) in the identified issue categories should reduce more than governmental (decrees) or ministerial activity (resolutions) in the same issue categories. We use our measure for the number of high-profile legislation as dependent variable by taking laws as the treatment group and both decrees and resolutions as control group.

Difference-in-differences models rest upon the assumption that the data generation processes for the control and treatment groups follow similar trends before the treatment (Morgan and Winship, 2014). To scrutinize this parallel-trend assumption, Figure 4 compares legislative activity in the identified high-profile issue categories between laws and decrees from 1990 until 2016. The graph indicates that 2005 constituted a disruption in the trajectory of the data generating process for laws, while it left the trend for decrees unaffected. Before 2005, both laws and decrees increased almost in parallel which reflects a revival in administrative capacity after the civil war. After 2005, the average level of high-profile laws dropped and has stagnated thereafter while the number of decrees continued to increase, albeit with higher variance as a result of political instability.

**[FIGURE 4 ABOUT HERE]**

We use a negative binomial estimation rather than a Poisson regression since the dependent variable shows signs of over-dispersion, i.e., the variance far exceeds its mean (table 3).

**[TABLE 3 ABOUT HERE]**

We estimate the following equation

$$Y_{ct} = \alpha + \gamma R_t + \lambda L_{cl} + \delta(R_t * L_{cl}) + \varepsilon_{ctt}$$

where  $Y_{ct}$  is a count variable and depicts the number of laws in category  $c$  and time,  $t$ .  $R_t$  is a dummy variable for the post-treatment years and takes the value of 1 for years greater 2004.  $L_{cl}$  is a dummy variable for legislation in the treatment group in category,  $c$ , and type of legislation,  $l$ . ( $R_t * L_{cl}$ ) represents the differences-in-differences estimator, *DiD*. All specifications are run by using robust standard errors.

Table 4 shows regression results. The differences-in-differences estimator *DiD* is significantly and negatively related to the number of high-profile laws in all model specifications. Model 1 uses the number of decrees in high-profile categories as control group, while model 2 takes the number of resolutions. Model 3 uses the sum of decrees and resolutions as control group.

#### [TABLE 4 ABOUT HERE]

To test the robustness of our results, we run two types of robustness checks. Models 4 and 5 take the sum of all categories as a control group in decrees and resolutions, not only the legislation passed in the categories identified above as belonging to “high-profile.” Furthermore, we create an alternative measure for high-profile reform categories. The alternative variable specification includes all categories that refer to non-generic categories in which legislation refers to proactive rather than reactive measures. These categories include environment and health, education and culture, industry and oil, water and electricity, and transport and cargo. We exclude financial categories to account for the possibility that financial conditions after 2005 would have relieved the pressure on the government to react via legislation in these categories. We test them in models 6 and 7 by using decrees and resolutions in these categories as control groups. The differences-in-differences estimator is again negatively and significantly related to the number of laws passed in high-profile categories.

The results confirm the hypotheses 1) and 2) outlined above. The sudden increase in polarization and fractionalization in 2005 had a significant impact on collaboration for reform with high institutional requirements and with broad impact. At the same time, collaboration on reform that was less exposed to the effects of polarization and fractionalization was relatively unaffected.

#### 4. Transmission Channels for the Effect of Polarization and Fractionalization on Reform

After having verified the connection between our core concepts, we identify transmission channels that explain *how* polarization and fractionalization affect collaboration on reform in Lebanon. Our analysis shows that reform is less likely when (1) a higher degree of trust is required to make intertemporal commitments credible and (2) the time horizons of the collaboration game overstretch those of political actors.

The analysis presented in this section is based on a series of 32 semi-structured expert-interviews with Lebanese parliamentarians, ministers, and party officials of all factions represented in the Lebanese parliament. The interview framework and coding scheme were designed to elicit the transmission channels by which polarization and fractionalization influence political collaboration on reform. The questions were open-ended to allow for the free association of the interviewees towards the motives discussed (Hollway and Jefferson, 2000, 2008; Mason, 2002). We use the Rubin and Rubin (2005) coding method and defined coding structures before analysis to accommodate the research questions and hypotheses we formulated before. The methodology, interview framework, as well as details pertaining to the interviewee selection are provided in the appendix.

Subsection 4.1 reviews salient characteristics of the Lebanese polity to describe the functioning of its political institutions. Subsections 4.2 to 4.3 elaborate on the effects of fractionalization and polarization, respectively, to identify transmission channels that explain the reduction in reform with high-requirements and broad impact.

#### 4.1 Central Features of Lebanese Political Institutions

The Republic of Lebanon is a parliamentary democracy in a sect-based consociational power-sharing system, with limited presidential executive authority. Although the country’s constitution is a secular document, it recognizes 18 religious sectarian groups, most of which are represented in dedicated political parties. Therefore, Lebanese politics is largely determined by various formal and informal confessional arrangements (Salamey, 2014; Karam, 2017). Due to the high number of parties represented in the parliament,<sup>14</sup> no single party is strong enough to establish a government by itself, which makes coalitional arrangements the rule and unity governments frequent (The Monthly, 2017).<sup>15</sup> Therefore, reform of national outreach is highly dependent on collaboration of a large number of political actors representing a broad spectrum of constituencies, not only those represented within a specific government (Salamey 2014; Salloukh et al. 2015; Hermez 2017 for recent reviews).

An important element of policymaking in Lebanon is the “competition between sectarian oligarchs whose power rests on the distribution of clientilistic rents to their constituencies” (Diwan and Haidar, 2017, p. 3). These oligarchs serve as party chairmen and political leaders, with political loyalty maintained via the provision of social services and employment to potential voters and supporters – the provision of which the state is often unable to deliver (Cammett, 2014, 2015). Their power-sharing arrangements are highly informal and take place in arenas outside of political institutions in which impartial enforcement mechanisms are absent. These oligarchs, therefore, constitute an additional layer of veto players in the collaboration game on reform, as distinct from formal political actors in their roles as parliamentarians or government ministers. Important decisions must be taken by mutual consent by representatives of most if not all communities. For example, this system of mutual consent becomes most salient in the workings of the so-called “Troika,” consisting of the President, the Prime Minister, and the Speaker of the House (Makdisi, 2004), among which unanimity is required to pass legislation.<sup>16</sup> Furthermore, sectarian affiliation fails to explain the variation of political coalitions over time and political parties frequently engage in cross-sectarian “alliances” to preserve their strategic interests (Karam, 2017a, 2017b).

#### 4.2 Fractionalization and Mutual Trust of Political Actors

This section argues that collaboration in environments of higher fractionalization requires higher degrees of mutual trust. The weakness of state institutions in Lebanon results in a lack of political competition along stable ideological platforms (La Ferrara and Bates, 2001; Cammett, 2014) and pushes political collaboration into informal arenas in which enforcement mechanisms are absent. In such environments, mutual trust between political actors becomes the key factor that determines their capacity to engage in transactions that are intertemporal. As a consequence, collaboration on reform with a broad impact, i.e., reform that affects many groups, gets impeded as the objective functions of other players become more difficult to predict. This requires a higher degree of trust among political actors that promises for intertemporal agreements are kept.

*“There are no political parties”*

The weakness of Lebanese political institutions influences political collaboration in two important ways. First, political parties represent sectarian communities rather than ideological positions. Parties maintain an important role in public service provisioning based on which parties cater to constituencies in return for votes (Cammett, 2014). Every institutional change tends to be perceived as a potential threat that challenges both the fragile balance

<sup>14</sup> 22 parties or blocs in the 2009-2018 parliamentary cycle

<sup>15</sup> The seven biggest parties are: Free Patriotic Movement, Lebanese Forces, Kataeb (all majority Christian supporters), Future Movement (majority Sunni Muslim supporters), Amal and Hezbollah (majority Shi’a supporters), the Progressive Socialist Party (majority Druze supporters).

<sup>16</sup> As per the constitution, the President, the Prime Minister, and the Speaker of the House have to be of Maronite Christian, Sunni and Shi’a Muslim faith.

of power and distribution of economic rents (Interviews, A27, A29). As one Member of Parliament stated while explaining why identity largely determines political collaboration until today: “The problem in Lebanon is the psychological reconstruction, particularly after the civil war ... The Lebanese aren’t ready yet. Reconciliation has not been achieved.” (Interviews, A3) A former ministerial advisor put it more succinctly: “There are no *political* parties in Lebanon.” (Interviews, A28)

As a consequence, party affiliation does not coincide with ideological position (Lebanese Center for Policy Studies, 2018). Very different personal political positions within the same party prevent the establishment of coherent party positions along stable ideological platforms. Such incoherencies make future preferences less predictable and thereby complicates political collaboration.

### *“Out of Shape” Lawmakers*

Legislators and related institutions in Lebanon have an exceptionally low capacity to prepare and process legislative proposals with high requirements (Lebanese Center for Policy Studies, 2018). The number of laws drafted and enacted by domestic legislators is low and results from several institutional deficiencies. Any bill must be discussed within parliamentary commissions and referred by these to the parliament after consensus has been reached (Moukheiber, 2013). Political debate about these bills mostly takes place in these commissions and informal arenas rather than the parliament as a means to sidestep the perceived inefficiencies of parliamentary discussion. These commissions, however, constitute severe bottlenecks in the output flow of legislation (Interviews, A1, A2, A3, A5, A6, A7). For example, after 1989, the parliament convened on average only four times per year and therefore necessitated that a high number of laws be passed within each session (Moukheiber, 2013). In the words of a parliamentarian in elaborating on the difficulties to engage in discussions about budgetary and taxation issues: “This parliament has not debated any tax or any financial budget issue for the past twelve years. So, you’re out of shape! [...] That’s a parliament that’s supposed to run a marathon, and it’s been in a wheelchair for the past twelve years.” (Interviews, A5)

As a consequence, the legislature tends to fail to keep pace with legislative demand and governmental institutions often fail to process requests for input, which diminishes trust in the accuracy of their work (Interviews, A31). The general sense of incapacity is exemplified by a Member of Parliament on the question of the extent to which threats of economic crisis are reflected in the everyday work of political actors: “Forget all of that, whether it’s valid or not. But you’ve got a bunch of people that are left in the dark, alone, with no assistance whatsoever, on issues of economics, on issues of tax, other than their friends and relatives.” (Interviews, A5)

### *Importance of Mutual Trust*

The low capacity of legislators and the unpredictability of policy positions due to high fractionalization undermines mutual trust necessary to engage in political collaboration with a broad impact. Numerous accounts lamented over instances in which agreements have been renegeed on and direct exchange over policy issues was avoided as soon as the exchanges become complex (“The minister kept running away!” Interviews, A8, A1, A4, A5). Collaboration on reform projects appears to be more successful when the impact on all groups involved is sufficiently predictable in that they can calculate the cost and benefits for all parties involved (Interviews, A6, A8) and state resources can be allocated equally across groups (Interviews, A27, A29).<sup>17</sup> In elaborating on a reform project in which collaboration was particularly successful, a Member of Parliament explains why a reform project focused on local environment could be implemented in collaboration of a wide range of actors: “[...] the

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<sup>17</sup> For example, Salti and Chaaban (2010) investigate the geographical distribution of public resource allocation in order to trace each municipality’s (i.e. sect’s) share of public spending. They find that public resource allocation is based on a “one-man one-dollar rule,” rather than on a distribution based on financial needs. Each municipality obtains public funds in relation to their demographic size rather than their demands for investment.

many facets of the project – whether it’s water, or health, or environment – were extremely important issues that helped us to bypass political differences, because the topic was very focused.” (Interviews, A1)

### 4.3 Polarization and Short-Time Horizons of Key Executives

As a channel, we argue that collaboration on reform with high institutional requirements is more difficult in environments of high polarization the shorter the time horizons of key actors are. Political instability leads to frequent governments changes. Key political actors, therefore, face short-time horizons in terms of the inter-temporal commitments they can agree on. Because political exchange is complex and unstructured due to the many actors involved, actors are more likely to exercise veto power or block the work of institutions over which they prevail as they cannot predict distributional consequences. This impacts high requirement reform that necessitates intertemporal commitments that overstretch their or their opponents’ term in office.

#### *“Zero Economic Vision”*

Lebanon suffers from high political instability with frequent government changes. In the period from the end of the civil war until today, the average time in office for a government in Lebanon is less than two years.<sup>18</sup> In the twenty-seven years since the end of the civil war 1989 until 2016, there have been seventeen governments with a total of 453 individual ministerial positions (The Monthly, 2017). In an attempt to contain the negative repercussions from high polarization, unity governments are frequent which maximizes the number of potential veto players (Salamey, 2014; The Monthly, 2017). In some of these periods, governmental institutions such as the parliament met only rarely, and few strategic political decisions could be taken by the government or ministries (Interviews, A11).

Frequent government changes prolong collaboration on reform and lead to friction losses. For example, institutional knowledge gets lost as actors engage in conscious efforts to prevent successor governments from other parties to reap the political and economic benefits of ongoing work: key experts, studies and proposals are simply withdrawn from ministerial offices which prolongs the time of incoming staff to become effective (Interviews, A23). As a Member of Parliament states: “But, the problem is that everyone wants to find a solution at the expense of the others.” (Interviews, A3)

Such impaired transitions of power hamper long-term planning, and the executive is commonly accused to have “zero economic vision” and few strategic plans (Interviews, A19, 20, 21, 28). The absence of long-term planning subsequently disincentivizes initiatives aimed at implementing reform with high requirements, which take a relatively longer time to be developed and is likely to be stymied or abandoned by successor governments. Limited exchange across ministries exacerbates the lack of coordinated effort, leading to the emergence of different agendas across ministries and extensive friction losses (Interviews, A30).

#### *“Abusive Authorities”*

As the capacities of parliamentary commissions both in terms of technical expertise and manpower are low, complex reform can take up to a decade to be completed. This gives rise to bottlenecks in terms of the technical elaboration of legislative texts (Interviews, A5, A6): the work of the commissions tends not to be supported by sufficiently qualified staff that elaborates legislation on behalf of the Members of Parliament (Interviews, A5). Moreover, the sectarian composition of governmental institutions tends to lower bureaucratic quality due to clientelist structures. For example, hiring processes of civil servants are based on few objective criteria or competency-based job descriptions (Interviews, A30). Lastly, parliamentary work in commissions tends to be carried

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<sup>18</sup> Authors’ calculations, The Monthly (2017)

out with less discipline than needed and on occasions meetings even fail to reach quorum, as rules to punish absentees are “practically never” applied (Interviews, A2, A6).

As a result, political exchange is unorganized and perceived as highly unstructured, especially in unity governments which maximize the numbers of players involved in bargaining (Interviews, A30). The interplay of different veto players becomes complex to the extent that political actors commonly refer to the collaboration game as “the system.” As an interviewee states, in an attempt to explain their anti-collaborative behavior in certain areas of service provisioning: “The system forces us to think like this” as it would not permit free expression of ideology (Interviews, A14, A15).

Such unorganized and opaque political exchange gives rise to opportunistic behavior. Actors are more inclined to pull the ‘emergency brake’ in the form of their veto when the distributional consequences of a reform project are not sufficiently clear or balanced. This impacts collaboration on reform of high requirements with higher divergence of policy preferences and which involve more potential veto players. In practical terms, certain actors, such as the heads of parliamentary commissions, exploit their “abusive authority” which is capable of blocking any bill that does not find their consent: They amend the agenda to the extent that it induces an effective paralysis in the institutions over which they preside (Interviews, A5).

### *Importance of Time-Horizons*

The short time-horizons of key actors impede collaboration on reform with high requirements. Political instability and the occurrence of institutional bottlenecks in the collaboration game reduce the incentives of key actors to collaborate on reform that overstretches their own term in office and would, therefore, require intertemporal agreements that they are unlikely to keep (Interviews, A4, A6, A8). Reform efforts of high requirements are therefore exposed to changing political environments and more likely being reversed or discontinued the more policy preferences over reform differ. The sense of avoidance of responsibility for concrete action is exemplified by the words of a parliamentarian in response to the question of how the party would tackle the challenges of financial impasse: “Well, I think ... when ... the president of the party, Dr. Geagea, was nominated for presidency, almost three years ago, there was a plan. There was a very clear policy statement that included policies in every single sector. Now, in order to tackle the Lebanese economic problems, it cannot be a linear way of thinking, it must be a systemic way of thinking.” (Interviews, A1)

## **5. Discussion**

Our findings elaborate on extant research that contends that governmental cycles influence the likelihood of reform (Pinea, 1994; Williamson and Haggard, 1994; Alesina, Ardagna and Trebbi, 2006; Høj *et al.*, 2006). The central argument of this strand of research is that governments are more likely to reform just after having taken office. Although often based on panel data regression analyses that allow for limited causal inferences, this literature suggests two channels. First, governments enjoy higher legitimacy just after having taken office which allows them to enact more contentious reform. Second, governments want to pass contentious reform early in their legislature to allow the reform to take effect in an effort to avoid electoral backlashes.

Our analysis of policymaking in Lebanon shows that the time-horizons of political actors affect collaboration depending on the requirements of a reform project. As reform increases in requirements and complexity, the elaboration time prolongs and the more likely it is that reform take longer to elaborate than a ministers’ term in office. As polarization rises, short time-horizons lead to friction losses as incentives increase to avert that other parties that follow suit reap any benefits of own efforts.

The results of our study moreover help to make sense of ambiguous empirical evidence on the extent to which fractionalization affects the likelihood of reform (Pitlik and Wirth, 2003; Alesina, Ardagna and Trebbi, 2006; Galasso, 2014; Wiese, 2014; Agnello *et al.*, 2015). Following war-of-attrition models (Alesina and Drazen, 1991) and veto-player theory (Tsebelis, 2002), this literature argues that higher degrees of fractionalization in government settings protract reform over distributional conflict and the reduction of the win-set of the status quo. However, empirical evidence fails to confirm these arguments coherently in studies on different reform areas, such as product market reform, liberalization, or privatization (Mahmalat and Curran, 2018).

The analysis in this paper suggests that fractionalization impacts collaboration depending on the degree of mutual trust required to make intertemporal commitments credible. In environments without impartial enforcement mechanisms, trust gains in relevance the more players are affected by a reform project and take part in the collaboration game. As different policy areas impact a different number social groups, trust among actors varies in importance for collaboration. This contributes to explaining the ambiguous empirical evidence on the impact of fractionalization among different policy areas. Lastly, our results provide evidence in support of literature on status quo bias (Fernandez and Rodrik, 1991): as the number of affected groups increases, the more can information asymmetries incline actors to exercise their veto to preserve the status quo.

## 6. Conclusion

This paper has analyzed the effects of polarization and fractionalization on political collaboration in Lebanon. To that end, we have provided a conceptual framework that links the setting of social groups in a country, that is, their degree of polarization, fractionalization, to the essential properties of a reform project. We argue that these properties of a reform project determine the extent to which polarization and fractionalization affect political collaboration on reform. The framework helps to fill a gap in the literature of the political economy of reform, which is to identify transmission channels by which polarization and fractionalization impact political collaboration on reform (Gören, 2014).

We present evidence in a mixed-methods approach. Based on a novel database of legislative activity, we show that increased levels of polarization and fractionalization reduce the production of legislation with higher requirements and broader impact, while it leaves legislative activity with lower requirements relatively unaffected. We identify two transmission channels that link polarization, fractionalization to political collaboration in Lebanon by analyzing a series of expert-interviews. We show that polarization affects political collaboration more for reform for which the time horizons of the collaboration game overstretch those of political actors in office. Fractionalization affects collaboration based on a higher degree of trust that is required to make intertemporal commitments credible.

Our findings contribute to explain ambiguous evidence in the literature on the political economy of reform. While our analysis provides case study evidence and does not intend to generalize the findings beyond the case of Lebanon, our framework shall provide the basis for comprehensive comparative approaches. Towards that end, future research should elaborate and refine the institutional requirements across different legal codes and different political settings. We believe that our framework provides a means to further explore the underlying political dynamics of political collaboration on reform in divided societies.

## **APPENDIX: Interview Evidence**

This section provides an overview of the makeup of the interview evidence, the sampling strategy, the sample, and the interview framework. This study draws on accounts of thirty-two expert-interviews with high ranking political actors of all factions in the parliament, within a guideline based, semi-structured interview approach. The interview sample is designed to capture the viewpoints and narratives of all major factions represented in the Lebanese parliament. Reflecting and merging the narratives about specific contentious political issues of all parties involved enables an analysis detached from the subjective ideological realm of the interviewee. The interview framework, therefore, focuses on specific instances of reform currently discussed in the parliamentary debate. The interviews are based on guidelines with open-ended questions to allow for the free association of the interviewees towards the motives discussed (Hollway and Jefferson, 2000, 2008; Mason, 2002). The interviews are coded and analyzed following the Rubin and Rubin (2005) method of predefined coding structures. The approach requires a definition of the key concepts and themes as well as the relationship between them, based on literature reviews and the elaboration of hypotheses (Rubin and Rubin, 2005, p. 206). The Rubin and Rubin approach is suitable for the analysis since the research questions, hypotheses, and the epistemological framework was laid out before the commencement of the research process.

### **Interview Sample**

The sampling strategy focuses on political actors in their role as active Members of Parliament, former Ministers of State, government officials or high-ranking party members, and reflects the viewpoints of all major political movements. The participants have been chosen according to party affiliation and exposition to, or membership of the budgetary or economic committee in the parliament. By focusing on political actors on economic and budgetary issues, the sampling assured to rely on participants that should have the resolution to financial and socio-economic questions as their core field of expertise and daily work. What is more, participants of economic and budgetary committees are the actors most likely to comprehend the extent to which economic conditions pose a threat to the current economic order. Lastly and as to be discussed below, the process of introducing laws should originate from initiatives of Members of Parliament that introduce legislative proposals into parliamentary committees. Since parliamentarians often cannot craft legislation themselves, the interview sampling includes members of economic and financial councils of political parties, as well as economists and researchers from ministries and international organizations that support the process of legal drafting.

Therefore, the central goal of the selection process of interview participants was to obtain the viewpoints of all major factions represented within the parliament and government. That way, we control for ideological and organizational differences in attitudes towards collaboration among parties. The sampling process allows one to establish a coherent picture of each participants' and party's narratives to define the "problem" under consideration (such as economic crisis, income inequality, fractionalization), the problems' respective origins, and the proposed solutions. All interviews have been conducted between February 2017 and March 2018 in Beirut. Table 2 provides an overview of interview participants.

**[TABLE 5 ABOUT HERE]**

### **Interview Framework**

Figure 6 provides an overview of the interview framework. Fields shaded in dark gray represent the phenomena of interest, namely the phenomenon of differing perceptions of the same set of economic challenges, and the phenomenon of collaboration among political parties.

**[FIGURE 3 ABOUT HERE]**

The interview framework is structured around four broad focus themes which were covered in separate blocks in the interviews. The first theme elicits the narratives and perceptions of the challenges related to economic downturn or financial pressure. Participants should explain, in their own words, how they assess the severity of the economic and budgetary pressures, what they identify to be causes, and which solutions the interviewees personally and, in particular, their party offers to resolve related problems. Lastly, the interviewees should relate to the extent to which perceived economic and financial pressures influences their work and potentially facilitate political collaboration.

The second theme focuses on the influence of a party's constituency. In particular, the interviewees were asked to reflect on the extent to which characteristics of their supporter base influence their assessment of specific policy proposals. A tax hike proposal served as a focal point of discussion about the fairness of redistributive measures. Reflecting on the needs of a party's supporter base, in particular with regards to the relative impact of a policy proposal such as impactful as the tax hike proposal, then, enables an assessment of the extent to which a party takes relative income inequality into account for their decisions on collaboration.

In the third theme, interviewees were asked to reflect on the impact of fractionalization, that is, the high number of parties involved in negotiations, and political polarization. There are two reasons why these concepts were discussed within the same theme, although their theoretically different transmission channels would have suggested otherwise: a) the question design should avoid suggestion as of hinting at the origins of polarization; b) interviewees were likely to conflate the two in the same answer anyway. The interviewees should, therefore, indicate in which instances a high number of negotiating partners hinders collaboration, and in which instances these can be overcome. The same applies to the concept of polarization, which the interviewees were asked to define before. That way, the interviewees should indicate to which extent geostrategic, sectarian, or other ideological polarization influences the mechanism by which fractionalization and polarization influence collaboration.

Lastly, the fourth theme focused on general patterns of collaboration within the parliament and the committees, in which an interviewee was a member. By reflecting on general patterns of collaboration, previous answers could be reflected and contextualized with examples given by the interviewees.

**Table 1:** Hierarchy of legislation according to the French civil law code, as adapted within the case of Lebanon.<sup>19</sup>

<b>Type of Legislation</b>	<b>Description</b>	<b>Issuing Body</b>	<b>Requirements (stylized)*</b>
Constitutional laws	Defining the fundamental rights as well as the organization and relationship of power within a states' institutions.	Constitutional council	High
Laws	A supreme, general and impersonal legal rule, following the Parliament's deliberation and initiative. Laws have to be enacted by the President of the Republic, who asks for their publication in the Official Gazette. No law can be enacted if it has not been passed by the Parliament. A law must be constitutional and can be controlled by the Constitutional Council.	Parliament	High
Decrees	Administrative orders taken by the President of the Republic, or the Council of Ministers according to the powers allocated by the Constitution and the Laws. No parliamentary approval necessary but limited in scope by applying the law.	Council of Ministers / Government, President	Medium
Resolutions	Issuance of the Executive power, i.e., the Ministers or the administrative authorities, to which constitutional laws conferred regulatory power. Limited legal scope within the realm of existing legal frameworks.	Ministries	Low
Circulars	Internal organizational note to a service issued by the public servant in charge of this service within a ministry (ministerial circular, inter-ministerial circular). Circulars are only indicative and are not made for public services users. They cannot be subject to an appeal procedure except for regulatory circulars.	Ministries	Low

\* Notes: These characterizations of institutional requirements shall be understood as stylized descriptions for the sake of facilitating the discussion.

<sup>19</sup> Sources: Lebanese Constitution, *Dictionnaire du droit privé*, and *Glossaire de Vie Publique*.

**Table 2:** Categories and summary statistics of legislation within the database on the Official Gazette

<b>Category</b>	<b>Abbreviation</b>	<b>Obs.</b>	<b>Mean</b>	<b>Std. Dev</b>	<b>Min</b>	<b>Max</b>
Construction and Real Estate	Co&Re	218	3.3	4.5	0	25
Agriculture	Agri	611	9.1	15.5	0	76
Tourism and Heritage	Tour	440	6.6	6.0	0	26
Labor and Social Security	Labor	207	3.1	5.0	0	19
Transportation, Cargo & Traffic	Trans	400	6.0	4.2	0	16
Water and Electricity	W&E	190	2.8	3.6	0	21
Industry and Oil	Ind&Oil	119	1.8	2.6	0	9
Trade and Economy	T&E	451	6.7	9.3	0	60
Tax and Customs	Tax&Cus	1669	24.9	38.3	0	175
Foreign Affairs	FA	66	1.0	1.6	0	8
International Treaties and Organizations	IntT	1530	22.8	28.0	0	91
Banque du Liban (Circulars)	BdL	1223	18.3	18.2	0	94
Banks, Finance and Financial Institutions	B&FinInst	561	8.4	10.4	0	56
Public Finance	PubFin	248	3.7	6.6	0	48
Constitutional Law	Const	186	2.8	2.6	0	11
Correspondence and Communications	Comm	399	6.0	8.7	0	38
Municipalities and Mayors	M&M	472	7.0	12.3	0	60
Coordination of Ministries	CooM	689	10.3	12.2	0	56
Public Institutions, Public Goods & Organizations	PubIn	562	8.4	7.5	0	27
Personal Affairs and Sects	PA&S	204	3.0	3.1	0	14
Media and Advertisement	M&A	51	0.8	1.4	0	9
Property, Acquisitions and Public Works	P&A	1703	25.4	42.1	0	193
Environment and Public Health	Env&H	401	6.0	6.9	0	26
Education and Culture	Ed&Cu	899	13.4	13.4	0	89
Culture Sports and Arts	CultSA	112	1.7	2.1	0	9
NGOs Cooperatives and Housing	NGO	138	2.1	2.6	0	14
National Defense and Security	Def	502	7.5	17.5	0	144
Social Affairs	SA	53	0.8	1.1	0	4
Internal Affairs	IA	65	1.0	1.4	0	7
Press and Publications	P&P	18	0.3	0.5	0	2
The Judicial System	Judic	206	3.1	3.3	0	14
Sanctions and Penalties	San&P	61	0.9	1.0	0	5
Obligations and Contracts	Contr	49	0.7	0.9	0	4
Unions and Professions	U&P	409	6.1	9.0	0	46

**Table 3:** Summary statistics of the dependent variable

Issue Category	Mean	Variance	N
1	2.31	7.35	54
2	1.96	21.77	54
3	1.87	11.09	54
4	1.68	1.95	54
5	0.62	1.48	54
Total	1.69	8.92	270

Note: Issue categories for both laws and decrees from 1990 to 2016

**Table 4:** Regression results

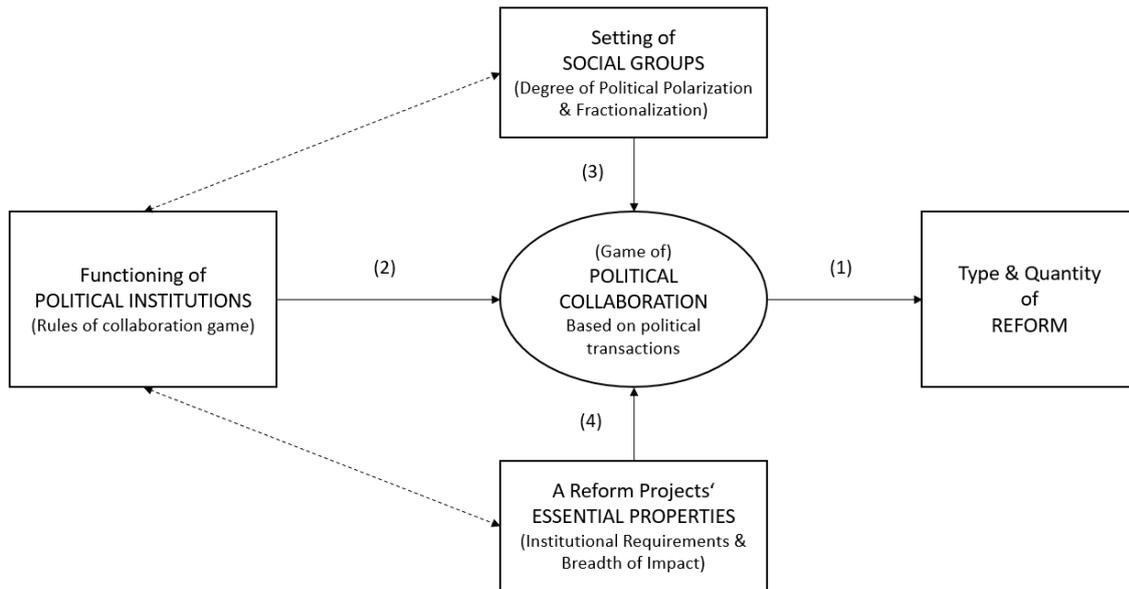
Independent Variable	Models						
	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
D_R	0.76 (3.35)**	0.50 (2.10)*	0.59 (3.13)**	0.50 (2.11)*	0.76 (3.36)**	0.15 (0.79)	0.85 (3.57)**
D_L	-0.47 (2.36)*	-1.15 (4.43)**	-1.56 (7.08)**	-1.15 (4.71)**	-0.47 (2.00)*	-1.06 (5.14)**	-0.81 (3.32)**
DiD	-1.23 (3.89)**	-0.97 (2.99)**	-1.06 (3.66)**	-0.97 (2.56)*	-1.23 (3.43)**	-0.69 (2.14)*	-1.38 (3.70)**
_cons	0.51 (4.03)**	1.19 (5.68)**	1.60 (10.16)**	2.80 (17.50)**	2.12 (13.30)**	2.87 (21.56)**	2.62 (16.01)**
N	270	270	270	54	54	54	54

Notes: \*  $p < 0.05$ ; \*\*  $p < 0.01$ ; t-statistics in parentheses; dependent variable for model I-V: number of laws in categories banks and financial institutions, environment and health, industry and oil, public finance and water and electricity; dependent variable in models IV and VII: sum of laws environment and health, education and culture, industry and oil, water and electricity, and transport and cargo. As models iv-vii use the sums of the categories regarded, rather yearly observations of each category, number of observations is 27 (years) for both treatment and control group.

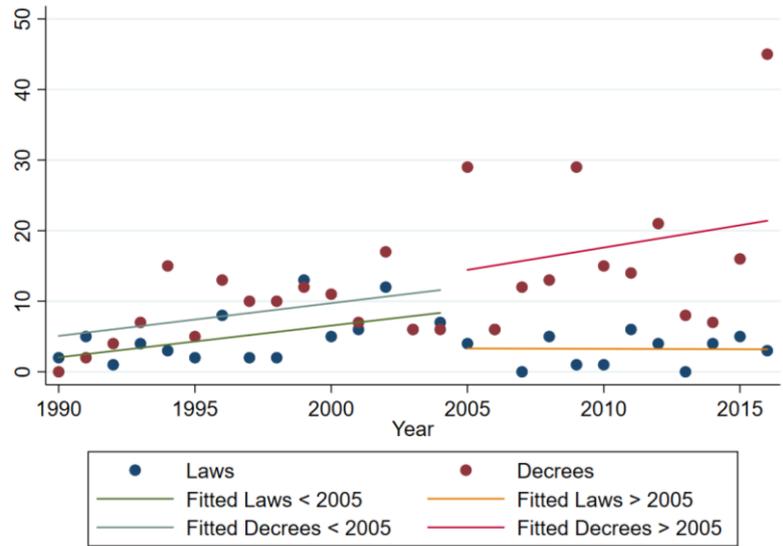
**Table 5:** Overview of interviewee affiliation

<b>Name</b>	<b>Function</b>	<b>Party / Organization</b>
A1	Member of Parliament	Lebanese Forces
A2	Member of Parliament	Lebanese Forces
A3	Member of Parliament, Ex-Minister	Future Movement
A4	Member of Parliament	Future Movement
A5	Member of Parliament	Free Patriotic Movement
A6	Member of Parliament	Kataeb
A7	Member of Parliament	Kataeb
A8	Member of Parliament	Amal
A9	Ex-Minister of Labor, Telecommunication	Independent
A10	Ex-Minister of Economy and Trade	Independent
A11	Ex-Minister on Culture, Information	Independent
A12	Member of Economic and Social Council	Lebanese Forces
A13	Head of Economic and Social Council	Kataeb
A14	Former Head of Party	Hunchak
A15	Head of Committee on Foreign Affairs	Hunchak
A16	Member of Committee on Foreign Affairs	Tachnaq
A17	Head of Committee on Foreign Affairs	Syrian Socialist Nationalist Party
A18	Leadership Economic Research Council	Hezbollah
A19	Economist	World Bank
A20	Economist	World Bank
A21	Economist	Ministry of Finance, World Bank
A22	Economist	Institut Bassil Fuleihan
A23	Economist, Researcher	Ministry of Social Affairs
A24	Economist, Researcher	International Crisis Group
A25	Professor of Political Science	American University of Beirut
A26	Economist, Researcher	American University of Beirut
A27	Professor of Economics	American University of Beirut
A28	Economist	Independent
A29	Leadership, Financial Operations Department	Banque du Liban
A30	Division Head	Office of the Minister of State for Administrative Reform (OMSAR)
A31	Economist	Ministry of Economy
A32	Former Secretary-General	Lebanese Association Democratic Elections (LADE)

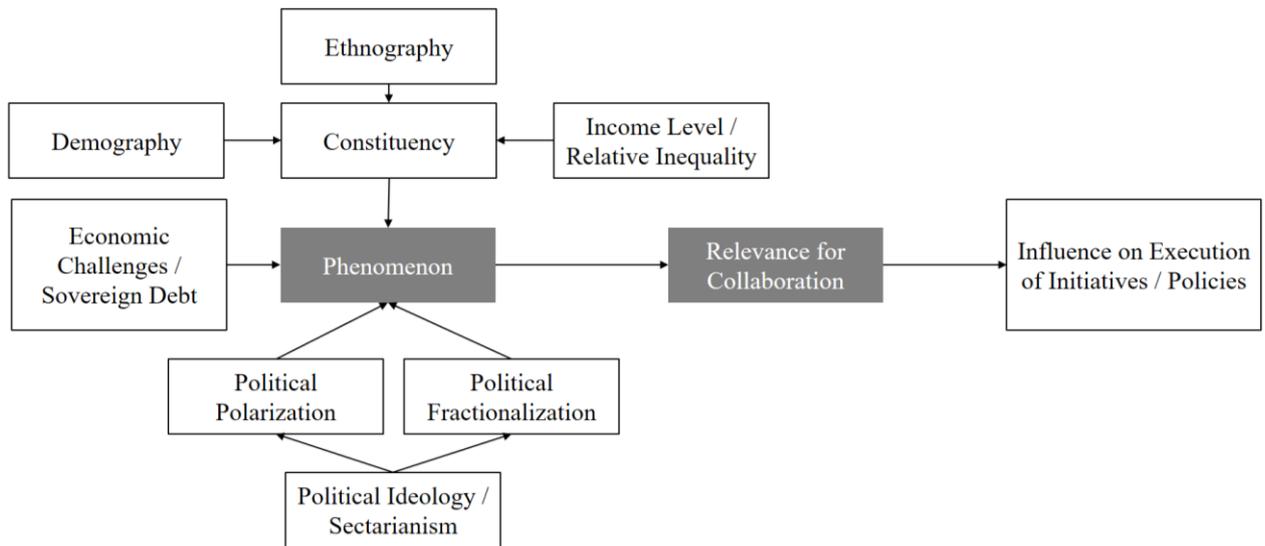
**Figure 1:** The framework



**Figure 2:** Absolute number of high-profile laws and decrees from 1990 until 2016.



**Figure 3:** Interview framework for expert-interviews (own illustration)



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