

Published in: *Policymaking in Latin America: How Politics Shape Policies*, ed. by Ernesto Stein and Mariano Tommasi (Cambridge, Mass.: David Rockefeller Center for Latin American Studies, Harvard University/Inter-American Development Bank, 2008), pp. 287-328.

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Policymaking in Mexico Under One-Party Hegemony and Divided Government

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Introduction

Though not rich, Mexico has the per capita GDP ranking of a middle-income developing country (it had a GDP per capita of approximately US\$9,000 PPP as of 2005). Nonetheless, it ranks seventh (alongside Bolivia) out of eighteen countries in the region on a composite measure of a political system's ability to reach agreements in support of political and economic reforms, the Bertelsmann Transformation Index (BTI 2003; see Bertelsmann Foundation 2004). The Inter-American Development Bank's 2006 report on Economic and Social Progress in Latin America and the Caribbean, *The Politics of Policies*, rates public policies in Mexico (alongside Uruguay's) as the fifth best among 18 Latin American countries (IDB 2005). International and regional comparisons made even a decade earlier would have ranked Mexico (still) lower, when policymaking was more centralized, rigid, and substantially less transparent.

Mexico's economic performance and political system rankings merit reflection because its authoritarian system (1929–2000) was alleged to be suited for economic growth and policy effectiveness. In a region renowned for extra-constitutional changes in government, one-party stability in Mexico led analysts like Samuel P. Huntington to marvel that the Institutional Revolutionary Party (PRI) had found the coveted elixir for combining political stability and economic growth.

Until the early 1980s, the PRI had indeed squared the circle. Mexico's GDP grew at more than 6 percent a year between 1950 and 1981 (Madison 2001). The PRI never lost an election. It could even claim to be inclusive: it had a place for industrial workers, small farmer (*campesino*) organizations, bureaucrats, and even for entrepreneurs (at least informally).

Regime continuity is consistent with Pablo Spiller's and Mariano Tommasi's (2003) theoretical claim that the existence of a few actors can lay the groundwork for the stable intertemporal agreements necessary for effective policymaking. Indeed, public policies were stable and coordinated during the heyday of one-party hegemonic rule. Nevertheless, as this chapter explains, Mexican policymaking also had several glaring weaknesses. Once growth began to falter in the 1970s, policymaking became rigid. Mexican presidents retained a fixed exchange rate and other closed economy policies, even when trade imbalances and public sector debt promoted severe recessions and major devaluations at the end of every six-year presidential term, or *sexenio* (Basáñez 1995). Policymaking was also much less public regarding than the regime's revolutionary rhetoric suggests. Unless a citizen belonged to one of several largely urban-based corporatist sectors, the state offered little in the way of public services until the 1990s. For much of the twentieth century, rural Mexicans (a majority until the 1960s) received little more than a piece of land on a government-controlled *ejido* (land collective) and several years of a (deficient) elementary school education.

This chapter suggests that a noncompetitive political system made for an opaque political system and thus prompted rigid, poor quality, and private regarding policies for much of the second half of the twentieth century. Because of centralization and secrecy, the policymaking process (PMP) resisted the delegation of complex policy tasks to an independent bureaucracy. One-party government also prevented the development of an independent judiciary.

We also argue that it would be a mistake to suggest that Mexican presidents were all-powerful during *presidencialismo* (the period of one-party hegemony). The corporatist organization of the economy endowed presidents with discretionary authority, but also enabled regime

beneficiaries to limit the president's powers. Entrepreneurs could always export their capital if policymakers were capricious or failed to maintain macroeconomic health. Thus Mexican presidents almost always secured congressional approval of their bills (Casar 2002a), but they refrained from sending congress bills that redistributed power away from the corporatist pillars of the regime. When economic growth faltered, as Raymond Vernon (1965) noted four decades ago, Mexican *presidencialismo* was unable to adapt policies to reform a closed and highly regulated economy.

This chapter groups public policies and policymaking processes into two periods: the PRI era from the early 1950s to the mid-1990s, and the more recent period of divided government since 1997. Within the PRI era, it also refers to the heyday of Mexico's one-party regime between 1950 and 1982, as well as to a transitional period between 1983 and 1997 when technocratic presidents liberalized the economy and privatized many state companies (Centeno 1997). After a decade and a half of street protests and high-level negotiations to reform electoral institutions (Becerra, Salazar, and Woldenberg 2000; Eisenstadt 2003), the PRI lost its majority in the chamber of deputies, ushering in the current period of divided government. Three years later, the opposition National Action Party (PAN) candidate, Vicente Fox, won the presidential election, thus ending 70 years of PRI governments.

The chapter examines changes in Mexico's policymaking process as the country transitioned from single-party, hegemonic rule to divided government and the impact of these changes in the nature of public policies. The first of the seven following sections characterizes public policies in terms of the policy dimensions (or "outer features") discussed in the conceptual framework of chapter 1. The second characterizes the policymaking process (PMP), both during one-party hegemonic rule and divided government. The subsequent five sections examine the institutional foundations of the Mexican political system before and after democratization. They analyze the dynamics of the electoral system, congress, executive-legislative relations, the judiciary, and intergovernmental relations. The conclusion summarizes the findings and identifies several implications of the analysis for policymaking.

The Outer Features of Public Policy

Public policies during the PRI rule were stable and coordinated, if only because a centralized policymaking process allowed the president to steer policy around his preferences, and single-party rule gave some continuity to policies between *sexenios*. Policies also were clientelistic and private regarding because the PRI catered to corporatist interests. Despite single-party rule, however, public policies during the heyday of the PRI were less than adaptable. Changing tax or energy policies that negatively affected the corporatist sectors, for example, was difficult because these groups were pillars of the regime. This lack of adaptability was partly responsible for the recurrent macroeconomic crises associated with the end and beginning of *sexenios* between the 1970s and 1990s.

Democratization has changed some policy features, but not others. Policies continue to be fairly stable. In fact, some policies—such as macroeconomic policy and trade policy—have become more stable under divided government. Energy and tax policy, for example, remain inflexible, even as oil reserves are dwindling, and non-oil tax revenues remain among the lowest in the Western Hemisphere (approximately 10 percent of GDP, similar to Guatemala). In contrast, social spending, even in the context of an underfunded state, has made state policy more public regarding, as transfers have been better targeted to the poor and to the rural sectors that were underserved during the period of single-party rule. Social spending in this area has experienced the most change with changes in the PMP.

Table 8.1 summarizes key economic indicators and policy features in several relevant periods from 1950 to 2006. Mexico tripled its real GDP per capita from \$2,365 to \$7,137 (in 1990 U.S. dollars) and grew at an average rate of 2.1 percent between 1950 and 2003, which is 0.5 points higher than the average rate from the eight largest Latin American countries (Maddison 2007). This growth path has not been steady: the average GDP growth rate was 6.6 percent between 1950 and 1981, which suddenly fell to 0.1 during the crisis years of 1982 to 1988, and then recovered to a moderate rate of 3.2 between 1997 and 2006.

Table 8.1. Evolution of the Policymaking Process in Mexico, 1950–2006

Period / Variable	Adaptability				
	PRI		Divided Government		
	1950–1970	1970–1981	1982–1988	1989–1996	1997–2006
GDP growth rate (percent) ¹	6.5	6.9	0.1	2.6	3.2
GDP growth (std. dev.) (percent)	2.7	2.2	3.1	3.9	2.2
Public deficit / GDP (percent)	< 2.0	7.2	12.5	0.7	0.7
Inflation rate (percent)	< 5%	17.6	88.4	21.2	7.4
Policy features	Stable, adaptable, and coordinated	Less stable, not coherent, rigid (reforms delayed)	Less stable, not coherent, rigid (reforms begin)	Increasingly stable, not coherent, less rigid (reforms continue)	Stable and adaptable (macro policies), less coordinated, more rigid (reforms stalled)
Social spending	Private regarding/clientelistic			Increasingly public regarding	
Macroeconomic policy	Disciplined	Deficitary	Volatile	Disciplined	
Exchange rate	Fixed rate		Controlled rate	Rate band	Floating rate
Trade policy	Closed economy		GATT entry	NAFTA	
Tax revenues			Low tax revenues		
Oil revenues	Increasing		Volatile	Stable	Decreasing
Pension policy	Pay as you go			Private sector reform only	
Energy policy	State-controlled monopolies in oil and electricity				
Labor policy	Dual regime for public and private sectors, no regulatory change				

Source: Authors' calculations based on INEGI and Banco de Mexico series.

¹ Average annual rates by period, except when indicated.

Public Policy during the PRI Era: 1950 to 1997

We distinguish between three stylized periods of the PRI era: stable development between 1950 and 1970, a populist period from 1970 to 1981, and a 15-year sequence of crisis, adjustment, and first-generation structural reforms between 1982 and 1997. In the so-called *desarrollo estabilizador* period between 1950 and 1970, policies were stable, coordinated, and coherent with a model of import substitution industrialization (ISI). Public policy fomented urban industrialization with fiscal discipline, low inflation, low interest rates, and a fixed and stable exchange rate. World-wide growth and the absence of external shocks allowed the Mexican GDP to grow at an average annual rate of 6.5 with inflation rates below 5 percent during this period (Ortiz Mena 1998).

By the late 1960s, agricultural exports, the major source of foreign currency, diminished as their terms of trade became less favorable (Vernon 1965). Since diminishing currency inflows constrained the investments required by protected industries, trade restrictions and fixed exchange rate policy became unsustainable. By the early 1970s, the need for economic reform was clear and three policy options were available. First, policymakers could have moved to an export-led model to improve balance of payments problems. Second, they could have increased tax revenues, which represented only 12 percent of GDP in 1975 (Clavijo and Valdivieso 2000), to ease fiscal pressures. Either of these options would have entailed adapting public policies to changing economic conditions. Policy change, however, would have generated distributive conflicts with protected business groups and organized labor.

Unwilling to forge a political consensus to open up the economy and/or to raise taxes, Presidents Luis Echeverría (1970–76) and José López Portillo (1976–82) chose a third option: using foreign debt and deficit spending to sustain growth. Their governments financed deficit spending with inflation and foreign debt borrowing, readily available after the 1973 oil embargo. The pursuit of populist policies, however, wrecked macroeconomic stability. By 1976, when the public sector deficit exceeded 9 percent of GDP, the peso devaluated more than 70 percent after 22 years of stability (Bazdresch and Levy 1991). The discovery

of large oil reserves in the mid-1970s made populist policies affordable since the expectation of oil revenues alleviated any financial constraints in the government. Between 1976 and 1981, public spending rose dramatically. When oil prices dropped in 1981, foreign debt doubled within a year. By 1982, the public deficit exceeded 16 percent of GDP amidst another severe peso devaluation and banking expropriation.

The 1981–82 crisis marked the end of the populist period and, not surprisingly, triggered radical economic adjustments and structural reforms. President Miguel de la Madrid (1982–88), who began to rely upon neoliberal technocrats (Centeno 1997), scaled down public spending to service mounting foreign debt payments, but was unable to control inflation, which reached an all-time peak in 1987. President Carlos Salinas (1988–94) continued his predecessor's economic reforms: taming inflation and deficits, divesting state enterprises, liberalizing trade and the financial sector, deregulation, renegotiating foreign debt, pursuing land tenure reform (*ejidos*), and granting limited central bank independence. Notably, the wage and stabilization pact to control inflation is evidence of President Salinas's ability to strike a credible intertemporal agreement with key actors and interests shortly after taking office. After Mexico joined the GATT (General Agreement on Tariffs and Trade) in 1985, the opening up of the economy became definitive when NAFTA (the North American Free Trade Agreement) came into effect in 1994.

The highly centralized policymaking process, despite its partial successes, was not flexible enough to innovate to cope with a run on the capital account and to adjust the exchange rate to avoid another end of *sexenio* crisis. Amid guerrilla uprisings and political assassinations, President Salinas was unwilling to adjust the peso before the 1994 elections. This led to an abrupt devaluation by more than 60 percent in December 1994, six months after the election was held and just three weeks after incoming President Ernesto Zedillo (1994–2000) took office (Gil-Díaz and Carstens 1996). As the GDP shrank by 6.9 percent in 1995, President Zedillo restored economic stability with an emergency tax increase and a floating exchange rate regime. Since then, macroeconomic and exchange rate policies have proven both stable and flexible.

The clientelistic organization of hegemonic one-party government meant that social spending benefited the urban-based, corporatist pillars of the regime. The economic growth between 1950 and the early 1980s did improve living standards across the country. Gini coefficients fell from 0.52 in 1950 to 0.42 in 1984, and the share of population under the poverty line fell from 73 to 30.2 in the same period (Székely 2005). However, it failed to help those who lived in the countryside: in 1984, 61.5 (28.5) percent of the rural (urban) population belonged to the four poorest income deciles (Lustig 1998). Rural Mexicans were forced either to settle for a collectively owned *ejido* that often took more than a decade to acquire from the president (Warman 2001), to leave the countryside for the city, or—like one in five Mexicans—to emigrate to the United States. This urban bias in policy is reflected in the fact that, in 1988, Mexico City area accounted for 70 percent of food subsidies (Scott 2004). And, when public policies proved incapable of adapting to changing economic conditions, economic volatility had dire social costs (Bazdresch and Levy 1991).

The reform period between 1982 and 1997 illustrates both the scope and limits of one-party hegemonic government. Major reforms occurred only after a crisis made them unavoidable, and some specific policies that lie close to the interests of key PRI constituencies proved to be difficult to reform even after such crises. Thus exports grew and diversified, but public revenues remained dependent on oil rents. While tax codes kept changing, revenues remained low. The private pension system was revamped, but public pensions did not change. Even though NAFTA encouraged investment and exports, the energy sector remained under state-controlled monopolies. As it turned out, liberalizing the economy proved to be easier to accomplish than reforming the public sector, and a number of second-generation reforms failed to pass even under unified PRI rule.

Public Policy under Divided Government: 1997 to 2006

Along with recurrent economic crises and economic and political reforms, the PRI gradually ceded ground in the chamber of deputies, los-

ing its majority position in 1997. Mexico's macroeconomic outlook was robust and the 2000 presidential transition was crisis-free for the first time in 24 years. With the election of PAN's Vicente Fox in 2000 and Felipe Calderón in 2006, some policy areas remained stable. The budget remains balanced and monetary policy continues to be supportive of low inflation and a stable exchange rate. Public policies have become more public regarding, largely because of social spending programs like PROGRESA-Oportunidades, which started in 1997. However, other policy issues turned more rigid at the status quo levels: congress debated and failed to enact an overhaul of the tax system, energy reform, and legislative reelection.

The implementation of existing and new policies now is less coordinated because of the increased decentralization of the policymaking process and the number of its key actors. The budgetary process, which was previously oversimplified by single-party rule, turns out to be much more complex under divided government, as two legislative coalitions become necessary: one for the spending project and another for the revenue package (Casar 2001). Moreover, the 2003 budget led to a constitutional controversy regarding the veto powers of the president in budgetary matters vis-à-vis the chamber of deputies. On the other hand, increased subnational transfers reshaped the orientation of policy toward previously marginalized municipalities and states (Flammand 2007), as discussed in the next-to-last section of this chapter.

Macroeconomic and exchange rate policies are perhaps the most stable policies of the last twelve years in Mexico. After a period of volatility and recurring devaluations, monetary policy became stable and disciplined. Since 1995, the floating regime and a semi-independent central bank only seemed to have enhanced these features (Clavijo and Valdívieso 2000; Boyland 2001). Under divided government, the executive and legislature have continued supporting open economy policies.

Long-term policy rigidities are now exacerbated under divided government. Historically low tax revenues impose a critical limit on the Mexican state capabilities: excluding oil revenues, tax revenues as a share of GDP averaged only 9.7 percent between 1977 and 2002. While federal policymakers reformed tax codes and modernized tax revenue

agencies, effective tax collection rates remain low because citizens and the state refuse to eliminate tax loopholes and regressive exemptions (Lehoucq 2006). Though President Zedillo reformed private pensions (Madrid 2003), he could not advance public pension reform, despite the enormous inequities that partial coverage implies (Scott 2005). Only in early 2007 did PAN President Felipe Calderón (2006–12) forge an agreement with corporatist leaders to privatize pensions for new public sector workers. There continues to be no reform of labor regulations, even though an antiquated labor code empowers old corporatist unions that, in 1997, included only 12.9 percent of the labor force (Bensusán 2004). PEMEX oil exports now represent less than 10 percent of total exports but oil revenues still account for about a third of total revenues, which in turn drains PEMEX's investment capabilities (Shields 2003). Since it requires constitutional changes, opening up the energy sector to private investors has proven much harder than other reforms (World Bank 2004b).

Divided government has become more public regarding, as rural/food policies and education spending illustrate. In the 1980s, for instance, price controls benefited mostly large producers and consumption subsidies were concentrated in urban areas (Friedmann, Lustig, and Legovini 1995). The focus of rural policy changed significantly in the 1990s, when targeted social programs that reallocate subsidies to rural and poor areas, such as PROGRESA-Oportunidades, substituted formerly biased subsidies. The share of these programs received by the lowest income decile rose from 8 to 33 percent between 1994 and 2002 (Scott 2004). With divided government, spending programs on agriculture, education, and health care for low-income groups have increased. Spending on social programs as a share of GDP has increased as a share of GDP, and the proportion of these resources going to rural residents has also increased (World Bank 2004b).

The Policymaking Process (PMP)

Unified government and corporatist control of the economy made a constitutionally weak president the linchpin of an intertemporal agree-

ment that placed unwritten but nonetheless important limits on his authority. This PMP was responsive to changes in executive preferences, well coordinated among state institutions, and was beneficial (private regarding) for the corporatist pillars of the regime. Policymaking became less coordinated and less responsive to changes to the president's preferences after the PRI lost its congressional majority in 1997. It has also become less private regarding as poorer (and rural) Mexicans have become beneficiaries of several innovative public policies.

The United Government PMP

The first characteristic of *presidencialismo* was its narrowness. Key players were the president, his cabinet and advisors, and corporatist leaders. The most important cabinet members were the secretary of public finance and the secretary of the interior (*Gobernación*) (Ortiz Mena 1998). The finance secretary's importance stemmed from his control of revenues and expenditures. The secretary of the interior was responsible for domestic political management, and he ran the intelligence agencies that kept both supporters and opponents under surveillance (Aguayo Quesada 2001). He supervised state and municipal governments and orchestrated the deployment of resources that kept the PRI in control of the vast majority of elected posts in the country until the 1990s (Molinar Horcasitas 1991).

Leaders of the corporatist sectors, whose representatives sat in congress and colonized executive departments and agencies, were also key players during the heyday of *presidencialismo*. President Lázaro Cárdenas (1934–40) began the sectoral organization of Mexican society. Membership of the Party of the Mexican Revolution (PRM) was based on affiliation with the small farmer (*campesino*), labor, military, and popular sectors. In return for an *ejido*—common property bestowed on a group of *campesino* petitioners—landless farmers typically joined the National Confederation of *Campesinos* (CNC). Industrial workers and urban artisans became members of the Mexican Confederation of Workers, or CTM (Middlebrook 1995). The PRM also created a military sector, recognizing the threat posed by the large numbers of soldiers and officers who had

fought during the Mexican Revolution (1910–20), in which one in ten Mexicans at the time had perished. In 1940, the regime disbanded the military sector (Camp 1992). Public sector employees, middle-class professionals, and anyone else not belonging to one of the aforementioned groups joined the National Confederation of Popular Sectors (CNOP).

Though the revolutionary family did not have an official place for capitalists, the PRI also created peak-level associations for factory owners, merchants, and bankers. Revolutionary nationalist ideology exalted public control of the economy, but economic realism led the PRI to incorporate the private sector into the regime outside the party and within officially recognized agencies (Purcell and Purcell 1977).

The canonical texts of the classic period of Mexican authoritarianism agree that the president, his cabinet, or the leaders of corporatist sectors did not represent the interests of most Mexicans. According to Pablo González Casanova's (1970) classic, *Democracy in Mexico*, the majority of Mexicans—most of whom lived in very poor rural areas or migrated to the United States or to urban areas (Eckstein 1977)—belonged to what he called the "marginal" sectors. Unlike members of the formal, urban sector—most of whom belonged to one of the corporations—the regime did not allow "marginals" to protest. Even members of the formal sector were allowed to seek redress for their demands only through officially sanctioned leaders, most of whom were more beholden to the regime than to their sector's membership. Fewer than 5 percent of rural residents and more than 70 percent of urban dwellers belonged to an officially sanctioned union or association, according to 1960 census data (González Casanova 1970), a circumstance that attests to the narrowness of the regime coalition and helps explain why its policies were so private regarding.

Secrecy was the second hallmark of the policymaking process under *presidencialismo*. Few were privy to the president's plans and calculations. Neither the courts nor congress oversaw the executive. State-controlled television stations trumpeted the regime's successes, discussed few of its failures, and offered little analysis of public affairs. Dependent on advertising fees paid by state agencies, the print media did not disseminate critical analysis of the regime's policies (Lawson 2002). The zenith of

the regime's control of the press was in the late 1960s, when newspapers failed to report the 1968 student massacres (Scherer-García and Montsiáis 2003).

The reality of one-party, hegemonic rule meant that the chief executive consulted with his advisors, cabinet members, and corporatist leaders before sending a bill to congress. Legislative approval of most of his bills was automatic. The policymaking process for distributive measures, the kind that would impose a cost on an organized interest—entrepreneurs, large-scale commercial agriculturalists, or bankers, for example—became even more secretive. President López Mateos's (1964–70) decision to require entrepreneurs to share a portion of their profits with their workers was not even discussed with labor leaders, much less with the entrepreneurs, according to Susan Kaufman Purcell's (1975) classic account. The pertinent bill was sent to congress at the end of the legislative year to ensure that its measures would not be publicly debated. President Luis Echeverría's (1970–76) also secretly reformed CONASUPO, the state marketing board that bought staples and resold them at subsidized prices to urban and rural consumers, because officials concluded that their programs were doing little to stop rural out-migration and the increasing impoverishment of *ejido* members (Grindle 1977). In line with a statist economy philosophy, President Echeverría encouraged CONASUPO officials to redesign their programs by, among other things, shifting the purchase of staples from large-scale commercial farmers (whom the regime also rewarded with huge and expensive irrigation projects, loan guarantees and credits, and the like) to small-scale farmers. Again, the program was redesigned in secret to prevent well-organized interests from mobilizing against the shift in development priorities.

Only President López Portillo (1976–82) and his closest advisors knew that the *sexenio* would end with the nationalization of the banks. Once the president had gained legislative approval for the reform, entrepreneurs split in their response to this transgression of property rights (Elizondo Mayer-Serra 2001). The more radical—many based in the northern city of Monterrey—organized protests and filed a writ of *amparo* with the supreme court. Others accepted the change in the status quo and worked to secure bountiful compensation for their assets, many

of which included bad loans that they were happy to foist onto the state. Judicial review proved fruitless because the supreme court declared that the writ was "superseded" by the constitutional amendments that congress had enacted after the expropriation of bank assets. Protest dissipated as bankers negotiated the terms of their compensation with new President Miguel de la Madrid (1976–82).

While members of the revolutionary family rarely challenged the president's supremacy in public, leaders of corporatist groups lent support to a regime because they used private channels to protect their positions (and rents) in Mexican society. And, despite the personalistic bonds linking regime leaders with one another, the PMP and policy-making remained stable. In line with classical constitutional theory, the executive organized elections and a PRI-dominated legislature certified their results (Lehoucq 2002). Supreme court justices served lifetime terms. Deputies and senators could not run for reelection, but the regime rewarded loyalty by placing them in other lucrative policy positions. Though the constitution also prevented the president from standing for reelection, he did hold power for a six-year term. More importantly, he could designate his successor (Castañeda 1999). *El ladazo*, in Mexican political parlance, maintained policy continuity and thus reassured members of the revolutionary family that defection was a worse strategy than cooperation with the PRI. The president, who had the longest time horizons, was the linchpin of the system.

The PMP Changes: Democratization and Divided Government

The PRI's survival is one of democratic theory's most intriguing puzzles. Modernization theory suggests that economic growth encourages societies to shed authoritarian governments beyond the threshold of a per capita GDP of \$4,115 (Przeworski and others 2000). But by 1970 the Mexican economy had reached this plateau of \$4,000 per capita GDP, yet unified government under the PRI remained in place.

Repeated economic and political crises corroded the bargains that sustained *presidencialismo*. Labor unionists and social movements shifted their support to left-wing parties in response to the PRI's abandonment

of a state-dominated economic model (Bruhn 1997). Disaffection with the PRI also led urban voters to support left-wing parties or the right-of-center PAN. Similarly, entrepreneurs began to support the PAN in reaction to government arbitrariness (such as the 1982 bank nationalization) and because increasingly assertive exporters wanted free trade (Thacker 2000). Political protest and economic reform therefore led to the development of a multiparty system.

The PRI's share of the vote and of legislative seats declined steadily after the watershed and controversial elections of 1988 (see table 8.2). The official results indicate that Salinas won 50 percent of the votes to 32 percent for the leftist Cuauhtémoc Cárdenas (son of President Lázaro Cárdenas [1934–40]), and 17 percent for the right-of-center Manuel Clouthier. Castañeda (1999) suggests that the computer crash on the evening of election day allowed the regime to doctor tally sheets in favor of Salinas. Jorge Domínguez and James McCann (1997) compare surveys of voters and nonvoters to suggest that Salinas had won the elections, but by less than an absolute majority of the vote. Salinas's highly controversial election also triggered a decade-long period of institutional innovation that led to the establishment of an autonomous electoral court system (Becerra, Salazar, and Woldenberg 2000; Eisenstadt 2003) and competitive elections.

The 1997 midterm elections mark the shift from a closed, secretive policymaking process to one substantially more open and transparent. Democratization has strengthened the role of public opinion in political life (Moreno 2003). An increasingly assertive press generates previously unavailable information about politics and government policy (Lawson 2002). As the formal political process comes to life, citizens and state officials are building a new political system. New electoral laws are encouraging a multiparty system. This system—in the context of divided governments and federal arrangements—continues to advance corporatist interests, even as rural and regional interests are receiving increasingly larger shares of public spending. The activation of the separation of powers has also thrust the supreme court into the role of arbitrating the relations among the parts of government—and thus as the interpreter of a new and as of yet undefined intertemporal bargain among partisan and policy players.

Table 8.2. The Partisan Balance of Power between the President and Congress, Mexico, 1952–2003

Year of election	President	President's party	Vote percentage	Turnout ¹	Percent- age of seats in Chamber of Deputies ²	Percent- age of seats in Senate ³
1952	Adolfo Ruiz Cortines	PRI	74.3	49.5	93.8	100
1955			—	—	94.4	—
1958	Adolfo López Mateos	PRI	90.4	50.1	94.4	100
1961			—	—	96.6	—
1964	Gustavo Díaz Ordaz	PRI	88.8	47.5	83.3	100
1967			—	—	83.5	—
1970	Luis Echeverría	PRI	85.9	59	83.6	100
1973			—	—	81.8	—
1976	José López Portillo	PRI	100	58.7	82.3	100
1979			—	—	74	—
1982	Miguel de la Madrid	PRI	72.5	60.7	74.8	100
1985			—	—	72.3	—
1988	Carlos Salinas	PRI	51.2	42.9	52	93.7
1991			—	—	64	95.3
1994	Ernesto Zedillo	PRI	50.2	66.8	60	74.2
1997			—	—	47.8	60.9
2000	Vicente Fox	PAN	42.5	64	44.6	39.8
2003			—	—	30.2	—
2006	Felipe Calderón	PAN	36.69	59	41.2	40.6

Sources: For data on the composition of the chamber of deputies between 1952 and 1994, see Najf (2002). Except for the 2006 results, the source for the rest of the information is Schedler (2004). The source for the 2006 elections is the Federal Electoral Institute (IFE) (<http://www.ife.org.mx/portal/site/ife/menuitem.918360bce8a6a3e2b2e8170241000a0/>, downloaded on May 7, 2007).

¹ Valid votes in presidential elections/registered votes.

² Seat percentages controlled by the party of the president in the chamber of deputies, which is totally renewed every three years.

³ Seat percentages controlled by the party of the president in the senate. The senate is totally renewed every six years in concurrent elections with the presidency and the chamber of deputies. However, from 1988 to 1994 the senate experimented with partial renewal in staggered elections every three years.

The sections that follow examine the key institutional foundations of the PMP. They analyze institutional arenas—electoral rules and the party system, congress, the judiciary, and federalism—that shape the workings of the policymaking process. The discussion emphasizes both continuities and changes in the institutional dynamics associated with the transition from single-party, hegemonic rule to divided government.

Electoral Laws and Political Parties

Until the 1990s, noncompetitive elections, centralized nomination procedures, and the ban on legislative reelection made legislators dependent upon the president and the corporatist sectors within the PRI. Urbanization gradually created constituencies in favor of democratic change and in favor of economic liberalization (PAN) or opposed to it (PRD). Though the PRI's share of elected offices continues to decline, small farmer-sector organizations have increased their share of PRI seats because electoral formulas and district boundaries make the legislature more responsive to rural and regional interests. The median legislator is therefore increasingly at odds with a president elected from a national constituency, especially one representing the interests and views of the Mexican (urban-based) median voter.

Constituencies and Incentives

Along with Honduras, Panama, and Paraguay, Mexico is one of four countries that award the presidency to the winner of a simple majority. While the president is elected from a national district, individual legislators represent narrower constituencies. During the heyday of Mexican *presidencialismo*, the effects of these differences were muted because the corporatist representation also made deputies and senators responsive to the president and peak-level associations.

Until the 1960s, the median voter lived in a rural area. He was not well educated and his children did not always finish primary school. In all likelihood, he either was a member of an *ejido* or a landless agricultural worker. In either case, he received few benefits from the Mexican

state. If he was a member of an *ejido*, he was beholden to PRI-sanctioned communal leaders. He had no access to health care or a retirement pension. Petitioning for land typically took up to a decade, during which time small farmers gave their votes to the PRI, and communal leaders were local PRI operatives (Warman 2001).

Since the 1970s, the Mexican population has gradually become urban, more educated, and thus less identified with the PRI. By the time of the 1988 general elections, less than half of survey respondents identified strongly or weakly with the PRI. Between 1989 and 2002, an average of 35.2 percent of survey respondents identified strongly or somewhat with the PRI. In the same period, identification with the PRD and the PAN gradually increased, such that these opposition parties came to hold the loyalties of an average of 11.5 percent and 19.8 percent of survey respondents, respectively. Throughout this period, slightly less than a third of respondents remained independent (Moreno 2003). In the 2006 general election, the share of *PRistas* in the electorate had fallen to 23 percent. A fifth of survey respondents continue to identify with the PAN. The share of *PRDistas* has slightly increased to 15 percent of the electorate. On election day 2006, 37 percent of respondents identified themselves as independents.

By the 1990s, urbanization and political competition also created a new party system. Using the World Value Surveys, Alejandro Moreno (2003) shows that, for the two-thirds of respondents who can place themselves on a five-point left-right scale, electoral preferences are normally distributed and tilt toward the right. Between 1990 and 2000, the average placement of the Mexican citizen moved from 3.14 to 3.45 on a five-point scale, on which 1 is the left and 5 is the right. Though the PRI historically stood for a closed and nationalist economy, its supporters (perhaps out of deference to the party establishment) tended to favor market policies by the 1990s. PRD voters, in contrast, unabashedly favor social redistribution. PAN identifiers were more interested in social redistribution in the mid-1990s than were PRI voters. By the time of the 2000 election, however, both the PAN and the PRI had shifted to the left on economic policy. By 2006, citizens who identify with the PRI took more left positions on distributional issues than

those of the PAN, even while *PRistas* were slightly more conservative on moral or social issues than *PANistas* (Moreno 2006; Brubn and Greene 2007).

Mexico's mixed system for electing congress is one of the least proportional of its kind and its key features date from 1977 (Molinar Horcasias and Weldon 2001). Unlike the German mixed system, the partisan share of seats in congress does not have to equal proportional representation (PR) district seats. Since 1977, there have been 300 single-member plurality districts (SMPDs). In 1986, constitutional reformers doubled the number of PR legislators to 200. Since 1988, a citizen's single vote for the chamber of deputies simultaneously selects his or her SMPD and PR deputies. Electoral laws permit disproportionality of up to 8 percent between the popular vote and seat shares (Calvo and Escobar 2003). Since 1933, no legislator has been allowed to run for consecutive reelection.

Table 8.3 lists the sectoral composition of PRI deputies between 1943 and 2003. The data indicate that the popular sector has always had the largest number of representatives in the chamber of deputies. The popular sector includes members of the National Syndicate of Educational Workers (SNTE), FSTSE, and assorted professional groupings. The figures also indicate that workers have been losing their representation in congress. Labor unions experienced a decline in representation from a high of 29.6 percent of all PRI deputies in 1976 to a low of 7.6 percent in 2003. Representatives of the small farmer or agrarian sector rose from a low of 14.0 percent in 1991 to a high of 37.8 percent in 1997. The final column in table 8.3 shows the share of legislative seats the opposition won during these years, to help make the point that corporatist representation in congress has also undergone a secular decline.

Both the PRI and other parties are increasingly fielding candidates to suit state and local tastes. Growing numbers of deputies and senators have held state-level elected offices; legislators with only federal bureaucratic experience, or those coming directly from one of the PRI's corporations, account for a declining share of PRI deputies. Between 1985 and 1997, PRI deputy candidates who had been governors or members

of state-level parties increased by 14.0 and 9.3 percent, respectively. Joy Langston (2002) estimates. Conversely, PRI candidates for the chamber coming from either the presidential cabinet or a corporatist sector fell by between 7 and 11 percent from 1985 to 1997. Between 1982 and 2000, PRI candidates for senate (monist) seats who came from one of the corporatist sectors dropped from 46 percent to 15 percent of all such candidates, Langston (2007) notes. Similarly, the number of candidates coming from a federal government post fell from 38 percent to 10 percent of the total.

As politics has become more competitive in Mexico, the PRI's share of a district's vote—like the Peronist party's in Argentina—has become positively associated with the rural share of the district's population (Gibson 1997). We calculate that, of the 25 percent of all SMPDs that

Table 8.3. Corporatist Affiliation of PRI Deputies, Mexico, 1964–2003

Legislative term	Number of deputies	PRI sectors, percent			Opposition deputies, percent
		Peasant	Labor	Popular	
1964–66	N = 178	27.0	19.7	53.4	16.7
1967–69	N = 173	25.4	22.0	52.6	16.5
1970–72	N = 177	26.6	20.3	53.1	16.4
1973–75	N = 192	27.1	19.8	53.1	17.2
1976–78	N = 196	28.6	29.6	41.8	16.7
1979–81	N = 400	16.0	23.0	60.7	26.0
1982–84	N = 400	17.7	23.2	59.0	25.2
1985–87	N = 40	17.5	24.5	58.0	26.7
1988–90	N = 500	17.0	21.0	62.0	48.0
1991–93	N = 500	14.0	15.0	71.0	36.0
1994–96	N = 500				40.0
1997–99	N = 500	37.8	11.0	50.0	52.2
2000–02	N = 500				55.4
2003–05	N = 500	28.2	7.6	50.9	69.8
Average		23.4	19.8	55.4	32.2

Sources: For 1964–1976, see Smith (1979). For 1979, see Pacheco Méndez (2000). For 1988 and 1991, see Reyes del Campillo (1992). For 1982, 1985, and 1997, see Langston (2002) (Pacheco Méndez estimates for 1985 and 1997 are within 1 or 2 percentage points of Langston's.) For 2003, see La Reforma, "Van partidos por voto rural," February 10, 2003, p. 8. The last column is from table 6.

¹ Until 2000, the opposition consisted of anti-PRI parties.

are predominately rural, the PRI won 90 percent of the vote in the 1997 election, and 81 percent in 2000 elections. In contrast, in the predominately urban SMPDs in those elections, the PRI won only 38 percent and 6 percent of the vote, respectively.¹ Using survey data from the 1997 CIDE post-election survey, Ulises Beltrán (2000) demonstrates that rural voters are more likely to support the incumbent party (or PRI), even if the respondent believes the economic situation has worsened. Loyalty to a party that championed land grants and particularistic goods in districts with poor, dispersed, and hard-to-reach voters may help explain why many voters remain *PRistas*.

Dependence on rural districts helps explain why the Salinas (1988–94) and Zedillo administrations (1994–2000) each began major redistributive programs. President Salinas launched the National Solidarity Program, which delivered a panoply of social services to low-income communities throughout the country (Magaloni 2006), few of which had much effect on the urban bias of public policy. President Zedillo started the "PROGRESA" program, which provides income, nutritional, and educational services to the poorest households. This program, which the Fox administration has expanded and renamed "Oportunidades," has become an internationally recognized antipoverity program that, along with five other social programs (of a total of 20), favors rural over urban dwellers (Scott 2004).

Reliance on rural districts may account for the PRI's search for alternative antipoverity programs; uncertainty about their control encourages the PRI and its rivals to bid for the support of rural voters. In the 2003 midterm elections, the PRI's share of rural districts fell to 56.9 percent, even as it rebounded to win 30.8 percent of the majority urban districts. Increasingly up for grabs, rural voters are important

¹ A section is classified here as rural if the Federal Registry of Electors classifies as rural 50 percent or more of its sections, the highest-level jurisdiction within each district into which polling stations are grouped. This classification of electoral sections reflects the Federal Electoral Institute's (IFE) 1996 redistricting to correct for malapportionment. The authors' calculations suggest that 26 percent (or 79) of all SMPDs are rural and 59 percent (or 178) are urban. The Registry's classification of districts differs somewhat from the authors' and suggests that 115 are rural.

because 26 percent (79 out of 300) to 38.3 percent (115) of SMPDs are rural. Another 15 percent (43) to 22.6 percent (68) are mixed, that is, districts with large numbers of rural voters.² Depending on the measure used, therefore, 41 percent to 60 percent of SMPDs are packed with rural voters, although only slightly more than a quarter of the population lives in rural areas and agriculture contributes less than 5 percent of GDP. Districting, along with divided government, therefore makes legislators from rural constituencies and senators from economically marginal states pivotal players in the PRI and therefore within congress.

From One-Party Hegemony to the Separation of Powers

With the demise of one-party government, the president lost the ability to direct policy change. The absence of a partial or line item veto and other agenda-setting powers—such as executive decree authority or the ability to impose deadlines for congress to deal with executive-initiated legislation—makes the Mexican presidency a potential “reactive” player in the PMR. His veto power, however, means that he can do more than initiate legislation and wait for congress to enact it. A recent classification suggests that the Mexican executive has the fifth weakest set of legislative powers among 18 Latin American countries (IDB 2005).

Unified (and Authoritarian) Government

Weidon (1997a) suggests that three factors made *presidencialismo* possible (see also Casar 2002b). The first condition was *PRístia* unified government. The second was party discipline. The final condition was the

² The Federal Electoral Registry catalogues the remaining 39.1 percent of districts as either “urban concentrated” (62) or urban (55) (La Reforma, February 10, 2003, “Van partidos por voto rural,” p. 8). Before the 1996 reapportionment, rural areas were even more overrepresented in congress, since district boundaries date from 1977 and are based on demographic projections from the 1970 population census (Pacheco Méndez 2000). For a classification of districts until 1988, see Pacheco Méndez (2000).

president's ability to set the party's agenda and sanction uncooperative behavior among the members of the PRI's legislative contingent.

Table 8.4 includes data on the legislative process from the fifty-sixth (1991–93) to the sixtieth legislatures (2003–06): the last two in which the PRI led unified governments and the first three in which no single party has had the majority in congress. For each legislature, table 8.4 shows the number of legislative bills passed by and initiated in the chamber of deputies according to source, as well as the percentage that each source contributes to the total volume of legislation enacted. The data include only bills originating in the chamber of deputies, for which the senate plays the role of revising chamber. Standing committees are formally the agenda-setters in congress; what is debated and voted upon on the floor are committee reports, not the bills themselves. As the volume of legislation initiated in the chamber of deputies has grown dramatically since 1997, the probability for a bill to die at committee stage has increased from .39 to .82 between 1991 and 2006.

During one-party hegemonic government, the president had the highest success rate: executive-initiated bills represented 81.9 percent and 79.9 percent of the legislation that congress enacted. Table 8.4 also indicates that the president was virtually assured of legislative approval of his bills during the heyday of the PRI. The executive's share of all legislation far surpassed that of the other sources taken together, including PRI legislators.

Although the opposition initiated a significant amount of legislation, opposition bills rarely survived the committee stage. Opposition legislative bills ranged from 31.7 percent to 54.3 percent, but their contribution to the total volume of the chamber's legislation was only 4.7 percent to 14.8 percent, respectively. PRI congressional majorities themselves delegated substantial lawmaking authority to the executive. They were responsible for only between 7.4 percent and 6.5 percent of all legislation between 1991 and 1997. Moreover, the fact that only 37 percent of PRI initiatives (and about 10 percent of enacted legislation) came from its legislators suggests that they played a minor role in lawmaking. The president was not only the chief executive but also the chief legislator.

Table 8.4. Legislative Bills Introduced in and Passed by the Chamber of Deputies, Mexico, 1991–2006

Source	Unified government				Divided government					
	1991–94		1994–97		1997–2000		2000–03		2003–06	
	Passed/ introduced	Percent contribution	Passed/ introduced	Percent contribution	Passed/ introduced	Percent contribution	Passed/ introduced	Percent contribution	Passed/ introduced	Percent contribution
Executive	122/124	81.9	83/84	76.9	28/32	20.4	50/61	18.2	18/34	3.7
Deputies	26/117	17.4	24/165	22.2	108/549	78.8	210/1060	76.4	432/2496	89.1
PRI	11/30	7.4	7/19	6.5	15/86	10.9	54/306	19.6	170/900	35.1
PAN	4/26	2.7	8/1	7.4	31/168	22.6	65/265	23.6	95/490	19.6
PRD	2/1	1.3	3/1	2.8	20/157	14.6	45/294	16.4	69/438	14.2
Other	1/19	0.7	5/20	4.6	17/77	12.4	21/153	7.6	92/608	19
Joint	8/10	5.4	1/2	0.9	25/61	18.2	25/42	9.1	6/1	1.2
Opposition	7/1	4.7	16/144	14.8	68/408	49.6	120/753	43.6	331/1946	68.2
Senators	0/0	0	0/0	0	0/0	0	0/0	0	19/69	3.9
State legislatures	1/2	0.7	1/2	0.9	1/25	0.7	15/86	5.5	16/94	3.3
Total	149/243	100	108/251	100	137/606	100	275/1207	100	485/2693	100

Sources: Sistema Integral de Información y Documentación de la Cámara de Diputados for 1991 to 2000 and Gaceta Parlamentaria (<http://gaceta.cdhu.org.mx>) for 2000–2006.

The data include legislative bills originating in the chamber of deputies; permits, symbolic legislation, and senate minutes were omitted.

Divided Government

Divided government has transformed the role of the Mexican president. Deprived of any constitutional means of setting the congressional agenda, the president faced the prospect of turning into a merely reactive force. His veto power enables him only to maintain the status quo, not change it. Certainly, opposition parties cannot form a minimum winning coalition without the support of the president and his party. However, minority presidents need the backing of at least one of the two main opposition parties to obtain legislative approval of their bills.

Table 8.4 shows that there has been a substantial increase in the number of non-PRI bills and a notable decline in the number of executive-initiated proposals since the mid-1990s. President Zedillo (1994–2000) reduced the number of bills he sent congress after the PRI lost its legislative majority in 1997. The number of executive-initiated bills fell from an average of 83 to 32 per year. By limiting his legislative program, President Zedillo was able to maintain a success rate in Congress of 87.5 percent. The legislative agenda of the administration increased quite notably when President Fox took office in 2000. The total number of executive-initiated bills rose to 61 during the first half of his administration. After Fox lost the 2003 midterm elections, his administration sponsored only 34 bills. In fact, during the second half of his administration, President Fox had the lowest success rate—53 percent—of any Mexican chief executive since the formation of the PRI.

The most important indicator of the impact of divided government on the constitutional balance of power is the decline in congressional approval of executive-initiated legislation. In the last two legislatures in which the PRI had a majority, the president initiated from 81.9 to 76.9 percent of the volume of legislation. In contrast, from 1997 to 2000, executive-initiated legislation amounted to only 20.4 percent of the total number of bills passed by the chamber of deputies. During the first half of the Fox administration, government bills represented just 18.2 percent of all bills. After losing the 2003 midterm elections, the influence of President Fox on the congressional agenda collapsed. His administration was responsible for only 3.7 percent of all bills congress

enacted between 2003 and 2006. At the same time, the importance of opposition-sponsored legislation increased, accounting for a larger share of bills than that of the president and his party taken together. With the advent of divided government, the president saw his role as chief legislator vanish.

Another significant aspect of the legislative process reported in table 8.4 is that divided government has not involved any reduction in total legislative output, even if it has made it harder to enact second-generation structural reforms. Table 8.4 shows that the total volume of legislation, measured by the number of bills passed by the chamber of deputies, has been higher during the period of divided government than during the last two legislatures in which the PRI controlled both congress and the presidency. The total legislative output rose from 104 and 98 bills in the fifty-fifth and fifty-sixth legislatures to 275 in the fifty-eighth legislature, and 485 in the fifty-ninth legislature.

Congress: From Single-Party to Multiparty Government

González Casanova (1970) describes congress in the heyday of the PRI as a powerless institution that merely played a symbolic role. Extensive delegation to the executive responded to the career incentives of PRI legislators, for whom political survival ran counter to promoting congressional authority. Under divided government, legislators have reformed congressional procedures and have taken a more active role in the PMP. The constitutional ban on consecutive reelection limits the policymaking capabilities of congress.

Congress under *Presidencialismo*

During the heyday of the PRI, most legislation was actually drafted in the executive departments. Table 8.4 shows that deputy-initiated bills fluctuated between 19.1 percent and 20.1 percent of the total volume of legislation from 1991 to 1997, the last two legislatures in which the PRI had a majority in the chamber of deputies. This pattern of the law-making process was similar a decade earlier, when the PRI majority in

the chamber was even larger. In the 1982 and 1988 legislatures, deputy-initiated bills amounted to 14.3 percent and 22.6 percent of all laws that the deputies passed (Nacif 1995). Weldon (1997b) tracks the origin of this pattern back to the early 1930s, shortly after the foundation of the PRI.

The marginal contribution of the PRI majority in the chamber of deputies to the volume of legislation (less than 10 percent) confirms that its regular strategy was to delegate the drafting of legislative initiatives to executive departments. PRI legislators used to justify this practice on the grounds that the technical capabilities of the congress were quite limited in comparison with those of executive departments. However, extensive delegation to the executive branch and a failure to develop the necessary technical capabilities was a function of the career incentives that legislators, particularly PRI legislators, faced (Ugalde 2000).

The ban on consecutive reelection made legislative service a mere stepping-stone to other political positions. Data on legislative careers show the lack of professionalization among politicians serving in the Mexican congress (Campos 2003). Between 1934 and 1997, an average of 86 percent of the members of the chamber of deputies served only one term. Only 11 percent on average served a second term. This figure fell to practically zero for those serving a third term or more. A period in the chamber of deputies was a very important experience for politicians seeking a seat in the senate. From 1982 to 1994, 67.7 percent of the members of the senate had served in the chamber of deputies for at least one term. The chamber of deputies was the previous experience of political office for one-third of the senators during that period (Nacif 1996).

PRI politicians considered not only the benefits of holding a seat in either house of congress, but also the sequence of offices related to congressional service. For aspiring state governors, congressional service was the most significant political experience. After the presidency of the republic, state governorships were the most valuable positions for ambitious politicians. In several respects, a governorship was more attractive than a senate seat. Governors' ability to organize teams and reward loyalty placed them at the center of the promotional structure at the state and municipal levels. Between 1976 and 1995, 45.2 percent of elected governors had previously served in congress (Nacif 1996).

The system of congressional governance under presidencialismo was highly centralized (Martínez-Gallardo Prieto 1998). It revolved around the *Gran Comisión*, a committee comprising representatives of state delegations to the chamber of deputies and the senate. In practice, the PRI legislative leader chaired the *Gran Comisión*. Its powers included staffing committees, assigning committee chairs, appointing administrative officials, allocating financial resources, and staffing the *Mesa Directiva*—the legislative body governing plenary meetings. Under PRI rule, standing committees did little more than review executive-initiated legislation. They typically ignored bills from different sources, especially from opposition legislators—a practice known in the parliamentary jargon as the “freezer.” The chair of the *Gran Comisión* could expedite the passage of executive legislation and, when necessary, circumvent committee chairmen.

Congress under Divided Government

As opposition parties grew in size during the 1980s, they gained the ability to force the PRI majority to reform congressional procedures. The 1991 reform of the chamber of deputies brought an end to the old system of government based on the *Gran Comisión* and gave the opposition parties access to committee chairs and secretariats. The real change in the role of congress, however, came about only after 1997, when the PRI lost its majority in the chamber of deputies.

Opposition parties have been responsible for a disproportionate share of legislative activity since 1997. Under PRI unified governments, as the data in table 8.4 show, opposition-initiated bills accounted for between 4.6 percent and 13.1 percent of all bills. This indicator soared to 48.2 percent and 43.2 percent during the first two legislatures under divided government. During the second half of the Fox administration, the opposition sponsored 68.2 percent of all bills. The significance of this change can hardly be exaggerated: the contribution of opposition parties to the total volume of legislation has been greater than that of the president and his party taken together since 1997.

Divided government also transformed congressional governance. Building on the precedent established by the 1991 reform of the cham-

ber of deputies, in 1999 Congress passed a new Organic Law of Congress that introduced power-sharing arrangements in both houses of the legislature. The allocation of committee chairs and secretariats on the basis of proportional representation, already in operation in the chamber of deputies, was extended to the senate. A committee comprising all legislative party leaders—the *Junta de Coordinación Política* in the chamber of deputies and the *Junta de Gobierno* in the senate—replaced the *Gran Comisión* as the governing body.

Though divided government makes the committees central players in the policymaking process, the ban on consecutive reelection and existing legislative arrangements weaken the role of standing committees. The practice of multiple committee assignments (all deputies must belong to at least three committees) inhibits specialization. Also, the system of open rules that prevails in floor proceedings leaves committee reports unprotected against unfriendly amendments. Finally, the 1999 Organic Law of Congress gave leaders of legislative factions the power to remove committee members at any time without consulting the plenary, thereby undermining the independence of standing committees. The weakness of the committee system prevents congress from gathering information, assessing policy alternatives, and overseeing the implementation of legislative change.

Unlike their counterparts in the United States, the national leaderships of Mexican parties, called the National Executive Committees (CEN), are very powerful. Their leverage stems from their influence on the nomination of candidates and their control of lavish campaign finance subsidies. The CEN's control over party factions begins with the nomination of candidates. The CEN reserves safe seats—top positions on the party list or safe districts—for those politicians who will play leading roles within the legislative faction. The PRD and the PRI recently introduced the practice of holding elections for the coordinators of their legislative factions (in other parties, including the PAN, the CEN appoints the coordinator of the legislative faction), but the CEN has ultimate control over the process of selecting the parliamentary faction leadership.

Indicators of party unity confirm that parliamentary factions usually vote as a bloc. The average Rice index (an indicator of party unity, which

consists of the difference between the percentage of party members voting against and for a bill) has been greater than 90 percent for every party since 1997, with the president's party typically displaying the most discipline (Casar 2000; Díaz-Iuibe 2006).

The Judiciary: The Supreme Court

Between the late 1920s and 1994, presidents manipulated constitutional rules for designating high court justices. A highly centralized PMP also deprived the supreme court of the means and motives to rule against the PRI. Since 1994, the creation of impartial rules of appointment, the establishment of a more extensive judicial review, and the opening up of the PMP has permitted the emergence of a more independent supreme court. The available evidence suggests that the Court's short-term strategy has been to act as a veto player. Nevertheless, a more experienced and professional high court might be able to take a proactive role in defining and enforcing intertemporal agreements among partisan and policy players.

The Supreme Court under Presidencialismo

Since the late 1920s, constitutional rules and political centralization have prevented the high court from acting as a collective actor with its own policy preferences. The party in power secured the loyalty of supreme court judges through the rules on their appointment, tenure, and impeachment. Under these conditions, the Court reserved for itself a sphere of relative independence in protecting citizens from some irregular procedures but never attempted to defy the party in power in fundamental political decisions, even when the PRI violated the constitution.

The 1917 constitution sought to guarantee the formal independence of the supreme court by empowering state legislatures to nominate members to the high court, who then needed to be approved by a two-thirds majority in a joint session of congress. It also granted judges lifetime appointments after a trial period of six years. In 1928, President Calles

(1924–28) secured a constitutional amendment that allowed presidents to nominate judges, subject to the approval of a simple senate majority. A presidential nominee, however, was automatically approved if the senate did not act upon his nomination or if the senate rejected two successive presidential nominees. In 1934, President Cárdenas (1934–40) passed a new constitutional amendment that replaced the lifetime tenure of judges with a six-year term concurrent with that of the president.

Judicial careers were already politicized when, in 1944, a new constitutional reform restored the lifetime tenure of supreme court justices. Between 1933 and 1995, 47 percent of all justices had a political position at the federal or local level before being appointed. Between 1940 and 1994, 20 percent of the members of the supreme court ended their terms prematurely to occupy similar political positions (Domingo 2000). Another indicator of politicization is that, since 1946, most presidents had an opportunity to renew *at least* 40 percent of the members of the supreme court (Fix-Fierro 1999).

Limited powers of judicial review also weakened the supreme court's position. Between 1917 and the early 1990s, the *amparo* suit was the supreme court's most powerful means of reviewing the constitutionality of norms and laws. As in the rest of Latin America, any citizen could invoke an *amparo* against a law or administrative act that he believed arbitrarily violated a constitutional right or guarantee. While the *amparo* (particularly the *amparo contra leyes*) provided the Court with the opportunity to decide whether a law or a government act breached the constitution, it limited the ability of judges to act as independent guardians of the constitution for two reasons (Baker 1971; Taylor 1997; Fix-Fierro 1999). First, writs of *amparo* usually involve establishing the facts of a case rather than the meaning of the constitutional text, as in most types of judicial review (Baker 1971; Taylor 1997). Second, both the constitution and the law of *amparo* establish that a successful writ of *amparo* only has *inter partes* (between the parties) effects: that is, it only exempts the plaintiff, not anyone else. Writs of *amparo* only acquire general effects—benefit all individuals in similar circumstances—in Mexico if the supreme court grants comparable writs of *amparo* in favor of five plaintiffs. The absence of an authority responsible for determining the similarity of writs of *am-*

hamp, however, has weakened the practical implementation of this rule (Carro 1990; Schwarz 1990). The constitution and the law of *amparo* also prevented the supreme court from ruling on certain matters, such as religious freedom, education, voting rights and the implementation of electoral rules, the deportation of foreigners, decisions taken by decentralized public entities, and the right to challenge presidential decisions on the expropriation of land (Schwarz 1977).

The available evidence confirms that the Court, while not completely null as an enforcer of individual rights, was neither a veto player in the PMP nor an impartial enforcer of an intertemporal agreement. In a study of 3,700 *amparo* suits between 1917 and 1960 in which the president is mentioned as the responsible authority, González Casanova (1970) finds that the supreme court decided in favor of the plaintiff in 34 percent of the cases. The Court either denied the merits of the rest of the *amparo* suits or dismissed them on procedural grounds. In a more detailed analysis of supreme court rulings in *amparo* suits, Schwarz (1977) observes that the Court appeared to be relatively independent when deciding on the legality of administrative procedures, particularly in the areas of expropriations and taxes. More than 50 percent of these cases were decided in favor of the plaintiff between 1954 and 1968. In other areas, however, such as labor regulations, economic policies, or political dissent, the court ruled in favor of the executive.

Both González Casanova (1970) and Schwarz (1977) conclude that in politically sensitive areas, the supreme court rarely defied the PRI. In these cases, the Court either ruled against the plaintiff, dismissed the case on procedural grounds, or declared that the matter was beyond the competence of the courts (Fix-Fierro 1999). In 1982, for example, the Court decided against hundreds of *amparos* that challenged the constitutionality of the 1982 bank nationalization, even though the measure violated constitutionally defined property rights. During the 1960s, the Court dismissed, on procedural grounds, *amparos* invoked against the so-called crime of "social dissolution," a fairly broad legal category that basically penalized actions of political dissent. In other cases, the Court declined its jurisdiction to decide on potentially conflictive issues by invoking the doctrine of "political questions." While the constitution and the law of

amparo excluded the jurisdiction of the courts on some electoral matters (such as the decisions made by electoral boards and legislatures on the legality of electoral procedures), the Court interpreted this doctrine broadly enough to refuse to hear any case that touched upon matters of voting rights (Schwarz 1977).

The Supreme Court since 1994

The 1994 constitutional reform, passed with the support of the main opposition party, the PAN, gave the supreme court the power to play a more active role in the PMP. While the president retained the power to nominate candidates to the Court, the threshold for their appointment in the senate was increased from simple majority to a qualified majority of two-thirds. To lessen the politicization of supreme court nominations, the reform required that candidates should not have been secretaries of state, prosecutors, federal deputies, senators, or state governors during the year before their nomination.

The reform also created a new type of judicial review: the "action of unconstitutionality" (AU). Wholly independent of the *amparo* suit, the AU allows the Court to declare laws or administrative acts unconstitutional if such a decision is supported by eight of the eleven supreme court justices (unlike the *inter partes* effect of *amparo* rulings). A second important reform in 1996 extended the judicial review under AUs to include the adjudication of electoral disputes. AUs differ from *amparo* suits in that citizens cannot initiate them. Only a limited number of political authorities have the authority to invoke them, such as a percentage of federal deputies and senators, or the attorney general.

Another important change was the strengthening of the Court's power to act on constitutional controversies (CC). Before 1994, constitutional controversies were limited to conflicts among states and between them and the federation. Since 1994, constitutional controversies have included conflicts between the federal branches of government. The reform also established that whenever local laws are involved, supreme court rulings in constitutional controversies might invalidate those laws if no fewer than eight of the eleven justices agree on the decision.

With formal guarantees of independence, more effective powers of judicial review, and divided government, several deductive models of judicial decisions in separation-of-powers systems predict the development of a more proactive Court (Ramseyer 1994; Epstein and Knight 1997; Jaryczower, Spiller, and Tommasi 2002). In a study of constitutional controversies between 1994 and 2000, Magoloni and Sánchez (2001) find that the supreme court still ruled in favor of the PRI, either by ruling against the merits of the claim or by dismissing the case on procedural grounds. However, in a time-series analysis of both constitutional controversies and actions of unconstitutionality from 1994 to 2003, Tapia Palacios (2003) concludes that the percentage of the Court's rulings in favor of the PRI falls as the PRI's hold on elected offices declines. The probability of the Court ruling in favor of the PRI was 85 percent between 1995 and 1997, when the PRI was a defendant in both constitutional controversies and actions of unconstitutionality (Tapia Palacios 2003). Between 1997 and 2000—that is, when the PRI lost its majority in the chamber of deputies for the first time since the 1930s—the probability fell to 34 percent. After 2000, when the PRI lost the presidency, the probability of a decision in favor of the PRI declined to 31 percent.

Selected case studies also show that between 1997 and 2000, the supreme court ruled against the PRI in politically sensitive matters. In September 1998 it ruled in favor of the PRD, which had challenged the constitutionality of an electoral law in the state of Quintana Roo that granted the plurality vote-winner an automatic majority of seats in the legislature. In 1999, all the main opposition parties won a constitutional controversy that forced President Zedillo to disclose secret financial information that potentially involved the illegal funding of his electoral campaign.³

These rulings can be interpreted as a reputation-building strategy. By ruling against the PRI between 1997 and 2000, the supreme court asserted its independence as the PRI was losing its grip on Mexican politics. As to the PAN—the party of President Vicente Fox (2000–06)—between 1997 and 2000, the percentage of cases decided in favor and against the party

was almost the same as in the previous three-year period (Tapia Palacios 2003). Nonetheless, the percentage of cases decided in favor of the PAN fell from 37 percent between 1997 and 2000 to 7 percent between 2000 and 2003. In the latter period, the supreme court did not seem to have been ruling either for or against the PRI, since the percentage of cases decided in favor and against the PRI was almost identical.

These recent trends suggest that the Court might be shifting its strategy from being just a veto player in the PMP. During Fox's presidency, for instance, the Court invalidated one executive decree that allowed private companies to generate electricity and another that exempted from taxes the users of fructose in industrial production. At the same time, however, the Court did not appear to be ruling disproportionately in favor or against the government. In mid-2005, the supreme court ruled in favor of a presidential CC that made it clear that the executive could veto the expenditures portion of the annual budget bill. It has also become very active in the interpretation of the Mexican state's international obligations and the protection of human rights. In June 2004, for instance, the Court decided that the forced disappearance of persons is a crime not subject to a statute of limitations, thus permitting the prosecution of former public officials for human rights abuses committed during the 1960s and 1970s. These cases suggest that, if divided government persists and control over the presidency rotates among parties, a more experienced supreme court could change from being a veto player to being an impartial enforcer of intertemporal agreements among policy and partisan players.

Federalism and Intergovernmental Relations

During the PRI's heyday, tight federal control over tax collection helped create and then reinforce a highly centralized PMP—one that enabled presidents to pursue policies that favored national over regional interests. As the PRI's hegemony declined, the president's discretionary authority in the assignment of federal resources ended. Decentralization has also led states and municipalities to become veto players in the PMP. While subnational governments are responsible for more than a third of total

³ *El Universal*, March 20, 2000.

public sector expenditures, they do not collect enough taxes to cover the money they spend.

The Centralization of Intergovernmental Relations

The centralization of tax authority in the federal government was the driving force behind the loss of local autonomy in Mexico. Beginning in 1947, local governments began to relinquish more and more tax authority to the federal government in exchange for guaranteed shares of federal tax revenues and exclusive authority over some small taxes (Courchene, Diaz-Cayeros, and Webb 2000). The centralization of tax collection was possible because local politicians surrendered tax authority in exchange for fiscal compensation from the federal government (Diaz-Cayeros 1997b). This process culminated in 1979 with the creation of the *Sistema Nacional de Coordinación Fiscal* (SNCF). Local politicians found it expedient, as it guaranteed shares of growing national VAT (value added tax) collections and access to rising federal oil revenues (Diaz-Cayeros 1995). Though states could, and still can, legally opt out of the system and recover local tax authority, the SNCF equilibrium has proven quite stable. Few politicians have been willing to risk a loss of guaranteed fiscal revenues in exchange for fiscal freedom. Indeed, on only one occasion has a governor—that of Baja California Sur—threatened to leave the system (Diaz-Cayeros 1997a).

The regional distribution of federal transfers reflected presidential priorities, not regional ones. States received revenue shares in line with former revenue collected from their own state-level taxes and the national sales tax, which perpetuated interregional disparities (Diaz-Cayeros 1995). As late as 1991, the formula used to allocate state transfer shares heavily weighted their current share in overall tax revenues, with 72.29 percent of these transfers being based on tax collection. As a result, the Federal District (DF) and wealthier states like Nuevo León and Baja California have consistently received more resources from the federal government than poorer states, located predominately in the south. The GDP per capita in 2000 was US\$22,816 (PPP) in the Federal District (a figure comparable to Spain's), \$15,837 in Nuevo León, and \$12,434 in

Baja California. In contrast, the national GDP per capita rate was \$8,831, indicating that federal transfers magnified already stark differences in wealth among Mexico's 32 states (PNUD 2003).

The lack of a regional voice in the PMP was also reflected in federal public investment spending (*inversión pública federal*, IPF), which is an important source of public investment for economic and social development projects. Rather than being awarded to states on the basis of economic and social need, however, IPF funds fostered economic growth in the country's most productive economic sectors (such as the petroleum industry in the states of Veracruz and Tabasco, and the industrial and manufacturing sectors in the DF) (Diaz-Cayeros 1997b). Until the 1980s, most presidents favored industrial over agricultural, social, and regional development programs, and thus chose to target regional (state) industrial centers that were critical to national economic prosperity and growth. Indeed, between 1965 and 1982, 61 percent of IPF resources were directed to industrial development (42 percent) and infrastructure (19 percent) projects that tended to benefit wealthier states, compared to 13 percent directed toward agriculture, and 21 percent toward social welfare projects targeted toward more rural and less-developed regions. Regardless, the division of IPF funds also varied from term to term, reflecting variation in presidential policy priorities, and the secretiveness and centralization of the PMP.

Regional favoritism was possible because local leaders abdicated electoral, fiscal, and policy authority to the federal government (Ayala Espino 1988). Although the lack of a regional voice in the PMP aggravated regional inequalities, the equilibrium bargain between federal and local leaders remained robust. Local leaders from both poor and wealthier areas exchanged partisan loyalty for guaranteed political careers and for predictable shares of government resources. Economic favoritism, however, also helped reward the most important PRI followers—including public utilities workers, workers in private industry, and business groups—because it delivered jobs and prosperity to states that already had strong corporatist representation in the national government. Leaders from poorer areas, though their careers were guaranteed, were marginalized from most policy programs, while the federal government used

its control over the PMF to support the most economically influential areas of the country.

Decentralization and the New Federal Pact

The economic crisis of the 1980s pressured the federal government to cede some political, fiscal, and policymaking authority to local governments (Cornelius and Craig 1991; Rodríguez and Ward 1994; Rodríguez 1997; Cornelius, Eisenstadt and Hindley 1999). Such decentralization involved changing the formulas used to calculate state shares of fiscal transfers, the policy responsibilities allocated to state governments, and the way that federal public investment projects are undertaken. Congress has since placed additional taxes within the SNCF system and increased total tax revenues allocated to state governments. By 1998, in addition to fiscal resources, the federal government had transferred education, health care, and public security responsibilities to state and municipal governments. Before the 1983 decentralizing reforms, states accounted for about 11 percent of total public expenditures, and municipalities, for 2 percent. By 2005, states and municipalities accounted for 40 percent of total public expenditures, even though states raise no more than 11 percent of their spending from local taxes (INEGI 2007).

Local political interests have begun to find a voice in the policymaking process. They have demanded more transparent resource allocation that reflects their economic and fiscal interests. As a result, the distribution of federal tax-sharing revenues has begun to reflect more than just annual tax collections; it now includes funds based on population size and economic and social needs (Díaz-Cayeros 1995; Rodríguez 1997; Ward, Rodríguez, and Cabrero Mendoza 1999). Gone too are the days of extreme favoritism toward those areas most likely to contribute to economic growth. Poor states have benefited most from this change. States with the highest levels of poverty experienced, on average, 33 percent growth in the per capita transfer of *participaciones* in the 1990s alone.⁴ Wealthier states, by contrast, have seen negative growth in per capita

⁴ *Participaciones* are revenues collected from a state's own taxes and their share of VAT.

revenue shares (Rodríguez 1997). More developed states also have experienced a decline in per capita public investment, while poorer areas received a higher amount of federal funds for development projects. These trends have created a federal arrangement whereby states free ride on the national government because no state taxes its citizens to cover its expenditures. This is a situation that is placing increasing pressure on the federal government because of the narrowness of the tax base in Mexican society. It is also polarizing states between a larger number of poorer states entirely dependent on federal largess and a smaller number of wealthier states that are not.

The decentralization of resources, along with the rise of competitive party politics in state and municipal elections, has increased the role of subnational politicians and politics in national policymaking. Most of Mexico's most important presidential contenders in recent years have all served as governors. Though President Calderón (2006–12) never served as a state executive, former President Fox (2000–06) was governor of Guanajuato. The PRD's 2006 presidential candidate, Andrés Manuel López Obrador, served as mayor of Mexico City (2000–06). This is a major change from prior years when presidential contenders tended to come from bureaucratic careers rather than elected ones, as the section above on electoral and party systems shows.

State leaders can also affect voting outcomes in the federal congress. Recent research shows that, when their interests collide with those of the federal government or party leaders, governors can exert considerable sway over federal legislators from their state, causing important party splits on key issues, particularly fiscal and budgetary ones (Langston 2007). Though much of the political clout of governors stems from their important role in helping legislators get on ballots and win seats, it also is due to the fact that many politicians hope to return to local political careers after serving in the national congress. Governors have also begun to rethink the ways that they can cooperate to affect the federal PMF. To this end, they formed the National Conference of Governors (CONAGO) in 1999 to help coordinate their interests and present a common front to the national government. Though having only limited success thus far, scholars have noted that governors from small states

that had until recently been all but overlooked by national leaders now can expect to have their complaints and suggestions heard by cabinet members and even the president (Flammand 2007).

Conclusion

Policymaking in Mexico is consistent with the argument that political cooperation among a small number of political actors leads to the development of stable intertemporal linkages. Though the presidency is constitutionally weak, unified government and the corporatist organization of the economy transformed the president into a national agenda setter. One-party hegemonic government gave rise to a political system that benefited organized urban interest groups and ignored the majority of Mexicans living in (and fleeing) rural poverty. It was a less than solid arrangement—one that the president made credible by consulting with corporatist leaders, letting them share in the spoils of office, and loading the constitution with promises to each of these sectors. As a result, public policies were stable, coordinated, and coherent until the 1970s.

Without competitive elections, however, most partisan and policy decisions were made in secret. Authoritarianism prevented the development of a professional and high-quality bureaucracy. It kept an independent judiciary from enforcing a stable and modern agreement that transcended the personalistic relations among the president, the members of the cabinet, and corporatist leaders. By exchanging particularistic policies for support from narrowly based corporatist sectors, *presidencialismo* relinquished the right to tax society and thus to build a modern, professional state with the rule of law.

When policy reform might have caused losses for one or more urban-based groups, however, PRI presidents typically postponed dealing with thorny issues. Hence during the 1970s and early 1980s, Mexican presidents did little to solve balance of payments crises and the increase in the public (foreign) debt, given the rigidity of tax collection and expenditure policies. The costs of reforming an economy that had become macroeconomically unstable by the 1970s helps to explain why economic volatility did not force change in the policies of a highly centralized PMR. After

massive devaluations and periodic negative growth rates—both of which recurred with the end of the six-year presidential term and the start of a new one—several presidents adapted a centralized PMR to new economic and political circumstances. Presidents De la Madrid (1982–88), Salinas (1988–94), and Zedillo (1994–2000) opened up the economy to international competition, deregulated it, and privatized many state companies.

Democratization has created a decentralized and more open policymaking process that benefits a wider set of interests. The proportional aspects of a mixed electoral system fuel the growth of a three-party system. The majoritarian components of the electoral system, along with the boundaries among SMPDs, now favor parties occupying the median position in congress (typically, the PRI) and rural voters, who comprise a quarter of the electorate and contribute less than 5 percent to national GDP. Intergovernmental relations magnify this outcome and actually encourage states to abdicate responsibility for collecting their own taxes and instead to free ride on federal revenues. Divided government and decentralization therefore fragment power in a political system once famous for one-party, hegemonic rule.

This chapter suggests several implications for policymaking in and outside Mexico. First, *presidencialismo* was more powerful in appearance than in reality. Almost universal congressional support for executive-based initiatives conceals the fact that Mexican presidents, unless faced with a serious crisis, could not secure approval of any measures that redistributed significant resources away from the corporatist groups on which it based its support. Only when lawmaking touched on non-controversial issues could the president win the consent of corporatist sectors—which held legislative seats commensurate with their economic importance—and organized business to enact or change laws. This outcome suggests that the centralization of political power does not substitute for the construction of a political consensus necessary for effective public policies.

Second, there has been as much continuity as change in policymaking during the last fifty years in Mexico. Though Mexico has been macroeconomically stable since the mid-1990s, policymakers took more than two

decades to shift from a fixed exchange rate and closed economy policies to a floating exchange rate regime and open economy policies. The rigidity of policymaking contributed to macroeconomic turbulence during the 1970s and 1980s, an outcome that worsened the public regard-ness of policies during these decades. Though political and economic reforms of the 1990s benefited rural and poor citizens, the underlying rigidities of public policies has contributed to unimpressive growth rates (approximately 3.2 percent a year since 1997), rates unable to transform the living standards of many Mexicans.

Third, increasing rates of growth to lift the half of Mexicans living in poverty and reduce income equality requires addressing a multiplicity of policy rigidities. Raising historically low rates of taxation—little more than 10 percent of GDP—requires ridding the tax code of a large number of loopholes. Reform of the energy sector remains captive to inefficiencies at PEMEX, its union, and the demands of a central state that relies upon dwindling oil exports for more than a third of total public sector expenditures. Education reform demands confronting the largest union in Latin America, one whose leadership has shown little interest in improving the quality of public education, but that has extracted generous salary increases during the Fox administration. Until Mexico's policymaking process forges a consensus to address these and related rigidities, the living standards of Mexicans will not improve dramatically.



Political Institutions, Policymaking Processes, and Policy Outcomes in Paraguay

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Introduction

Paraguay has experienced one of the lowest growth rates in Latin America over the last 25 years, with economic growth well below the population growth, and a resulting decrease of per capita income. Meanwhile, since 1947, Paraguay has been under the rule of the Colorado party. No political party currently in power anywhere in the world has governed longer than the Colorado party. In spite of both the stability of the Colorado party's control of the government and the country's deteriorating macroeconomic conditions, no major reforms have been implemented in Paraguay in recent years.

Economic reforms intended to stabilize the economy have usually come to a standstill in the legislative stage. For example, in 2002, while Paraguay was experiencing one of its most severe economic crises, the minister of finance resigned in protest over congressional delays in authorizing a stand-by agreement with the International Monetary Fund (IMF). One year later, after his election as Paraguay's new president, Nicanor Duarte-Frutos adopted some of the reforms suggested by the IMF. In 2004 the situation improved; the economy grew 4 percent—the highest rate since the mid-1990s. However, the economy suffered from a variety of external shocks in 2005 and growth fell to 3 percent. Against this background, the authorities sought to implement an ambitious program