

**POLITICAL INSTITUTIONS, POLICYMAKING PROCESSES,
AND POLICY OUTCOMES IN MEXICO***

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A b s t r a c t

This paper uses a transaction-costs framework to link the policymaking process (PMP) and the outer features of public policies in Mexico, a middle-income developing country. It shows how a highly secret PMP centralized around the presidency fashioned nationalist policies that were stable, adaptable, coordinated, and private-regarding for the urban-based corporatist pillars of the regime. When growth faltered in the late 1970s, however, this PMP was unable to adapt to economic volatility, even if it remained dominant in an increasingly turbulent polity. The paper explains how unified government and the corporatist control of the economy made a constitutionally weak president the envy of executives around the world, even at the cost of being unable to enact reforms with short-term costs for the corporatist pillars of the regime. The article also explains why democratization in the 1990s is constructing a less centralized and more open PMP that benefits larger shares of the population. As the separation of powers of the 1917 constitution comes alive, policymaking is increasingly wedded to the status quo. On the one hand, divided government preserves a macroeconomic framework consistent with an open economy (e.g., fiscally sound policies and a floating exchange rate). On the other hand, checks and balances are permitting old and new parties and interest groups to veto agreement on raising chronically low tax rates (e.g., 10 percent of GDP) and on reforming nationalist policies that limit private sector investment in the state-controlled energy sector.

INTRODUCTION

Analysis of Mexico policymaking reveals a puzzling incongruity. Though not rich, Mexico has a GDP per capita ranking of an upper income developing country. With a 2000 GDP per capita of US\$ 8,790 (PPP), it has the 4th largest GDP of 20 Latin America economies. Mexico, though, ranks 13th in the region on the Bertelsmann Management Index (BTI, 2003), a composite measure of the ability of a political system to build agreements to solve social problems. The 2002 average of the six World Bank Governance indicators ranks the country at the 57.41 percentile, just two percentage points above the Latin American average and 5 percentile points below the average for the country's income group (Kaufman, Kray, and Mastruzzi, 2003).

Mexico could be wealthier, if not for an under-performing public sector. Though Mexico, unlike most Latin American countries, has doubled its GDP per capita between 1950 and 2000, its economy has not duplicated the growth rates of East Asian economies. In 1990 international US dollars, Mexico went from having a GDP per capita of \$2,365 in 1950 to \$6,655 in 1998 (Maddison, 2001: 195). South Korea, for example, went from a GDP per capita rate of \$770 in 1950 to more than \$12,152 in 1998 and a growth rate per capita of nearly 9 percent (Maddison, 2001: 215-6). During the same period, GDP per capita grew at an average of 3.17 before falling to 1.28 percent for the rest of the century (Maddison, 2001: 196).

The country's economic performance is all the more perplexing because the country's unique authoritarian system—one that remained largely unchallenged for decades—was alleged to be well-suited for economic growth. In a region renown for extra-constitutional changes in government, the stability of Mexico's one-party regime led analysts like Samuel P. Huntington to marvel about how the Institutional Revolutionary Party (PRI) had found the coveted elixir for combining political stability and economic growth. And, until the late 1970s, the PRI had indeed squared the circle. Though it never lost an election, it had a place for industrial workers, peasant organizations, bureaucrats, and even businessmen (at least informally) that also made it the marvel of political inclusiveness.

Regime continuity and high-level bureaucratic expertise are empirical manifestations of Pablo Spiller and Mariano Tommasi's (2003) theoretical claim that a small number of actors lays the groundwork for the inter-temporal agreements necessary for effective policymaking (Spiller and Tommasi, 2003). Mexican authoritarianism produced policy stability. Though all bureaucrats had little autonomy (and most were poorly trained and provided citizens with sub-optimal public services), the central bank and most ministries had a core group of highly trained technocrats. Along with acute centralization and pervasive secrecy, both policy stability and high-level bureaucratic expertise are the PRI's defining features.

As this paper explains, Mexican policymaking also had several glaring weaknesses. Once growth began to falter in the 1970s, Mexican policymaking became rigid. Mexican presidents stuck with a fixed-exchange rate and other closed economy policies, even when trade imbalances and public sector debt led to severe recessions and major devaluations by the end of every six-year presidential term (Basáñez, 1995). Policymaking was 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) got little more than a bit of land on a government-controlled land collective or ejido.

This paper suggests that lack of political and policy transparency, two necessary conditions for policy effectiveness, made for rigid, low quality, and private-regarding policies for much of the second half of the twentieth century. And, it was a noncompetitive political system—the single most important way of forcing policy and partisan players to make their behavior observable—that made deficient policymaking. Political continuity severed the electoral connection between performance and reelection that incumbents in well-functioning democracies. Authoritarianism allowed the PRI to keep the public uninformed of policymaking and therefore prevent open debate about proposals that competitive political systems use to develop consensual and effective state policies. Centralization and secrecy also kept the policymaking process (PMP) opposed to delegating complex policy tasks to an independent and sophisticated bureaucracy. Unified government also prevented the development of an independent judiciary, one that could limited the ability of the elected branches of government to violate the terms of a long-term, inter-temporal agreement.

Yet, we argue that it would be a mistake to suggest that Mexican presidents, during the heyday of the PRI, were all powerful. Though unified government subordinated the other branches of government, the corporatist organization of the economy and of the polity gave regime beneficiaries the ability to limit the powers of the sovereign. Businessmen could always export their capital if policymakers were capricious or failed to maintain macroeconomic health. So, yes, Mexican presidents almost always got their bills approved in Congress (Casar, 2002), but they refrained from sending bills to Congress 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 forge the consensus to reform a closed and highly regulated economy.

In this paper, we characterize public policies in two periods: The PRI-era from the early 1950s to the mid 1990s, and the more recent period of divided government from 1997 to present. We also refer 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, curiously enough, 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 (Becerra, Salazar, and Woldenberg, 2000; Lujambio, 2000; Eisenstadt, 2003), electoral reforms fueled the development of a competitive three-party system by the mid-1990s. In 1997, the PRI lost its majority in the Chamber of Deputies, ushering in the current period of divided government. In the 2000 general election, the opposition National Action Party (PAN) candidate, Vicente Fox, wrested control of the presidency from the PRI.

Divided government, decentralization (starting in the 1980s), and the emergence of an increasingly assertive judiciary have shattered the centralization and secrecy of the one-party PMP. The new PMP is transforming the presidency into a reactive branch of government as it makes Congress the central lawmaking branch of government. Highly competitive elections, along with a highly disciplined 3-party system, make PRI legislators representing rural areas into median lawmakers. Reversing decades of urban bias in policymaking, Mexican government has become unusually responsive to rural interests. The coherence of public policy also is declining as old and new political forces activate the checks and balances of the 1917 constitution. While first-generation structural reforms have created an internationally open economy with flexible monetary and trade policies (and a slight fiscal surplus), efforts to

denationalize energy resources and deregulate labor markets run against opposition from legislators beholden to corporatist interests that divided government empowers.

The first of seven sections identifies the outer features of public policies. The second characterizes the PMP. The subsequent 5 sections then examine the dynamics of electoral system, Congress, executive-legislative relations, the judiciary, and intergovernmental relations. We summarize our findings in the conclusion and identify several implications of our analysis for economic policymaking.

THE OUTER FEATURES OF PUBLIC POLICY

This section identifies both cross-policy variation and changes between the PRI-era and its aftermath along different dimensions. We argue that the centralized PMP during the heyday of the PRI allowed for inter-temporal agreements between *sexenios* that produced stable, adaptable, and coordinated policies. From 1975 to 1997, recurring crises suggests that macroeconomic policies were unsustainable in the long run. *Presidencialismo*, however, proved to be flexible enough to enact radical economic and political reforms when the regime's survival was at stake. Since the mid-1990s, some policy areas, like energy and tax policy, have become rigid at their status quo levels. Others remain stable and adaptable, such as fiscal, monetary, and social policy. Policy implementation is less coherent and coordinated because the new PMP includes old corporatist as well as new partisan players. Finally, more competitive elections have led to transfers, and often times more public-regarding policies. Table 1 summarizes the principal economic and policy features in several periods.

(Insert Table 1 about here)

Policy stability and endogenous crises: There is a mixed record of stable public policies and volatility episodes during *presidencialismo*. There are at least four illustrative examples of policy stability. First, the PRI regime itself survived for more than 70 years, which provided for policy stability along several dimensions. Second, inflation and interest rates were low during the golden age of the PRI. There was a fixed exchange rate during the *desarrollo estabilizador* period between 1950 and 1970, when policy aimed at promoting urban industrialization with fiscal discipline. During this period, the Mexican GDP grew at an average annual rate of 6.5 (see Figure 1) with inflation below 4.5 percent, increasing real wages, and no threat of capital flight (Ortiz Mena, 1998). GDP per capita grew at an average of 3.17 in this period before falling to 1.28 percent for the rest of the century (Maddison, 2001: 196). Third, after 20 years of cyclical economic crises, the PMP began to take irreversible steps toward economic liberalization with Mexico's adherence to GATT in the mid 1980s, and the creation of NAFTA in 1994. Fourth, delegation of monetary policy to a semi-independent central bank since 1995 (Boyland, 2001) has led to sustained fiscal and monetary discipline since 1989 (see Figure 2).

(Insert Figures 1 & 2 about here)

Mexico has also experienced periods of crisis and policy volatility. Crises include the recurring devaluations since 1976, which ranged between 75 to more than 200 percent (see Figure 3). A combination of unsustainable balance of payment deficits and/or sudden changes in oil prices triggered devaluations in 1975, 1981, 1987-88 and 1994 (Bazdresch and Levy, 1991, Gil-Diaz and Carstens, 1996). The timing of devaluations near the end of *sexenios* suggests that the PMP allowed for stable macroeconomic policies during each administration. When imbalances became unsustainable, however, the president would often choose to adjust

the exchange rate *before* his successor took office as part of the *presidencialismo*'s inter-temporal bargain, one that we analyze in the next section (Basañez, 1995).

Some economic and political reforms have been consolidated and remain stable with divided government. An open economy where exports plus imports account for 60 percent of GDP (2000 estimate) limits radical policy changes and increases the payoffs of economic stability. Macroeconomic policy goals of low inflation, a floating exchange rate and low deficits remain stable, and social spending programs have increased from 7.7 to 8.8 percent of GDP between 1994 and 2000 (Scott, 2002). That President Fox kept a number of important financial operators from the previous administration, including the Secretary of Public Finance, Francisco Gil Díaz, maintains policy continuity. More independent electoral institutions continue to organize elections and enforce new electoral laws (Eisenstadt, 2003). Hence, there has been stability in these policy areas during both periods but for different reasons, as we will explain in the PMP section.

From policy adaptability to rigidity: Policymaking was fairly adaptable before recurrent economic and political crises revealed the rigidity of many policies. In retrospect, *presidencialismo* adopted major policy trends in efforts to ameliorate recurrent economic problems. The sequence of import substitution policies, deficit spending, and market-oriented reforms were implemented following the common wisdom of the day. So, between 1950 and 1970 policy led to unprecedented growth and urban industrialization with fiscal discipline. During the 1970s, populist policies, deficits, and debt delayed economic reform, but some political reforms advanced. After the 1981 crisis, policymakers stabilized and transformed the economy and its public sector between 1982 and 1997. Notably, the PRI regime was able to survive economic and political shocks. For instance, the positive oil shocks of the 1970s made deficits affordable but the negative shocks of the 1980s, such as severe devaluations and the reduction of inflation, resulted in major reforms in a relatively short time. When the populist policies of the 1970s ended up in financial bankruptcy in the early 1980s, and once technocrats captured the PRI, Presidents De la Madrid, Salinas, and Zedillo carried out structural reforms (Centeno, 1997). They tamed inflation and brought deficits under control. They sold off more than 900 state enterprises and opened the economy to international competition. As a result, non-oil exports boomed (see Figures 2 to 4).

(Insert Figures 3 & 4 about here)

Mexico's political transition, which we describe in the next sections, also provides evidence of policy adaptability during the PRI era. As with the economy, institutional reforms followed the political crises, including fraud-tainted 1988 presidential election, the 1994 guerrilla uprising and political assassinations. Political adaptability did not always lead to first-best policies because it was traded off against other political goals and constrained by external factors. First, as the central policymaker, the president had to balance two broad objectives: economic growth and the political survival of the regime. In times of political pressure, presidents pursued economically inefficient populist policies. When a crisis was more economic in nature, radical policy shifts are possible even if that means losing political ground (i.e., the political costs of scaling down the public sector in the 1980s). Second, another set of trade-offs stemmed from the corporatist organization of the regime where politicians, business groups, and corporatist leaders exchanged political support for private-regarded rents (Castañeda, 1995). The regime used low taxes and entry barriers to protect private investment that could otherwise go abroad. It also distributed political rents, land redistribution and public

spending to keep organized labor and rural demands at bay. External factors also constrained policy choices at different times. For instance, lessened terms of trade for agricultural products limited the feasibility of the ISI model, increases in oil prices increased the borrowing capacity of the government, and US expansions increased foreign direct investment and demand for Mexican exports during the 1990s.

Recent policy cases reflect the rigidities of *presidencialismo*, many of which are now exacerbated under divided government. Even under unified PRI rule, reforming the public sector proved to be harder to accomplish than liberalizing the economy. While federal policymakers reformed tax codes and modernized tax revenue agencies, effective tax collection rates remain low because Congress refuses to eliminate tax loopholes and regressive exemptions (CIDE-ITAM 2003). As a result, the total tax take of the central government since 1980 is an average of 10 percent of annual GDP, a rate that places Mexico next to Guatemala for the least taxed society in the Western Hemisphere. Though petroleum exports only account for 10 percent of exports, they represent an average of 30 percent of public revenues (Dalsgaard, 2001). Though Zedillo reformed private pensions, he could not advance public pension reform. There continues to be no reform of labor regulations, even though an antiquated labor code empowers old corporatist unions that, in 1997, only include 12.9 percent of the labor force (Bensusán, 2004: 272). While economic liberalization and NAFTA spurred investment in manufacturing, policymakers could not agree on reforming the constitution to open the energy sector to private investors. Despite the transformation of the PMP, the state oil monopoly, PEMEX, is stagnating because Congressional nationalists and the executive cannot agree how to reform a state corporation that accounts for a third of federal revenues but that lacks investment capital (Shields, 2003).

From private to public-regarded policies: The corporatist organization and one-party domination of politics meant that most policies were private-regarding: they benefited urban sectors and the corporatist pillars of the regime. De jure, many policies of the PRI era had broad appeal, a revolutionary rhetoric and social justice in mind. De facto, the PMP offered rents to easily mobilized groups and specific interests ranging from rural or labor leaders to business groups (Middlebrook, 1995; Centeno, 1997). The clientelistic and private regarding approach to policymaking prevailed from the closed economy ISI model to the populist period, and it only became more public-regarded when elections became increasingly competitive under president Zedillo.

The urban bias of PRI era policies is evident in the development gaps accumulated in the period: In 1984, after three decades of sustained growth, 61.5 percent of rural population belonged to the first four deciles of the income distribution, whereas the equivalent urban figure was 28.5 (Lustig, 1998: 65). More recent figures indicate the persistence of this gap. In 2000, more than two thirds of the extreme poor live in rural areas and they represent 42.4 percent of rural population (Cortez et al. 2002). As of 2000, the illiteracy rate is 9.6 nationally but 21 percent in rural areas. The schooling national average is 7.6 years but only 4.8 in rural areas (World Bank 2003). At the heyday of the PRI in 1979 the two largest labor organizations (CTM and FSTSE) consisted of no more than 1.7 million workers (56 percent) out of a unionized workforce of about 3 million (Durand Ponte, 1991). This figure represents less than one-tenth of an economically active population of 18.5 million at the time.

Three policy issues illustrate the extent of private-regardedness during the PRI era: rural and food subsidy policy, education spending, and tax policy. Between 1940 and 1991, a major

land redistribution program turned over around 50 percent of all arable land to some 30,000 *ejidos* or agrarian communities (Warman, 2001). However, the political manipulation of land reform led to an excessive atomization of landholdings and low productivity. In 1991, 2.2 million rural producers had less than 5 hectares of land, which are insufficient to generate tradable surpluses (Scott 2003). The price controls used in the 1970s and 1980s benefited mostly large surplus producers and consumption subsidies were concentrated in urban areas (Friedmann et al., 1995). In 1988, the Mexico City area concentrated 70 percent of food subsidies (Scott 2003). Therefore, subsistence and landless peasants were net losers from these policies and there was an implicit tax on agriculture. The orientation of rural policy changed dramatically in 1992, with the constitutional reform that ended land redistribution and facilitated the integration of *ejido* producers into alternative activities. Targeted programs (PROGRESA/Oportunidades) that reallocate subsidies to rural and poor areas have substituted urban food subsidies. The share of these programs received by the lowest income decile rose from 8 to 33 percent between 1994 and 2002. In 2002, only 10 percent of food subsidies remain in Mexico City and more than 50 percent of rural transfers reach the poorest producers (Scott 2003).

The share of spending on basic education steadily declined between 1970 and 1989 while the share of higher education rose. Given the income distribution in Mexico, this was a regressive policy that benefited higher income and urban groups who can afford the opportunity costs of higher education. Since 1989, basic education spending has become more progressive albeit the results of this increased spending on educational attainment are yet to be seen (Scott 2003).

In the most recent major VAT reform (1995), basic foods and medicines became tax-exempt. The original estimate was that about 15 percent of the universe of goods and services would be tax-exempt. However, a series of loopholes in the tax code and court challenges by industrial groups means that 48 percent of goods and services end up being tax-exempt. The VAT exemptions create an implicit subsidy to high-income groups that consume more food and medicine overall. In 2000, for each dollar of exemptions that benefits the lowest income quintile, the highest quintile receives about five times more (CIDE-ITAM, 2003). As a result of these exceptions, tax productivity in Mexico is lower than in Argentina and Chile: under their levels of tax productivity, tax revenues could be between 2 and 4 GDP percentage points higher in Mexico (CIDE-ITAM, 2003).

With divided government, spending programs on agriculture, education, and health care for low-income groups have been enhanced. The more public regarding and more targeted social spending programs that started in the 1990s survived the 2000 change in the presidency. Even though the net redistributive impact of these programs is still limited by low fiscal revenues, they are moving in the right direction. Spending on social programs that have a redistributive impact has increased as a share of GDP, and the share of these funds going to rural residents also increased (World Bank, 2004). Household surveys indicate that national Gini coefficients decreased from 0.5 to 0.481 between 2000 and 2002 (World Bank, 2004).

Bureaucracy and Investment-Related Qualities: The centralized PMP of the PRI era generated an asymmetry in its bureaucratic bodies. On one hand, the groups close to the president rewarded bureaucratic specialization on two top-level fronts: experienced political operators of the PRI and *Gobernacion*, or highly educated policy experts in the federal administration (Camp, 2002). On the other hand, middle and lower level bureaucracies are

highly centralized, hierarchical, overly regulated, and human resource practices are mostly discretionary. About 14 percent of public positions are non-unionized patronage employees. Eighty-six percent are unionized employees, which often guarantees them job security but limits their advancement possibilities (Arellano and Guerrero, 2003). This low skilled bureaucracy can easily circumvent legislation, which the judiciary weakly enforces (Geddes, 1994).

Political cycles between *sexenios* distorted the incentives of the bureaucracy towards preserving their loyalties at the expense of investing in their capabilities. This ultimately affects policy implementation, as the poor performance of education spending has indicated through the years (Scott, 2003). Non-consecutive reelection for office also diminishes the specialization incentives of elected officials and their agents. As a result, Rauch and Evans (2000) estimate that Mexico's overall bureaucratic quality ranks 25th out of the 35 countries they study, even though the relative salaries of its top officials rank third. Efforts to improve the bureaucracy resulted in enactment of a civil service law in 2003, one whose results are too early to measure.

Coordination and Coherence: Most policies during *presidencialismo* were highly coordinated because, as the next section analyzes, the PMP was highly secretive and centralized. But this centralization did not always translate into efficient and coherent policies because the PMP was highly discretionary and unaccountable. For instance, monetary policy was coordinated and coherent during *desarrollo estabilizador*, but fiscal and exchange rate policy were not coherent during the populist period in the 1970s, and this led to two major devaluations. Under divided government, key policies are now delegated to “non-partisan” or more autonomous bodies that are flexible enough to deal with economic and political changes. This is the case of the increased autonomy of the Supreme Court, the central bank and electoral institutions, which give coherence to important policy issues. Tax policy, on the other hand, is still not coherent given the multiple actors involved and the underlying distributional conflicts.

Under divided government the implementation of both existing and new policies is less coherent and less coordinated because the PMP is less centralized, and the number of key players involved has increased to include pivotal constituencies. So, while exchange rate, fiscal, monetary, and trade policies are consistent with an internationally open and competitive economy, energy, labor, and tax collection policies are holdovers from a corporatist past. More competitive elections and increased transfers to states and municipalities, on the other hand, are stretching a fiscally constrained budget, without providing enough incentives for state governments to increase local revenues (CIDE-ITAM, 2003).

THE POLICYMAKING PROCESS (PMP)

During the heyday of the PRI, the PMP was secretive and was highly centralized around the president. Unified government and corporatist control of the economy made a constitutionally weak president the linchpin of an inter-temporal agreement, one that created unwritten, but nonetheless important, limits to his authority. This PMP was responsive to changes in executive preferences, coordinated among state institutions, and was beneficial (private-regarding) for the corporatist pillars of the regime. In the second period (1990s-present), democratization has made the checks and balances of the 1917 come alive. Divided government has weakened presidents and forced policymaking to follow the script set out in the constitution. As a result, policymaking became less adaptable to changes in the executive's preferences, less coordinated, and increasingly benefits a broader cross-section of Mexican society.

The Unified Government PMP

The first characteristic of *presidencialismo* was its narrowness. Key players were the president, his cabinet as well as his advisors, and the corporatist leaders. The Secretaries of Finance and of the Interior (*Gobernación*) were the most important members of his cabinet (Ortiz Mena, 1998). The importance of the Finance Secretary stemmed from his control of revenues and expenditures, which, in the centralized Mexican political system, meant that that this executive secretary could make or break any state agency and therefore the career prospects of its heads. The Interior Secretary was responsible for domestic political management. He ran the intelligence agencies that kept supporters and opponents under surveillance (Aguayo Quesada, 2001). He supervised state and municipal governments, which depended upon central government financing for their operations, as our section on intergovernmental relations shows. The Interior Secretary also 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, 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 in the Party of the Mexican Revolution (PRM) was based upon affiliation with the peasant, labor, military, and popular sectors. In return for receiving an ejido—common property bestowed a group of peasant petitioners—landless farmers typically joined the National Confederation of Peasants (CNC). Industrial workers and urban artisans became members of the Mexican Confederation of Workers (CTM) (Middlebrook, 1995). The PRM also created a military sector out of recognition of the threat posed by large numbers of soldiers and officers who had fought during the Mexican Revolution (1910-20), where 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. While revolutionary nationalist ideology—one that exalted defense of national sovereignty and public control of the economy—could not admit businessmen into the fray, economic realism led the PRI to incorporate the private sector into the regime outside of the PRI and within officially recognized agencies (Purcell and Purcell, 1977). As we show in our section on elections and the party system, every one of these sectors continues to have representatives in Congress, even as their importance has been on the decline since the early 1990s (Langston, 2002).

The canonical texts of the classic period of Mexican authoritarianism agree that most Mexicans did not get to represent their interests before the president, his circle of Secretaries and advisors, or the leaders of corporatist sectors. Each was known more by his proper name and his links with other regime leaders than by his ability to represent the interests of particular constituencies or state agencies. In Pablo González Casanova's (1970) classic, *Democracy in Mexico*, the majority of Mexicans—most of who lived in dirt-poor rural areas or migrated to the US or to urban areas (Eckstein, 1977)—belonged to what he called the “marginal” sectors. Unlike members of the formal, urban sector—most of who belonged to one of the corporations—the regime did not permit “marginals” to protest. It forced them to settle for a collectively owned ejido that often took more than a decade to obtain from none other than the

president (Warman, 2001) or to leave the countryside for the city or, like one of five Mexicans, to immigrate to the United States. Even members of the formal sector were only allowed to seek redress for their demands through officially sanctioned leaders, most of which more beholden to the president than to their membership. That less 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: 121-2), also testifies to the narrowness of the regime coalition and why its policies were so private-regarding.

Secrecy was the second hallmark of the PMP during *presidencialismo*. Few were privy to the president's plans and calculations. Neither the courts nor Congress oversaw the executive (Ugalde, 2001). State-controlled television stations trumpeted the regime's successes, discussed few of its failures, and offered little in the way of analysis of public affairs. Dependent upon advertising fees paid by state agencies, the print media did not disseminate critical analysis of the regime's policies (Lawson, 2002). The zenith of regime's control of the press occurred in the late 1960s when the press abdicated responsibility for reporting on the 1968 student massacres (Scherer-García and Monsiváis, 2003). For most citizens, the president was a remote figure shrouded in ritual and secrecy.

These two characteristics explain the peculiar way in which bills became laws in a formally democratic, but in a fundamentally authoritarian regime. The rhetoric of constitutional forms required Congress to approve new laws and to modify existing ones. The reality of an omnipotent president, however, meant that the chief executive consulted with his advisors, cabinet members, and corporatist leaders before sending a bill to Congress. Legislative approval of his bills was pre-ordained, as the data on floor voting in the House and the Senate discussed in our section on executive-legislative relations suggests.

The policymaking process for distributive measures, ones that would impose a cost on an organized interest—businessmen, large-scale commercial agriculturalists, or bankers, for example—became even more secretive. Susan Kaufman Purcell's (1975) classic account of President López Mateos's (1964-70) decision to require businessmen to share a portion of their profits with their workers was not even discussed with labor leaders, much less with businessmen. It was a bill sent to Congress at the end of the legislative year and to ensure that its measures would not be publicly discussed. By quickly gaining approval from a Congress waiting to go home after meeting in ordinary session for less than five months a year, the President changed the status quo and put businessmen on the defensive.

President Luis Echeverría's (1970-76) decision to reform CONASUPO, the state marketing board that bought staples and resold them at subsidized prices to urban and rural consumers, was also done in secret. Merilee Grindle (1977) discusses how high-level CONASUPO officials concluded that their programs were doing little to stop rural out-migration and the increasing impoverishment of ejido members. In line with a statist economy philosophy that believed that only the public sector could redress these wrongs, Echeverría encouraged CONASUPO officials to redesign their programs by, among other things, shifting purchase of staples from large-scale commercial farmers (whom the regime has also rewarded with huge and expensive irrigation projects, loan guarantees and credits, and the like) to small-scale farmers. Again, program redesign was done in secret to thwart well-organized interests from mobilizing to block the shift in development priorities.

President López Portillo's (1976-82) decision to nationalize privately held banks was also shrouded in secrecy. Except for the president and his closest advisors, no one knew that

López Portillo was going to end his *sexenio* by exacting revenge on private capital's refusal to invest in the highly regulated, publicly dominated economy. Once the president had gained legislative approval for this reform, businessmen split in their response to this transgression of property rights (Elizondo Mayer-Serra, 2001a). More radical businessmen—many based in the northern city of Monterrey—organized protests and filed a writ of amparo with the Supreme Court. Others decided to accept the change in the status quo and worked to obtain a bountiful compensation for their assets, many of which included bad loans that they were happy to foist on the state. Judicial redress proved fruitless as the Supreme Court declared that the writ was “superceded,” by the constitutional amendments Congress had enacted after the expropriation of bank assets. Protest dissipated as bankers negotiated the terms of their compensation with the new President, Miguel de la Madrid (1976-82). Recurrent fiscal crises and erratic economic policy also encouraged capitalists and other holders of liquid assets to export their capital from an economy where the state had overstepped the (never entirely) clear boundary between what it and could not do.

Two factors explain why the PMP remained secretive and narrow during the heyday of *presidencialismo*. First, unified government deactivated the checks and balances stipulated in the 1917 constitution. The PRI-dominated Congress allowed back room deals between the president, his cabinet, and corporatist leaders to obtain ready approval. The executive decapitated the judiciary by selecting the nominees to the bench that PRI-dominated Senate always ratified. That the executive was responsible for organizing elections and, in line with classical constitutional theory, that the legislature certified their results (Lehoucq, 2002) deterred most politicians from contesting the PRI's hegemony of political life. Second, the functional representation of interest groups in Congress and private consultation with businessmen gave Mexican presidents the power to direct the economy that few other executives have possessed. Corporatism and unified government therefore transformed a constitutionally weak presidency into one unique among its kind. Mexican *presidencialismo* was a PMP that was secret, highly centralized, and that delivered particularized benefits to largely urban-based, corporatist sectors.

Precisely because everyone expressed loyalty to the regime and its leader, the Mexican president held an enormous amount of discretionary authority. Indeed, the inability of anyone to identify the limits of the sovereign's powers gave the system a unity of purpose and power more apparent than real because any outcome *was* possible. Yet, the sovereign did have limits. The nature of the policies was the first factor that determined the extent of presidential power. The second was the organizational strength of interest groups. Indeed, whether the issue before the president was distributive shaped the operation of the PMP because the Mexican state was a “bargain,” to quote Susan Kaufman Purcell and John F. H. Purcell (1980), among key individuals leading corporatist sectors and less a political system to which public officials and citizens expressed allegiance.

Despite the personalistic bonds linking regime leaders with each other, political time horizons were not particularly short. Supreme Court justices served lifetime sentences. 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 dedazo*, in Mexican political parlance, maintained policy continuity and reassured members of the revolutionary family that defection

was a worse strategy than cooperation with the PRI. Having the longest time horizons, the president was the linchpin of the system—a fact that explains why the PRI is synonymous with the inter-temporal agreement that simultaneously outlived individual presidencies and whose dynamics were defined by *sexenios*. Put in the terms we present in our theoretical section, Mexico's one-party system did not encourage regime supporters to defect from the revolutionary family when the economy became volatile. It proved amazingly adaptable to changes in its environment, even at the cost of delivering inefficient policies and being politically unaccountable for decades.

The PMP Changes: Democratization and Divided Government

The survival of the PRI is one of democratic theory's most intriguing puzzles. Modernization theory suggests that economic growth will allow societies to shed authoritarian governments beyond the threshold of a GDP per capita of \$4,115 (Przeworski, et. al., 2000). Yet, by 1970, the Mexican economy had reached this plateau of \$4,000 GDP per capita, yet unified government under the PRI appeared motionless.

Repeated economic and political crises corroded the bargains that sustained *presidencialismo*. Recurrent fiscal crises limited the regime's ability to create policies benefiting everyone in a rapidly growing and increasingly urban population. Labor unionists and social movements shifted to supporting increasingly important left-wing parties in response to the PRI's abandonment of a state-dominated economic model (Bruhn, 1977). Disaffection with the PRI also led urban voters to support left-wing parties or the right-of-center PAN (Moreno, 2003). Similarly, businessmen began to support the PAN in opposition to government arbitrariness (e.g., the 1982 bank nationalization) and because increasingly assertive exporters wanted free trade (Thacker, 2001). Political protest and economic reform therefore led to the development of a multi-party system, an interactive process that expanded the groups participating in the PMP.

The PRI's share of the vote and of legislative seats declined steadily after the watershed and controversial 1988 elections (see Table 2). Official results of the 1988 fraud-tainted election indicate that Salinas obtained 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. Jorge G. Castañeda (1999) suggests that the computer crash on election day evening allowed the regime to doctor tally sheets to deny Cárdenas the presidency. 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 to organize and hold elections (Becerra, Salazar, and Woldenberg, 2000; Eisenstadt, 2003).

(Insert Table 2 about here)

The 1997 midterm elections marks the shift from a closed, secretive PMP to one where a multi-party system activates the checks and balances long dormant in the 1917 constitution. Democratization strengthens the role of public opinion in political life (Moreno, 2003), which in turn starts to make satisfying citizen's demands—and not of the president and of the hegemonic party—the center of political life. An increasingly assertive press (Lawson, 2002) generates until then unavailable information about politics and governmental policy. The press, in other words, begins to shape the public debate about policymaking.

These trends have several implications for the newly emerging PMP. First, as the formal political process begins to come to life, policymaking is becoming less centralized, less secret, and more public-regarding. While presidents continue to consult with corporatist sector leaders, they must also lobby Congress because of divided government. Second, the policy space becomes increasingly multi-dimensional and requires building different coalitions to enact legislative programs. On the issue of democratic change, the PRI squares off against a coalition of the PAN and the PRD, each of whom demands to participate in fair elections. Yet, on issues of economic reform such as privatization, liberalization, and other market-based reforms, the PRI faces a split opposition. On economic issues, PRI technocratic reformers worked with the PAN to marginalize economic nationalists, both within the formerly hegemonic party and in the PRD.

ELECTORAL SYSTEMS AND PARTIES

Until the 1990s, centralized nomination procedures and the ban on legislative reelection made senators and deputies dependent upon placating the demands of the president and of the corporatist sectors within the PRI. Severing the electoral connection between voters and representatives enable the PRI to benefit urban sectors, even though a majority of Mexicans lived in rural areas until the 1960s.

Two trends gradually established a three-party system by the late 1990s that changed the urban bias of public policy. First, urbanization created constituencies in favor of democratic change and for economic liberalization (PAN) and against it (PRD). Second, political protest and institutional reforms gradually reduced the PRI's share of elected offices. Though corporatist sectors have fewer representatives in Congress, a three-party system often puts the PRI in the median party position in Congress. So, though corporatist sectors have fewer representatives in Congress, divided government has made them into pivotal policy actors. In particular, peasant sector organizations have increased their share of PRI seats at the expense of urban labor because electoral formulae and district boundaries are making the legislature more responsive to rural interests.

Constituencies and Incentives

While the president is elected from a national district, both houses of Congress represent much narrower constituencies. During the heyday of Mexican *presidencialismo*, the effects of these differences were muted because the president and his successor shaped the career prospects of legislators. The corporatist nature of representation also made deputies and senators responsive to peak associations. Until the 1990s, the aggregate effect of electoral laws in the context of a one-party regime generated few incentives for legislators to represent territorially based voters.

Along with Honduras, Panama, and Paraguay, Mexico is the only country that awards the presidency to a simple majority winner (Colomer, 2002: 186). That the presidency is awarded to the candidate obtaining more votes than anyone else, however, does raise the possibility that a minority of voters—one least preferred by the supporters of two or more other candidates—can capture the single most important office of the land. So, while a president's constituency is national, plurality laws do not necessarily mean that he will represent the median voter. Moreover, noncompetitive elections during decades of one-party hegemony ensured that the president was not accountable to public opinion.

Until the 1960s, the median voter in Mexico lived in a rural area. He was not well educated and his children did not always finish primary school. He was likely to be either 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 to an old-age pension. Petitioning for land typically took up a decade, a period of time in which peasants gave their votes to the PRI and in which communal leaders became beholden to local PRI operatives (Warman, 2001).

Since the 1970s, the Mexican population has gradually become urban, more educated, and less identified with the PRI. Both trends follow two others: increasing levels of political competition and the decline in partisan identification with the PRI. Indeed, the gradual fall in the PRI's share of the vote and in partisan identification with the PRI means that, by the 1988 presidential election, less than half of survey respondents identify strongly or weakly with the PRI (Moreno, 2003: 41). 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 so that each holds the loyalties of an average of 11.5 and 19.8 percent of survey respondents, respectively. Throughout this period, approximately a third of respondents remained independent.

By the 1990s, urbanization and political competition created a new electorate and party system. Using the World Value Surveys, Alejandro Moreno (2003: 116) shows that the ideological preferences of the electorate are normally distributed and tilt toward the right. Between 1990 and 2000, the average placement of the Mexican citizen has moved from 3.14 to 3.45 on a 5-point scale, where 1 is the left and 5 is the right.

What divides parties are their stances toward economic reform. 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 solutions to political problems by the 1990s. According to the World Values Surveys, PRD voters in contrast were unabashedly in favor of social redistribution. Interestingly enough, PAN identifiers were more interested in social redistribution in the mid-1990s than PRI voters. By election 2000, however, both the PAN and the PRI had shifted to the left on economic policy, a trend that reflects disenchantment with neoliberal reforms and uncertainty about the effects of further structural reforms.

The President therefore appeals to an electorate that is ideological complex. PRI candidates can no longer assume that the median voter is a *Priísta*, though a third of the electorate remains loyal to the formerly hegemonic party. With time, the PRI has become a party increasingly reliant on less educated and more rural voters. Opposition parties garner the sympathy of another third of the electorate, with the PAN being the larger and more prominent party of the opposition. Though the PRD does compete in rural areas, both it and the PAN thrive in urban areas where more educated voters reside. To win the presidency, each party therefore needs to appeal to centrist voters and to position itself on economic issues that appeal to the median voter who belongs to a household whose 2003 yearly income is US \$4,363 (CSEH, 2003; Mexican \$11 = US \$1).

Several features for electing legislators remain constant, despite numerous electoral reforms since 1963 (Molinar and Weldon, 2001). First, no legislator is allowed to run for consecutive reelection.¹ Second, SMPDs are the strongest component of Mexico's mixed

¹ In 1933, former President Plutarco Elías Calles (1924-8) worked behind the scenes to get Congress to approve a constitutional ban on the consecutive reelection of legislators in exchange for lengthening deputy terms from two to three years and for expanding senate terms from four to six year terms in office. According to Jeffrey Weldon (2003), it was a reform that the national PRN leadership expected would rein in maverick legislators, one that helped to subdue Congress for most of the twentieth century. Since the 1990s, legislative term limits have also helped the national political leaderships of each party maintain high levels of discipline within their ranks.

electoral systems. Since 1977, there have been 300 SMPDs. Until 1985, citizens also cast ballots for 100 PR legislators in one of several regional constituencies. In 1986, constitutional reformers doubled the number of PR legislators and deprived citizens of one of their legislative votes. Since 1988, a citizen's single vote for the Chamber of Deputies simultaneously selects his SMPD and PR deputies.²

The Mexican mixed system is one of the least proportional of its genre (Colomer, 2002). Unlike the German mixed system, the partisan share of seats does not have to equal PR district seats. Electoral laws permit disproportionality of up to 8 percent between the popular vote and seat shares. Between 1997 and 2003, when the PRI lost its overwhelming majority of SMPDs, the PRI has done sufficiently well in the SMPD to obtain an average of 7.3 more in seat shares than in the popular vote. As we shall see, the PRI continues to perform well in predominately rural districts, ones that allow it to remain a key force in Congress.

Though term limits continue to make legislators dependent upon national party executive committees for campaign financing and career advancement, deputies have become more interested in servicing territorially based constituents. Before the 1990s, the internal politics of the PRI determined who would get which seat to Congress. Studies of political recruitment during the heyday of the PRI indicate only loyal members of the party could become legislators (Camp, 2002; Smith, 1979). Four principals were responsible for placing aspiring politicians on legislative lists: executive incumbents, the PRI's presidential candidate, corporatist leaders, and governors. Negotiations about legislative candidacies were complicated and, like every other type of policy and political wrangling in the one-party state, occurred behind closed doors. Selecting the new members for the Senate and the Chamber of Deputies was, after all, not only a way to reward aspiring and loyal members of the PRI, but also a way institutionalize the bargain analyzed in our section on the PMP among the corporatist sectors that made up the party. Both houses of Congress had to approve all new laws and were responsible for initiating constitutional reforms.

Table 3 lists the sectoral composition of PRI deputies between 1943 and 2003. This data indicates 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. These figures also indicate that workers have been losing their representation in Congress. Labor unions have gone from a high of 29.6 percent of all PRI deputies in 1976 to a low of 7.6 in 2003. Members of the peasant or agrarian sector have gone from a low of 14 percent in 1991 to a high of 37.8 percent in 1997. Table 3 also contains a final column containing the share of legislative seats the opposition won during these years to help make the point that corporatist representation in Congress also has undergone a secular decline.

(Insert Table 3 about here)

Corporatist sectors have both less and more influence than the data in Table 3 suggests. Though virtually all PRI deputies continue to hold a corporatist affiliation (only a handful of deputies are unaffiliated), membership in the popular sector has become more ritualistic with time. With the democratization of electoral competition, both PRI and non-PRI parties are fielding candidates to suit state and local tastes. Increasing numbers of deputies and senators

² Between 1857 (the date in which a Constituent Assembly approved the 1917 constitution's predecessor) and 1963, all deputies were elected from SMPDs. Between 1963 and 1977, opposition parties were allowed to take "list" seats in the Chamber of Deputies if they obtained more than 2.5 percent of the national vote (1.5 percent after 1973).

have held state-level elected offices; legislators with only federal bureaucratic experience or coming directly from one of the PRI's corporations account for a smaller and smaller share of PRI deputies. Between 1985 and 1997, Joy Langston (2002: 427) estimates that PRI candidates for the Chamber of Deputies who had been governors or members of state-level parties increased by 14 and 9.3 percent, respectively. Conversely, PRI deputy candidates coming either from the presidential cabinet or a corporatist sector dropped between 7 and 11 percent between 1985 and 1997. Between 1982 and 2000, Langston (2003) points out that PRI candidates for Senate (non-list) seats who came from one of the corporatist sectors dropped from 46 percent to 15 percent of all such candidates. Similarly, these candidates coming from a federal government post dropped from 38 percent to 10 percent of the total.

As politics has become more competitive in Mexico, the PRI's—like the Peronist Party's in Argentina—share of a district's vote is positively associated with the rural share of the district's population (Gibson, 1997). In the 1997 and 2000 elections, our own calculations suggest that the PRI got 90 and 81 percent, respectively, of the 25 percent of all SMPD that are predominately rural. In contrast, the PRI only won 38 and 6 percent (!), respectively, of the predominately urban SMPDs in these elections.³ 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 gotten worse. Loyalty to a party that championed land grants and particularistic goods in districts with poor and dispersed, hard-to-reach voters may help to explain why many voters remain PRIistas.

Dependence on rural districts helps to explain why the Salinas (1988-94) and Zedillo administrations (1994-2000) each began major redistributive programs. President Salinas launched the National Solidarity Program that delivered a panoply of social services to low-income communities throughout the country (Cornelius, Criag, and Fox, 1994), few of which made much of a dent on the urban bias of public policy. President Zedillo started the "Progress" program that provides income, nutritional, and educational services to the poorest households. This program, which the Fox administration has expanded and renamed "Opportunities," has become an internationally recognized anti-poverty program that, along with 5 other (of a total of 20) social programs, actually favors rural over urban folk (Scott, 2002).

Gone may be the days when deputies from rural bailiwicks typically voted against the interests of their constituents. González Casanova's (1970) conclusion that rural or marginal peoples could do nothing to reverse the urban bias of public policy may no longer be completely accurate. Reliance on rural districts may account for the PRI's search for alternative anti-poverty 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 because 26 percent (79 out of 300) to 38.3 (or 115) SMPD are rural. Another 15 percent (or 43) to 22.6 percent (68) are mixed, that is, districts with large numbers of rural voters (Reforma, 2003a).⁴ So, depending on the measure

³ We classify a section as rural if the Federal Registry of Electors classifies 50 percent or more of its sections — the higher-level jurisdiction in which polling stations are grouped — as rural. This classification of electoral sections — the spatial boundary in which polling stations within each district are grouped — reflects the Federal Electoral Institute's (IFE) 1996 redistricting to correct for malapportionment. Our calculations suggest that 26 percent (or 79) of all SMPD are rural and 59 percent (or 178) are urban. The Registry's classification of districts differs somewhat from our own and suggests that 115 are rural.

⁴ The Federal Electoral Registry catalogs the remaining 39.1 percent of districts as either "urban concentrated" (62) or urban (55) (Reforma, 2003a). Prior to the 1996 reapportionment, rural areas were even more over-represented in Congress as district boundaries date from 1977 and

used, 41 to 60 percent of SMPDs are packed with rural voters, even though only slightly more than a quarter of the population resides in rural areas and agriculture contributes less than 5 percent of GDP.

Electoral formulae and district boundaries therefore convert voter's preferences into a party system that over-represents rural interests. Democratization, curiously enough, has made deputies from rural constituencies and senators from economically marginal states into spokesmen for rural organizations and interests that now house a decreasing share of the national population. The median legislator is thus 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.

FROM *PRESIDENCIALISMO* TO THE SEPARATION OF POWERS

The "meta-constitutional" practice, to use Jorge Carpizo's term (1977), of centralizing lawmaking in the executive was a product of *presidencialismo*. With the demise of the PRI, the president has lost its ability to direct policy change. The Mexican constitution makes the president more of a guardian of policy status quo than a promoter of policy change. However, the president can do more than initiate legislation and wait for Congress to enact them. He can also shape the content of policy change and wield his veto.

Unified (and Authoritarian) Government

How was it possible that a president with limited powers became so seemingly powerful? The most powerful constitutional tool the Mexican president has to deal with Congress is the package veto. 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, led Haggard and McCubbins (2001) to classify the Mexican presidency as "reactive."

Weldon (1997; also, see Casar, 2002) suggests that three factors made *presidencialismo* possible. The first condition was PRIista unified government. The second condition was party discipline. The final condition was the ability of the president to set the party's agenda and to sanction uncooperative behavior among the members of the PRI legislative contingent. Weldon (2004) demonstrates that the necessary conditions for *presidencialismo* were first met in the late 1930s. During the 39th Legislature (1934-1937), the first to be subject to the prohibition on consecutive reelection of elected officials, the success rate for executive-sponsored legislation went up to 95 per cent. This represents a significant change: before the formation of the PRN and the adoption of non-consecutive reelection, the highest success rate was 61 percent during the second half of President Calles's administration (1924-8). Between the mid-1930s and mid-1990s, PRI presidents got more than 90 percent of their bills approved in Congress.

Table 4 shows data of the legislative process during the 55th (1991-3) and 56th legislatures (1994-7), the last two legislatures in which the PRI led unified governments. The first four columns show the number of bills introduced to and approved by the Chamber of Deputies (and by source) and with the Senate playing the role of revising chamber. The second part presents two indicators: the share of each source in the total volume of legislation approved by the Chamber and the success rate for each source. The figures in the first and second columns represent legislative bills introduced in the Chamber of Deputies and with the Senate

are based on demographic projections from the 1970 population census (Pacheco Méndez, 2000: 376). For a classification of districts until 1988, see Pacheco Méndez (2000: 103-4).

playing the role as revising chamber.⁵ Differences between bills introduced to and approved by the Chamber show that the process of legislation begins at committee stage. Standing committees are the real agenda setters in Congress: what is debated and voted upon on the floor are committee reports and not the bills themselves. From 39 to 57 percent of all bills died in committee between 1991 and 1997.

(Insert Table 4 about here)

The success rate can be construed as the probability of a bill introduced by a specific source to be reported by committee and approved by the floor. Table 4 indicates that the president had the highest success rate with the probability for an executive-initiated bill becoming law being close to one. This suggests that under PRI rule, the president had virtual certainty that Congress would approve the bills he actually sent Congress. However, a high success rate does not necessarily indicate that Congress was simply rubberstamping executive-initiated legislation; it could also be showing that the president was cautiously initiating legislation that already had a broad support in Congress.

The indicator that best captures the balance of power is the contribution of each source to the legislation enacted by the Chamber. Table 4 shows that Congress approved 81.9 and 79.9 percent of executive-initiated bills. The contribution of the executive to the total volume of legislation surpassed by far that of the other sources taken together, including PRI legislators. Along with the success rate, the overwhelming contribution of the executive testifies to the executive's control of the PRI.

The degree to which PRI congressional majorities delegated lawmaking authority to the executive was substantial. The contribution of the PRI legislative faction to the total volume of legislation oscillated between 7.4 and 6.5 percent between 1991 and 1997. Moreover, the fact that the success rate of bills initiated by PRI legislative faction was only 37 per cent suggests that PRI legislators were not usually the agents in charge of drafting the party's legislative program.

Opposition parties were not allowed to interfere with the government's legislative program. Even though they initiated a significant amount of legislation, opposition bills rarely survived the committee stage. Opposition legislative bills range from 31.7 to 54.3, but their contribution to the total volume of the Chamber's legislation was only 4.7 and 13 per cent.

The PRI congressional majorities limited the role of the Chamber of Deputies to that revising and approving the legislative program defined by the presidential administration. The president was in fact not only the chief executive but the chief legislator as well. As a result, a centralized policymaking model prevailed; one in which the content of policy was defined by the executive with very little contribution from other actors.

Divided Government

Divided government has transformed the president into an essentially "negative" branch of government because the president can only use the executive veto to maintain, but not to change the status quo. Opposition parties cannot form a minimum winning coalition without the support of the president and his party. However, for President Fox and his party to obtain

⁵ The data includes bills involving changes in law and constitutional amendments, but excludes permits and symbolic legislation. It also treats each bill as if they were of equal value and does not contain the number of amendments bills were subject to during the process of legislation in the Chamber of Deputies. Despite these limitations, the data reveal important outcomes of executive-legislative relations in the last two legislatures under single party rule.

approval of their bills, they need the backing of at least of one of the two major opposition parties.

Table 5 shows that the impact of divided government on lawmaking has been significant. First, there has been a substantive increase in the number of bills introduced by opposition parties and a notable reduction in number of executive-initiated legislation. All actors changed their behavior as the balance of power changed. Opposition legislators responded by introducing bills in executive-reserved lawmaking domains.

(Insert Table 5 about here)

President Zedillo (1994-2000) reduced the number of bills he sent Congress during the second half of his administration. The number of executive-initiated bill dropped from an average of 83 to 32 bills 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 as president Fox took office in 2000. The total number of executive-initiated bills rose to 61 during the 58th Legislature (2000-2003).

The most important indicator of the impact of divided government on the constitutional balance of power is the decline in the share of laws the president proposes. 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. Executive-initiated legislation amounted to 20.4 percent only of the total number of bills passed by the Chamber of Deputies between 1997 and 2000. During the first half of the Fox administration, executive-initiated legislation represents just 18.2 per cent of the total volume of legislation. Moreover, the contribution of legislation initiated by opposition parties to the total volume of legislation enacted by the Chamber of Deputies has become quantitatively more significant than that of the president and his party taken together. The president is no longer both chief executive and chief legislator.

Another significant aspect of the process of legislation reported in Table 5 is that divided government has not involved any reduction in total legislative output. The data does not corroborate the relationship between divided government and legislative deadlock predicted by Linz (1990). In fact, Table 5 shows 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 the Congress and the presidential office. The total legislative output rose from 104 and 98 bills in the 55th and 56th legislatures to 137 in the 57th Legislature and 275 in the 58th Legislatures.

It is possible that part of the explanation for a greater volume of legislation during the period of divided government lies in an increase in non-significant changes of legislation. However, the data does not allow us to distinguish significant legislation from minor legislative change. We do not know if the legislative changes during the period of unified government were more significant on average. What the data clearly shows is that divided government is associated with less executive-initiated legislation both in relative and absolute terms. The reason why this change did not involve a drop in legislative output is because the contribution of legislative factions, notably from the opposition parties, has grown substantially during divided government.

The new patterns in the process of legislation reflect the strategic interaction between the president and the political parties in Congress. To understand the outcome of this interaction it is convenient to breakdown the lawmaking process into two parts. First, legislative policymaking can be best represented with the median voter model (Weldon, 2001;

Nacif, 2004). According to the proponent elector model (e.g, Cameron, 2000; Krehbiel, 1998; Matthews, 1989), winning bills tend to converge around the median party's ideal point. Second, each time Congress passes a bill the president faces a "take-it-or-leave-it" sort of dilemma because he can veto bills.

Under unified government the president and his party had the ability to direct policy change. Under divided government, in contrast, they can only influence the content of legislation in a limited way. As there is not a single-party majority in Congress, the party located in center takes on the dominant role in the policymaking process. Convergence to the median party means that decision-making within Congress revolves around moving policies from extreme to centrist positions. But the president can have a significance influence on the content of policy change even if his party is not located at the median. By wielding the executive veto, the president and his party can either negotiate concessions from the median party, limiting full convergence to the center, or maintain the status quo when it is in their interest to do so.

CONGRESS: FROM SINGLE-PARTY TO MULTIPARTY GOVERNMENT

González Casanova (1970) describes Congress in the heyday of the PRI as powerless institution that legitimated executive decisions. Extensive delegation to the executive responded to the career incentives of PRI legislators for whom political survival ran against protecting the legislature's sphere of authority. Divided government, however, has transformed Congress. Legislators reformed congressional procedures and began to take a more proactive approach to lawmaking. Delegation to the executive receded significantly, rendering the policy process more transparent and public regarding. However, non-consecutive reelection of legislators still limits the policymaking capabilities of Congress.

Congress under *Presidencialismo*

The 1917 constitution endows the bicameral Congress with the power to produce or amend laws and to enact constitutional reforms. The president can send bills to Congress and he can even veto legislative bills. The Supreme Court can review the constitutionality of legislation and, through various procedures, void legislation, in whole or in part. Nonetheless, the Constitution makes congressional action a necessary condition for policy change.

However, during the heyday of the PRI dominance, most legislation was actually drafted in the executive departments. Table 4 shows that deputy-initiated bills oscillated between 19.1 and 20.1 per cent of the total volume of legislation from 1991 to 1997, the last two legislatures in which the PRI had the majority in the Chamber of Deputies. This pattern of the lawmaking process was fairly similar a decade earlier when the PRI majority in the Chamber of Deputies was even larger. In the 1982 and 1988 legislatures, deputy-initiated bills amounted to 14.3 and 22.6 of all laws that the Deputies passed (Nacif, 1995). Weldon (1997) has tracked the origin of this pattern back to the early 1930s, shortly after the foundation of the hegemonic party.

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 Congress could not compete in technical capabilities with executive departments. Extensive delegation to the executive branch and failure to develop the

necessary technical capabilities was a function of the career incentives that legislators—and particularly PRI legislators—faced. Luis Carlos Ugalde (2000) argues that PRI congressional majorities had the opportunity, but did not have the motivation to oversee the executive.

The ban on consecutive reelection made legislative service a mere stepping-stone toward other political positions. In deciding to run for Congress, PRI politicians considered not only the benefits of holding a seat in either house of Congress, but the sequence of offices related to Congressional service. Politicians anticipated that congressional positions were temporary and that the value of the office depended on the prospects of promotion to other positions. Non-consecutive reelection also turned the PRI into a centralized scheme of political promotion. At the same time, rapid rotation of office tied together a vast number of elective office opportunities at federal, state and municipal levels in a network of political promotion that the national party organization controlled. Presidential control allowed the PRI to reward cooperative behavior and punish individual legislators who strayed away from the party line.

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. Those serving a second term were only 11 per cent on average. This figure decreased to practically 0 for those serving a third term or more. Clearly, politicians dismissed re-election to congressional office as a long-term career goal.

A spell in the Chamber of Deputies was a highly relevant experience for politicians seeking a seat in the Senate. From 1982 to 1994, 67.7 per cent of members of the Senate had served in the Chamber of Deputies for at least one term. The Chamber of Deputies was the previous office experience of one third of the Senators during that period (Nacif, 1996).

Congressional service was also the most significant office experience for aspiring state governors. Congressmen used to compete for the PRI nomination to gubernatorial office with prominent politicians serving in the federal administration and mayors of large municipalities. After the presidency of the Republic, state governorships were the most valuable positions to which politicians advancing their careers through elective offices could aspire. It was in several respects a more attractive position than a Senate seat.⁶ As chief executives of state administrations, governors had control over a system of patronage of considerable size; their ability to organize teams and reward loyalty placed them at the centre of the promotional structure at the state and municipal levels. Yet, between 1976 and 1995, 45.2 per cent of elected governors had service in Congress as their previous office experience (Nacif, 1996).

The system of congressional governance during *presidencialismo* was highly centralized. It revolved around the *Gran Comisión*, a committee formed by representatives of state delegations to the Chamber of Deputies and the Senate. In practice, the *Gran Comisión* was a single-party governing body chaired by the leader of the PRI parliamentary fraction. The powers of the *Gran Comisión* included the staffing of committees, the assignment of committee chairs, the appointing of administrative officials, the allocation of financial resources and the staffing of the *Mesa Directiva*—the legislative body governing plenary meetings.

⁶In the US the office of Senator tends to rank above the office of Governor partly because the Senate has a longer term of office, and specially because, given the low turnover rate in congressional elections, it offers greater tenure potential (Schlesinger 1991).

The chair of the *Gran Comisión*, also known as the *jefe de control político*, concentrated the powers formally resting in the *Gran Comisión* as a collective organ. The PRI majorities in Congress played no role in appointing the chair of the *Gran Comisión*. In practice, the chair of the *Gran Comisión* owed his job to the president. The National Executive Committee (CEN) of the PRI, a body controlled by the president, usually announced the name of chair of the *Gran Comisión*, often even before the new legislature convened for the first time. The political survival of the chair of the *Gran Comisión* also depended on supporting the president. After a term in Congress, PRI parliamentary leaders became state governors or took high-level positions in the executive.

Under PRI rule the degree of delegation to standing committees was rather low. The PRI limited the role of standing committees to that of revising executive-initiated legislation. Bills coming from different sources especially from the parliamentary fractions of the opposition parties remained mostly unreported by committees –a practice known in the parliamentary jargon as the “freezer” (See table 4). The chair of the *Gran Comisión* had the ability to expedite the passage of executive legislation and, when necessary, committees were simply circumvented.⁷

The weakness of the committee system reflected was partly a consequence of non-consecutive reelection. Strong committees develop where committees are stable and independent bodies promoting specialization and the accretion of policy expertise such as in the U.S. Congress. But for legislators to specialize and build up expertise in the policy areas covered by their committees, the expectation of a long-lasting career in the committees they serve is a necessary condition.

In Mexico, however, the probability of returning to the Chamber of Deputies after a waiting-period one term was too low to make specialization and the accretion of expertise attractive. Even more, due to rapid rotation of office PRI legislators were uninterested in protecting the sphere of authority of standing committees and in developing policy-making capabilities. Deference to the executive and conformity with the party line was the dominant strategy for political survival.

Congress under Divided Government

The erosion of the PRI hegemony was the main source of change in the Mexican Congress. 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 secretaryships.

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. Even though the opposition remained divided into several parties, the 1997 elections deprived the PRI of its ability to set the congressional agenda and pass legislation unilaterally. Changes in electoral behavior and proportional representation in the Senate have increased dispersion of power within Congress. Table 6 points out that the percentage of seats of the president’s party both in the Chamber of Deputies

⁷ To comply with congressional procedures, the chair of the *Gran Comisión* had someone from his inner circle to draft the committee report, and then collected the signatures of the majority of members of the committee.

and the Senate has been on the decline since the 1990s. The PRI still has the largest legislative contingent. But after the PAN won the presidency, the old hegemonic party began to face a new set of electoral incentives making the assertion of congressional authority to control executive action more attractive.

(Insert Table 6 about here)

Congress took back much of the territory relinquished to the executive branch under *presidencialismo*. Table 5 shows that under divided government, the Chamber of Deputies experienced an unprecedented surge in legislative activism. The number of deputy-initiated bills increased from 117 and 165 during the last two legislatures under PRI rule to 549 and 1060 for the first two legislatures under divided government. What is more important, the contribution of deputy-initiated bills to the volume of legislation passed by the Chamber of Deputies, which oscillated between 17.4 and 22.2 percent from 1991 to 1997, grew to 78.9 and 81.4 percent between 1997 and 2003.

Opposition parties are responsible for a disproportionate share of legislative activity since 1997. Under PRI unified governments, data in Tables 4 and 5 show that opposition-initiated bills accounted for between 4.6 and 13.1 percent of all bills. This indicator soared to 48.2 and 43.2 during the first two legislatures under divided government. The significance of this change can hardly be exaggerated: the contribution of opposition parties to the total volume of legislation has been larger than that of the president and his party taken together since 1997.

Divided government also led to a thorough transformation of congressional governance. Building on the precedent established by the 1991 reform of the Chamber of Deputies, in 1999 Congress passed a new Organic Law of Congress introducing power sharing arrangements in both houses of the legislature. The allocation of committee chairs and secretaryships based on proportional representation, already in operation in the Chamber of Deputies, was extended to the Senate. A committee formed by all leaders of the parliamentary fractions –the *Junta de Coordinación Política* in the Chamber of Deputies and the *Junta de Gobierno* in the Senate– replaced the *Gran Comisión* as governing body.

Divided government has rendered committees the most important stage in the lawmaking process. Committees provide the opportunity for the exchange of agreements leading to the formation of multiparty lawmaking majorities. Yet, standing committees continue to face severe constraints that limit the development of their policymaking capabilities.

Apart from the restraints imposed by non-consecutive reelection, the existing parliamentary arrangements further weaken the role of standing committees. The practice of multi-committee assignments (all deputies belong to at least three committees) inhibits specialization by dispersing the interests of legislators. The system of open rules that prevails in floor proceedings leave committee reports unprotected against unfriendly amendments.

Even more, the 1999 Organic Law of Congress entrusted the leaders of the parliamentary fractions with the power to remove committee members at any time without consultation to the plenary thereby undermining the independence of standing committees. The weakness of the committee system remains as the central restriction on the ability of Congress to gather information, assess policy alternatives and oversee the implementation of law change. As a consequence, despite the improvement in transparency and public-regard, public policy under divided government still lacks in adaptability and long-term orientation.

Career incentives for individual legislators have not changed. Non-consecutive reelection still prevents legislative professionalization. Not only do politicians serving in Congress continue lacking in experience as lawmakers, but use congressional office as a stepping stone towards other career goals.

Unlike in the US, the national party leadership is very powerful in Mexican parties. Their leverage stems from their influence on the nomination of candidates and their control of lavish campaign finance subsidies. The control of the CEN over the fractions begins with the nomination of candidates. The CEN reserves safe seats –top positions on the party list or safe districts– for the politicians that will be playing leading roles within the legislative fraction. Although the PRD and the PRI have recently introduced the practice of holding elections for the coordinators of their legislative fractions (in other parties including the PAN, the CEN appoints the coordinator of the legislative fraction), the CEN has ultimate control over the process of selecting the parliamentary fraction leadership.

Congress has decentralized power away from the old-hegemonic PRI, but within the parties the degree of centralization remains high. Parliamentary fractions control the governing bodies that assign positions of influence and allocate resources within the legislature. They use their authority to enforce the agency relationship that prevails between the national party organization and individual legislators.

Indicators of party unity confirm that parliamentary fractions usually vote in bloc. The average Rice index was more than 90 per cent for all parties.⁸ The president's party typically displays the most discipline. The PRI reached an average of 99.7 percent on all votes between March 1998 and April, 2000 (Casar 2000; Weldon 2002). The Rice score of party unity for the PAN increased from 92.8 to 97.6 after winning the presidency in 2000. After losing the presidency, the PRI index of party unity dropped to 94.8 on average (Weldon 2002).

THE SUPREME COURT

Between the late 1920s and 1994, presidents manipulated constitutional rules for designating justices on the high court. A highly centralized PMP also deprived the Supreme Court of the means and the 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 high court. Available evidence indicates that the short-term strategy of the Court 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 an inter-temporal agreement among partisan and policy players.

The Supreme Court under *Presidencialismo*

Since the late 1920s, constitutional rules and political conditions prevented the high court from acting as a collective actor with its own policy preferences. Constitutionally, the party in power secured the loyalty of the Supreme Court through the rules of appointment, tenure, and impeachment of its judges. The gradual concentration of power in hands of a single party with control over the qualified majorities required to amend the constitution meant that

⁸ The Rice index is a simple indicator of party unity which consists of the difference between the percentage of party members voting against and for a specific motion. The maximum value is 100 per cent and means that the total party membership vote the same way. The minimum value is zero meaning that the party membership splits in halves on a specific bill. The Rice index does not take into consideration those who abstain nor absentees.

high court judges tended to have preferences similar to those of the PRI. While the high court reserved for itself a sphere of relative independence in protecting citizens from some irregular procedures, it never attempted to defy the party in power in fundamental political decisions, even when they went against the constitution.

The 1917 constitution aimed at guaranteeing the formal independence of the Supreme Court through an appointment process that consisted of the nomination of judges by state legislatures, followed by the approval of a two-thirds majority in the joint session of a bicameral congress. It also granted judges with lifetime appointment after a “trial” period of 6 years. In 1928, after discharging all high court ministers (who at the time all enjoyed lifetime appointments), President Calles (1924-28) got Congress to amend the constitution so that the executive could nominate judges subject to the approval of a simple Senate majority. He also obtained agenda powers in the nomination process: a presidential nominee was automatically approved if the Senate did not act upon his nomination or if the Senate rejected two successive presidential nominees. Finally, the president also obtained the right to request that Congress dismiss judges accused of “bad conduct.” In 1934, President Cárdenas (1934-40) discharged all the high court ministers. He also passed a constitutional amendment that replaced the lifetime tenure of high court judges with a 6-year term concurrent with that of the president. This reform also changed the process for the removal of high court judges by establishing a “private hearing” with the president before he formally required congress to discharge a judge.

Judicial careers were already politicized when, in 1944, a new constitutional reform restored the lifetime tenure of high court justices. From 1933 to 1995, 47 percent of all Supreme Court judges had a political position at the federal or local level before being appointed. From 1940 to 1994, 20 percent of the members of the high court ended their terms prematurely to occupy similar political positions (Domingo, 2000: 722-23). Another indicator of politicization is that since 1946 most presidents had the opportunity to renew *at least* 40 percent of the members of the high court (Fix Fierro, 1999: 188-189). This obviously implies a high turnover rate for a supposedly technical body that requires stability and accumulated experience to perform the role of an impartial enforcer of the law.

Limited powers of judicial review also weakened the Supreme Court’s position. Between 1917 and the early 1990s, the *amparo* suit was the most powerful way that the Supreme Court reviewed the constitutionality of norms and laws. The Court could also decide on the so-called “constitutional controversies” (CC), conflicts among states and between them and the federation. These controversies, however, generally involved conflicts of political nature and were rarely invoked until the mid 1990s (Fix-Fierro, 1999: 180). Any citizen could invoke an *amparo* against a law or administrative act that, according to the plaintiff, arbitrarily restricted a constitutional right or guarantee. While the *amparo* (particularly the so-called *amparo contra leyes*) provided the Court with the opportunity to decide whether a law or a government act contradicted the constitution, it limited the ability of judges to act as independent guardians of the constitution (Baker 1971; Taylor 1997; Fix-Fierro 1999).

One group of shortcomings stemmed from the logic of the *amparo* suits whose main purpose is to empower citizens to complain about violations of their rights. As in the rest of Latin America (Navia and Ríos-Figueroa, forthcoming), *amparo* suits can only indirectly control the constitutionality of governmental actions, decrees or legislation. As a result, most *amparo* usually involves 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). Another

important implication is that *amparos* could not proceed when a congressional bill or an executive act violated parts of the constitution unrelated to the regulation of individual rights and guarantees.

A second group of limitations derived from the constitution and the laws regulating *amparo* procedures. Both the constitution and the Law of Amparo established that a law declared unconstitutional as a consequence of a successful AS has only effects *inter partes* (between the parties). This means that a favorable ruling simply exempts the plaintiff from the law but the law remains valid for citizens that did not file an individual suit. This restriction has prevented the high court from using *amparo* rulings as legal precedents whose enforcement is mandatory for inferior courts and public officials. A ruling on *amparo* suits acquires general effects in Mexico if the high court decides 5 consecutive cases similarly and the absence of an authority in charge of determining the similarity of the rulings weakened the practical implementation of the rule (Garro, 1990; Schwarz, 1990). On the other hand, both the constitution and the Law of Amparo prevented the high court from ruling on certain matters, such as religious liberty, education, voting rights and implementation of electoral rules, deportation of foreigners, decisions made by decentralized public entities, and the right to challenge presidential decisions regarding expropriation of lands (Schwarz, 1971: 169-186).

Presidencialismo successfully deterred attempts to defy the government's central policies. During the heyday of the PRI, the president packed the court with his nominees or amended the constitution to replace an adverse judicial ruling. Between the early 1930s to the late 1980s the PRI had the necessary majorities not only to pass ordinary legislation but also to amend the constitution. In a well-known 1951 case, the high court ruled that Congress could not delegate to the president the power to modify export tax rates, except in emergency situations. In the same year, Congress circumvented the effects of this ruling by amending the constitution to permit Congress to delegate to the president the ability to abolish tariff rates on imports and exports without declaring a state of emergency (Baker, 1971: 150-51).

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 inter-temporal agreement. In a study of 3700 *amparo* suits between 1917 and 1960 in which the president is mentioned as the responsible authority, González Casanova (1970: 34) finds that the high court decided in favor of the plaintiff in 34 percent of the cases. The high court either denied the merits of the rest of the *amparos* suits or dismissed them on procedural grounds. In a more detailed analysis of Supreme Court rulings in *amparo* suits, Carl Schwarz (1977) observes that the high court appeared to be relatively independent when deciding on the legality of administrative procedures, particularly in expropriations and taxes. More than 50 percent of these cases were decided in favor of the plaintiff from 1954 to 1966 and 1968. In other areas, however, such as labor regulations, economic policies, or political dissent, the high court ruled in favor of the executive.

Both González Casanova (1971: 37) and Schwarz (1977: 215-6) conclude that in politically sensitive areas the high court rarely defied the PRI. In these cases, the high court ruled either against the plaintiff, dismissed the case on procedural grounds, or declared that the matter was beyond the competence of the courts (Fix Fierro, 1999). For example, in 1982, the Supreme Court decided against hundreds of *amparos* that challenged the constitutionality of the 1982 bank nationalization, despite the fact that this act violated constitutionally defined property rights. During the 1960s, the high court dismissed on procedural grounds *amparos*

invoked against the so-called crime of “social dissolution,” a fairly broad legal category that basically penalized simple actions of political dissent. In other cases, the Court declined its jurisdiction to decide on potentially conflictive issues by invoking the so-called 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 of electoral juntas and legislatures on the legality of electoral procedures), the high court interpreted this doctrine broadly enough to refuse to hear cases on individual rights that touched upon matters of voting rights (Schwarz, 1977: 176).

The Supreme Court after 1994

The 1994 constitutional reform, the first important reform passed with the support of the main opposition party, PAN, marked a clear turning point in the institutional development of the Court. This reform, introduced at a time of deep political and economic crisis for the regime, provided the Supreme Court with the formal guarantees and powers that would allow it to play a more active role in policymaking and constitutional adjudication.

First, while the president retained the power to nominate candidates to the high court, the threshold for their appointment in the Senate was increased from simple majority to a qualified majority of two-thirds. To reduce the politicization of high court nominations, the reform also stated that candidates should not have been secretaries of state, prosecutors, federal deputies, senators or state governors during the year before the nomination. Second, the reform created the “action of unconstitutionality (AU)” as a new type of judicial review. Totally independent from the *amparo* suit, the AU allows the Court to declare laws or administrative acts unconstitutional. If such a decision gathers the vote of 8 of the 11 high court justices it leads (different from the *inter partes* effect of *amparo* rulings) to the formal abrogation of the law or administrative act. Third, a second important reform in 1996 extended the judicial review under AU to include the adjudication of electoral controversies. AUs do not require the existence of a judicial case involving the concrete violation of a constitutional right. Different from *amparo* suits, citizens cannot initiate AUs. Only a limited number of political authorities, like a percentage of federal deputies and senators, or the Attorney General, have the authority to invoke the action. Finally, the 1994 reforms expand types of constitutional controversies. They now include conflicts (that before were outside the reach of *amparo* suits) between president and Congress about the separation of powers. And just like in the case of AU, the reform established that whenever local laws are involved, the rulings of the high court in CC might invalidate those laws if no less than 8 of the 11 justices agree on the decision.

With formal guarantees of independence, more effective powers of judicial review and the rise of 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; Iaryczower *et al.* 2002). Based on the same models one would expect judicial activism to increase through time, with the increasing dispersion of power at the federal and local level. And this, in fact, seems to be the finding of recent empirical studies on the rulings of the high court in actions of unconstitutionality and constitutional controversies (Rios-Figueroa, 2003; Tapia Palacios, 2003).

In a study of constitutional controversies from 1994 to 2000, disaggregated by political parties representing plaintiff and defendant, Magaloni and Sánchez (2001) find that the high 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, Rios-Figueroa (2003) and Tapia Palacios (2003) conclude that the percentage of the high court's rulings in favor of the PRI fall as the PRI's hold of elected offices declines.

Table 6 shows the probability that the Court rules in favor of the PRI was 85 percent between 1995 and 1997, when the PRI was a defendant in both controversies and actions of unconstitutionality. Between 1997 and 2000, that is, when the PRI lost for the first time since the 1930s its majority in the chamber of deputies, the probability decreased to 34 percent. After 2000, when the PRI lost the presidency, the probability of deciding in favor of this party went down to 31 percent (Tapia Palacios, 2003).

(Insert Table 6 about here)

Selected case studies also show that between 1997 and 2000 the high court ruled against the PRI in politically sensitive matters. In September 1998, 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. Since it was passed by a PRI-dominated legislature to protect the party from an expected decline in electoral support, its abrogation seriously affected the hegemony of the PRI in that state (Finkel, 2003). The next year, all the main opposition parties won a constitutional controversy that forced President Zedillo to disclose secret financial information potentially involving the illegal funding of his electoral campaign (El Universal, March 20 2000).

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. Regarding the PAN—the party of President Vicente Fox (2000-6)—Tapia Palacios (2003) shows that between 1997 and 2000 the percentage of cases decided in favor and against this party was almost identical with the previous 3-year period. Yet, the percentage of cases decided in favor of the PAN decreased from 37 percent between 1997 and 2000 to 7 percent between 2000 and 2003. Between 2000 and 2003, the high court does not seem to be ruling either for or against the PRI since the percentage of cases decided in favor and against the PRI has been almost identical.

These patterns suggest that the high court is building its reputation in a different way. The Supreme Court will continue to act, from time to time, as a veto player in the PMP. This seems to be the direction the Court is taking in recent constitutional controversies, when it developed a strict doctrine of separation of powers to invalidate an executive decree that allowed private companies to generate electricity and an executive decree exempting from taxes the users of fructose in industrial production. At the same time, the high court does not appear to be ruling disproportionately in favor or against the government. It seems more concerned with asserting its authority to arbitrate disputes among the branches of government. The court became very active in the interpretation of the international obligations of the Mexican state and in the protection of human rights in important cases. 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 during the 1960s and 1970s. These cases suggest that, if divided government persists and control over the presidency rotates among parties, a more experienced high court could shift from being a veto player to being an impartial enforcer of inter-temporal agreements among policy and partisan players.

INTER-GOVERNMENTAL RELATIONS

During the heyday of the PRI, tight federal control over tax collections helped create and then reinforce the highly centralized and secretive PMP by giving the executive control over tax revenues and public expenditures. The centralized and secretive PMP enabled presidents to pursue policies that favored national over regional economic interests. As PRI hegemony declined, in contrast, local interests asserted themselves into the PMP, increasing the regional focus of policy-making. The decline in the national executive's control over the PMP also played an important part in ending the discretionary delivery of benefits and political favoritism in the assignment of federal resources. State and municipal interests now figure their way into national policy-making in more predictable ways. However, the inclusion of local interests in the PMP has also had a side effect: the addition of veto-players to the system. These players will help define and enforce the new inter-temporal agreements now under construction.

The Centralization of Intergovernmental Fiscal Relations and the PMP

The centralization of tax authority in the federal government, beginning in 1947 with the third national tax convention, was the driving force behind the loss of local autonomy in Mexico. Prior to this period, there was a complete lack of tax and policy coordination between states and between states and the federal government, something that favored intense political competition but undermined economic development by raising the cost of trading goods and services across state lines (Diaz-Cayeros, 1997b). The 1947 tax convention proposed that local governments be given exclusive authority over some less lucrative taxes but that they relinquish more important taxing authority to the federal government in exchange for a guaranteed share of federal tax revenues (Courchene, Diaz-Cayeros, and Webb, 2000). In later years, the federal government further concentrated financial authority in its hands, a process that culminated in 1979 with the creation of the Sistema Nacional de Coordinación Fiscal (SNCF) that replaced the national sales tax with a federal value added tax (VAT). To join the SNCF, states relinquished authority over additional state-level taxes in exchange for guaranteed shares of the VAT.

The centralization of tax collections was possible because local politicians were willing to relinquish tax authority in exchange for elected offices federal government fiscal compensation (Diaz-Cayeros, 1997b). Even in 1979 with the creation of the SNCF, local politicians found it politically expedient to accept a further centralization of tax authority and intergovernmental relations (Diaz-Cayeros, 1995), even though there was no constitutional provision forcing states to join. The PRI could still guarantee political careers, and the 1970s oil boom brought the federal government sizeable oil revenues that promised greater resources for state governments. Though states can legally opt out of the system at any time and recuperate local tax authority, the SNCF equilibrium proved quite stable. Few politicians were willing to risk a loss of revenues in exchange for political freedom. It was not until much later that the governor of Baja California Sur threatened to opt out of the system (Diaz-Cayeros, 1997a).

The federal government's fiscal powers meant that public expenditure came to reflect presidential priorities, something that lent secrecy and unpredictability to the nature of state expenditures. Throughout the twentieth century, presidents used the PMP to maximize economic returns to reward PRI members. Maximizing economic returns, however, meant concentrating fiscal transfers and public investment in the most profitable economic sectors (Diaz-Cayeros, 1997b). However, since most industry and important agricultural centers were concentrated in only a few states, the PMP reinforced regional disparities (Cordera and Tello,

1984; Godínez, 2000; Hernández Laos, 1984). Indeed, the extent to which regional interests benefited from national spending had to do more with a coincidence of presidential priorities than their ability to affect the PMP. This tendency was reinforced by the PRI's corporatist structure that allowed sectoral interests to dominate the federal Chamber of Deputies rather than territorial ones. The Senate was powerless to protect regional interests, as it has no role in the federal budgetary process and the formal assignment of public resources.

The domination of presidential interests over regional ones in the PMP is reflected in the regional distribution of federal transfers. Table 7 presents information on differences in GDP per capita by state and by level of marginality to give the reader perspective on the economic differences between wealthier and poorer states. Wealthier states, such as the Federal District, Nuevo León, and Baja California, received more resources from the federal government than poorer states throughout most of the twentieth century. States have tended to receive revenue shares (called *participaciones*) based on revenue collected from their own taxes and their share of the national sales tax, something that has perpetuated inter-regional disparities (Díaz-Cayeros, 1995). Even as late as 1991, the formula used to allocate state transfer shares heavily weighted current (state and local) tax revenues, with 72.29 percent of these transfers based on tax collections. That poorer states accepted such allocations is evidence of how robust the federal equilibrium was during most of the twentieth century.

(Insert Table 7 about here)

The lack of regional voice in the PMP is also reflected in the nature of federal public investment spending (Inversión Pública Federal or IPF). IPF funds constitute the most important source of public investment for economic and social development projects. Rather than being awarded to states, however, according to economic and social need, IPF funds have been typically used to foster economic growth in the country's most productive economic sectors (such as the petroleum industry in Veracruz and Tabasco and the industrial and manufacturing sectors in the Federal District) (Díaz-Cayeros, 1997b). Table 8 provides some sense of the sectoral favoritism of public policy. 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. Though IPF spending favored wealthy states, state-level IPF funds also varied considerably from presidential term to term. This reflects variation in presidential policy priorities, and the secretiveness and centralization of the PMP, which could be manipulated to serve the interests of specific presidents.

(Insert Table 8 about here)

Local leaders made regional favoritism possible because they abdicated electoral, fiscal, and policy authority to the federal government (Ayala Espino, 1988). Although the lack of 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 guaranteed political careers for predictable shares of governmental resources. However, economic favoritism 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 guaranteed in their careers, were marginalized from most policy programs, while the federal government used its control over the PMP to support the most economically influential areas of the country.

Prying Open the PMP through Decentralization

The reasons motivating the federal government to initiate the decentralization of intergovernmental fiscal relations remain under scholarly dispute. However, it appears that the economic crisis and 1980s structural reforms coincided, and may have led to, increased political competition in both local and national elections, thereby jeopardizing the PRI's hold on power (Cornelius and Craig, 1991; Cornelius, Eisenstadt, and Hindley, 1999; Rodríguez, 1998; Rodríguez and Ward, 1994; Rodríguez and Ward, 1995). The most convincing arguments for the federal government's decision to initiate the decentralization of fiscal relations argue that decentralization was undertaken as a means to stave off the PRI's political decline (Rodríguez 1998). As the PRI lost its ability to guarantee economic growth, its ability to control access to elected offices and ability to deliver fiscal resources came under question. To ward off criticism, the federal government was forced to relinquish some control over tax expenditures and policy-making to local governments, who in turn were better able to cultivate support with new resources.

In terms of fiscal transfers, the federal government decentralized resources to local governments. Decentralization of fiscal resources involved changing the formulae used to calculate state shares of unconditional transfers (*participaciones*), changes to the formula used to calculate state shares of conditional transfers (*aportaciones*), changes to the policy responsibilities allocated to state governments, and changes in the way that federal public investment projects are undertaken. In terms of policy, the inability to deliver economic growth and guaranteed access to public offices led the PRI to find other means to placate growing discontent. The PRI created the Sistema Nacional de Planeación Democrática (SNPD) in 1983 to help coordinate municipal, state, and national functions (Rowland and Caire, 2001). At first a mechanism of political and fiscal control, the SNPD gained prominence in the late 1990s when the PRI lost control over the national Chamber of Deputies in 1997. In 1998, state and municipal governments were given education, healthcare, and public security responsibilities after the opposition-dominated congress took seat. State spending now accounts for nearly 24 percent of total governmental spending, while municipalities account for just over 5 percent.

The decentralization of fiscal relations transformed the centralized and secretive PMP because it opened the door to the insertion of local interests in national politics. In 2000, the most important contenders for the presidency had all been governors (Courchene, Diaz-Cayeros, and Webb, 2000). The absence of PRI majority in Chamber of Deputies since 1997 has led to a weakening of corporatist representation in Congress. Realignment in Congress has placed additional taxes within the SNCF system, as well as an increase in the percent total tax revenues allocated to state governments. Total transfers to states increased by nearly 20 percent, on average, in the early 1990s alone (Rodríguez, 1997). The federal government has begun to end regional favoritism in the assignment of funds. The distribution of *participaciones* has begun to reflect more than just annual tax collections, but has changed to include funds based on population, economic, and social needs (Diaz-Cayeros, 1995; Rodríguez, 1997; Ward, Rodríguez, and Cabrero Mendoza, 1999). Poor states have benefited most from this change. States with the highest levels of poverty (marginality) have witnessed, on average, 33 percent growth in per capita transfer of *participaciones* in just the 1990s. Wealthier states, in contrast, have seen negative growth in per capita revenue shares (Rodríguez, 1997).

Local democratization undermined centralized, politicized, and discretionary spending by presidents. Federal transfer assignments, both earmarked and unearmarked, and the formulas used to calculate them have been made more transparent and predictable. A case in point was reaction to President Carlos Salinas's National Solidarity Program. This program was widely criticized for its political, rather than social, agenda, and the oblique nature in which transfers were assigned. As a result, the federal government reorganized the program into a series of smaller programs in the mid-1990s designed to target social development and poverty problems more specifically (Magaloni, Estévez, and Diaz-Cayeros, 2000). Another example can be found in the tax sharing system, which has been made more transparent. The formulas used to divide resources among states are codified and reported in the national budget each year.

The decentralization of resources to local governments mean that local political interests have now found voice in national policymaking. The centralized PMP had been cracked. As a result of local governments demanding a more transparent assignment of resources, the allocation of revenues now takes local leaders into account. Gone are the days of extreme favoritism toward areas most likely to contribute to economic growth. Table 9 shows some data on per capita public investment. During the early 1990s, wealthier states saw a decline in public investment per capita, while poorer areas saw increased federal funds for development projects. Such trends attest to the increased importance of satisfying the variety of local and state political and economic interests, and thus to the decentralization of federal priorities.

(Insert Table 9 about here)

CONCLUSIONS

Policymaking in Mexico is consistent with the argument that political cooperation between a small number of political actors does lead to the development of stable inter-temporal linkages. The corporatist sectors of the PRI, along with business peak organizations, abdicated important powers to the president for much of the twentieth century. Though weak in constitutional terms, unified government and the corporatist organization of the economy transformed the Mexican president into a national agenda-setter. Unified government and corporatism led to a political system benefiting organized urban interest groups and ignoring the majority of Mexicans living in—and fleeing—rural poverty. It was a less than solid arrangement, one that the sovereign made credible by consulting with corporatist leaders, letting them share in the spoils of office, and by loading the constitution with promises to each of these sectors. As a result, public policies were adaptable, coordinated, and coherent with Import Substitution Industrialization. Until the 1970s, this inter-temporal agreement delivered low inflation and respectable economic growth rates.

Yet, as we suggest, the lack of competitive elections meant that most partisan and policy decisions were done in secret. Along with a centralized PMP, lack of public scrutiny of governmental behavior inhibited the development of effective public policies. 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 between the president, members of his 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. Once the economy began slowing down in the 1970s, presidential succession cycled with often devastating economic consequences. The regime often violated

human rights and did not respect civil rights unless faced with widespread protest and disobedience.

We also argue that *presidencialismo* was more powerful in appearance than in reality. Though creating a PMP as centralized as Mexico's during the heyday of the PRI might be every party's dream, it turns out to be much less impressive in practice. Near universal Congressional support for executive-based initiatives conceals the fact that Mexican presidents, unless faced with a serious crisis, could not get anything of redistributive significance approved. Only when lawmaking touched upon non-controversial issues, could the president gain the consent of corporatist sectors, which held legislative seats commensurate with their economic importance, and organized business to enact or change laws.

When, however, policy reform might generate losses from one or more urban-based groups, however, PRI presidents typically postponed dealing with thorny issues. So, during the 1970s and early 1980s, Mexican presidents did little to solve balance-of-payments crises and lackluster economic growth other than to devalue the currency and, given the rigidity of tax collection, to enlarge the public debt. The costs of reforming an economy that stopped growing by the 1970s helps to explain why economic volatility did not force a highly centralized PMP to change policies. After massive devaluations and periodic negative growth rates—both of which cycled with the beginning of the six-year presidential term and the start of a new one—several presidents harnessed a centralized PMP to adapt to new economic and political realities. Presidents de la Madrid (1982-8), Salinas (1988-94), and Zedillo (1994-2000) opened up the economy to international competition, deregulated the economy, and privatized many state companies.

Democratization and divided government in the 1990s created a decentralized and more open PMP 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 electoral systems, along with the boundaries among SMPDs, now privileges partisan players (e.g., the PRI) and rural voters—that comprise a quarter of the electorate and contribute less than 5 percent to national GDP—to obtain legislative representation and policy influence that *presidencialismo* curtailed.

A new PMP—and one very much under construction—increases the transaction costs of negotiating structural reforms. The activation of the separation of powers (that unified government and corporatist representation concealed) with numerous checks and balances among the branches of government fragments political power. By fragmenting state power, old as well as new parties (and interest-groups) can veto efforts to denationalize energy sectors, to eliminate tax loopholes, and to deregulate labor markets.

Poorly defined property rights over the effects of reforms may also help to explain why parties cannot agree, for example, to amend the constitution to permit private sector investment in the energy sectors. Political bargains are more difficult to effect because it is hard to translate future economic payoffs into present value political compensation. A hypothetical contract, where reforms are agreed upon in exchange for some political and economical compensation, requires credible commitments, and equally important, they need to be enforceable. In private bargains, it is easy to rely on explicit contracts and third party enforcement. But in matters of public policy, such explicit contracts are rare, and the likely enforcer, the electorate, faces collective action problems and remains ambivalent about further structural reforms. While, for example, approximately half of the electorate expresses support

for private sector involvement in the energy sector, another majority does not want to limit national sovereignty and therefore “privatize” PEMEX (Lawson and McCann, 2003).

Non-consecutive reelection also undermines the policy expertise of legislators, even though divided government makes Congress into the principal lawmaking branch of government. Term limits also shortens time horizons of deputies and Senators, thus limiting the political bargains that can credibly be made. It is also not clear how an increasingly independent Supreme Court will interpret the constitution, an unknown of strategic importance because public control over energy resources is constitutionally protected in Mexico. In the PRI era, centralized policymaking allowed for some political bargains, but they also faced limits and trade-offs, which often turned into unsustainable policies. It is possible that as partisan identities and policy choices become clearer, parties and citizens will be able to credibly commit to reforming the economy.

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