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POLITICAL INSTITUTIONS, POLICYMAKING PROCESSES, AND POLICY OUTCOMES IN MEXICO

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Abstract¹

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 secretive 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, although it remained dominant in an increasingly turbulent polity. The paper explains how unified government and 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 giving rise to a less centralized and more open PMP that benefits larger shares of the population. As the separation of powers enshrined in the 1917 constitution materializes, policymaking is increasingly wedded to the status quo. On the one hand, divided government preserves a macroeconomic framework consistent with an open economy (such as fiscally sound policies and a floating exchange rate). On the other, checks and balances are helping old and new parties and interest groups to veto agreement on the raising of chronically low tax rates (at 10 percent of GDP) and on reforming nationalist policies that limit private sector investment in the state-controlled energy sector.

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Introduction

Analysis of Mexican policy-making reveals a puzzling incongruity. Though not rich, Mexico has the per capita GDP ranking of an upper-income developing country. With a 2000 per capita GDP of US\$8,790 at purchasing power parity (PPP), it has the fourth largest GDP among 20 Latin America economies. Nonetheless, it ranks seventh (alongside Bolivia) out of 18 countries in the region on the Bertelsmann Management Index (BTI, 2003), a composite measure of a political system's ability to reach agreements in support of political and economic reforms. 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, Kraay, and Mastruzzi, 2003). International comparisons made even a decade earlier would have ranked Mexico still lower, when policy-making was more centralized, rigid, and substantially less transparent.

These and related findings raise the question of whether an underperforming public sector has impeded economic development in Mexico. Unlike most Latin American countries, Mexico doubled its per capita GDP between 1950 and 2000, but its economy has not grown at the same rates as some East Asian countries. In 1990 international US dollars, Mexico's per capita GDP rose from \$2,365 in 1950 to \$6,655 in 1998 (Maddison, 2001: 195). South Korea's per capita GDP, for example, increased from \$770 in 1950 to more than \$12,152 in 1998, and its per capita growth rate rose to nearly 9 percent (Maddison, 2001: 215-6). During the same period, per capita GDP grew by an average of 3.17 percent before falling to 1.28 percent for the rest of the century (Maddison, 2001: 196).

Mexico's economic performance is all the more perplexing because its authoritarian system—one that was largely unchallenged for decades—was alleged to be suited for economic growth. In a region renowned for extra-constitutional changes in government, one-party stability in Mexico led analysts like Samuel P. Huntington to marvel that the Institutional Revolutionary Party (PRI) had found the coveted elixir for combining political stability and economic growth. Until the late 1970s, the PRI had indeed squared the circle. It never lost an election. The PRI could claim to be inclusive: it had a place for industrial workers, peasant organizations, bureaucrats and even entrepreneurs (at least informally).

Regime continuity and high-level bureaucratic expertise are empirical manifestations of Pablo Spiller's and Mariano Tommasi's (2003) theoretical claim that the existence of a few

actors can lay the groundwork for the stable inter-temporal agreements necessary for effective policymaking (Spiller and Tommasi, 2003). Moreover, the central bank and most ministries had a core group of highly trained technocrats, although all bureaucrats had little autonomy and most were poorly trained. Along with acute centralization and pervasive secrecy, 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, policymaking became rigid. Mexican presidents retained a fixed exchange rate and other closed economy policies, even when trade imbalances and public sector debt promoted severe recessions and major devaluations at the end of every six-year presidential term or *sexenio* (Basáñez, 1995). Policymaking was also much less public-regarding than the regime's revolutionary rhetoric suggests. Unless a citizen belonged to one of several largely urban-based corporatist sectors, the state offered little in the way of public services until the 1990s. For much of the twentieth century, rural Mexicans (a majority until the 1960s) received little more than a piece of land on a government-controlled *ejido* (land collective) and several years of a (deficient) elementary school education.

This paper suggests that a lack of political and policy transparency, two necessary conditions for policy effectiveness, prompted rigid, poor quality, and private-regarding policies for much of the second half of the twentieth century. Moreover, it was a non-competitive political system—the single most important way of forcing policy and partisan players to make their behavior observable—that gave rise to deficient policymaking. Because of centralization and secrecy, the policymaking process (PMP) resisted the delegation of complex policy tasks to an independent and sophisticated bureaucracy. Unified government also prevented the development of an independent judiciary, one that could limit the ability of the elected branches of government to violate the terms of a long-term, inter-temporal agreement.

This paper, however, argues that it would be a mistake to suggest that Mexican presidents were all-powerful during the PRI's heyday. The corporatist organization of the economy and the polity endowed presidents with discretionary authority, but also enabled regime beneficiaries to limit the president's powers. Entrepreneurs could always export their capital if policymakers were capricious or failed to maintain macroeconomic health. Thus Mexican presidents almost always secured congressional approval of their bills (Casar, 2002a), but they refrained from sending to Congress bills that redistributed power away from the corporatist pillars of the

regime. When economic growth faltered, as Raymond Vernon (1965) noted four decades ago, Mexican *presidencialismo* was unable to forge the consensus needed to reform a closed and highly regulated economy.

This paper groups public policies into two periods: the PRI era from the early 1950s to the mid 1990s, and the more recent period of divided government from 1997 to the present. It also refers to the heyday of Mexico's one-party regime between 1950 and 1982, as well as to a transitional period between 1983 and 1997 when technocratic presidents liberalized the economy and privatized many state companies (Centeno, 1997). After a decade and a half of street protests and high-level negotiations (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 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. Highly competitive elections, along with a very disciplined three-party system, transform PRI legislators representing rural areas into median lawmakers. Reversing decades of urban bias in policy-making, Mexican government has become unusually responsive to rural interests. The coherence of public policy is also 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 face opposition from legislators beholden to corporatist interests empowered by divided government.

The first of the seven following sections identifies the outer features of public policies. The second characterizes the PMP. The subsequent five sections examine the dynamics of the electoral system, Congress, executive-legislative relations, the judiciary and intergovernmental relations. The findings are summarized in the conclusion, which identifies several implications of the 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. It argues that the centralized PMP during the PRI's heyday allowed for inter-temporal agreements between *sexenios* that produced stable, adaptable, and coordinated policies. From 1975 to 1997, recurring crises suggest 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—such as energy and tax policy—have become rigid at their status quo levels. Others remain stable and adaptable, such as fiscal, monetary and social policy. Table 1 summarizes the main economic and policy features in several periods.

Table 1. Evolution of the Policy-Making Process in Mexico, 1950 – 2004

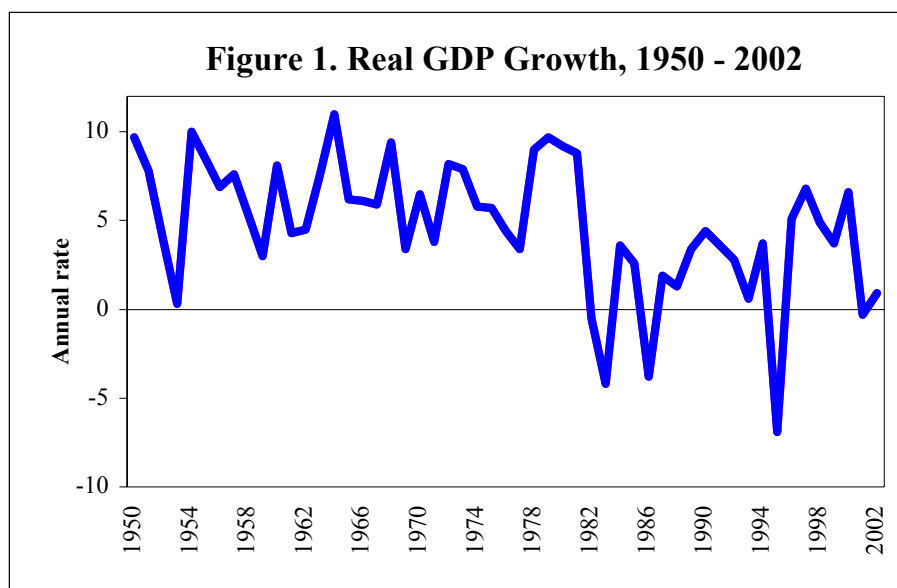
Periods / PMP Features	PRI era				Democratic era
	<i>Desarrollo Estabilizador</i> 1950-1970	Populism 1970-1981	Crisis and adjustment 1982-1988	Reform 1989-1997	Divided government 1997-2004
<i>Period averages:</i>					
GDP growth (std. dev.)	6.5% (2.7)	6.9 (2.2)	0.1 (3.0)	2.6 (3.9)	3.2 (2.8)
Public deficit / GDP	< 2.0%	7.2	12.5	0.7	1.2
Inflation ¹	< 5%	17.6	88.4	21.2	9.0
Outer features	Adaptable, coordinated and coherent, private-regarded	Adaptable, coordinated but not coherent, private-regarded	Volatile, less coordinated, private-regarded	Adaptable, more coordinated, more public-regarded	Less adaptable and coordinated, more transparent
Sensitivity to economic shocks ²	Robust and fiscally disciplined closed economy	Fragile but deficits are affordable (oil shock)	Fragile and volatile	Increasingly robust open economy	Increasingly robust but fiscally constrained
Sensitivity to political shocks ²	Robust as the PRI consolidates	Robust as the PRI co-opts opposition	Increasingly fragile but still authoritarian	Fragile and increasingly competitive	Fragile and democratic
Benefits of economic reform ³	Unnecessary while ISI succeeds	Positive but < TC: reforms delayed	Positive and under way	Positive and under way	Positive but < TC (stalled)
Benefits of political reform ³	Unnecessary as the PRI consolidates	Positive but < TC: very gradual reform	Positive but < TC	Positive and under way	Positive and under way

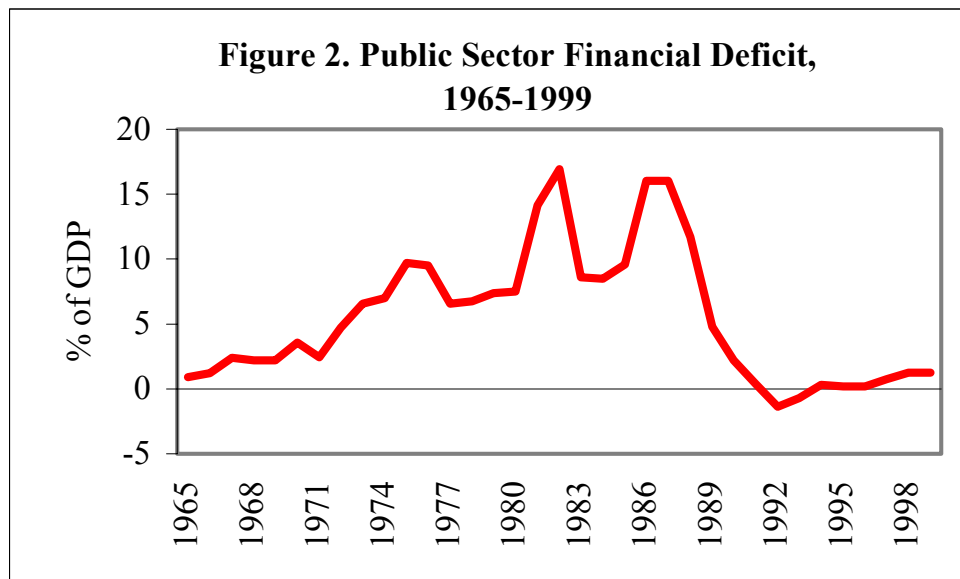
¹ Authors' calculations based on INEGI and Banco de Mexico historical series.

² Sensitivity is the degree that a given shock will result in negative payoffs from the PMP game.

³ These benefits grow when the PMP yields negative payoffs. To induce reform, these losses must be larger than the transaction costs (TC) of policy change perceived by policymakers at any given time.

Policy stability and endogenous crises. There is a mixed record of stable public policies and episodes of volatility under *presidencialismo*. At least four illustrative examples of policy stability are evident. First, the PRI regime itself survived for more than 70 years. Second, inflation and interest rates were low during the PRI's golden age. There was a fixed exchange rate during the *desarrollo estabilizador* period between 1950 and 1970, when policy sought to promote urban industrialization with fiscal discipline. In that period, Mexican GDP grew at an annual average rate of 6.5 percent (see Figure 1). Inflation was below 4.5 percent, real wages were rising and there was no threat of capital flight (Ortiz Mena, 1998). Per capita GDP grew at an average of 3.17 percent 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 accession to the General Agreement on Tariffs and Trade (GATT) in the mid 1980s, and the entry into force of the North American Free Trade Agreement (NAFTA) in 1994. Fourth, the 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).



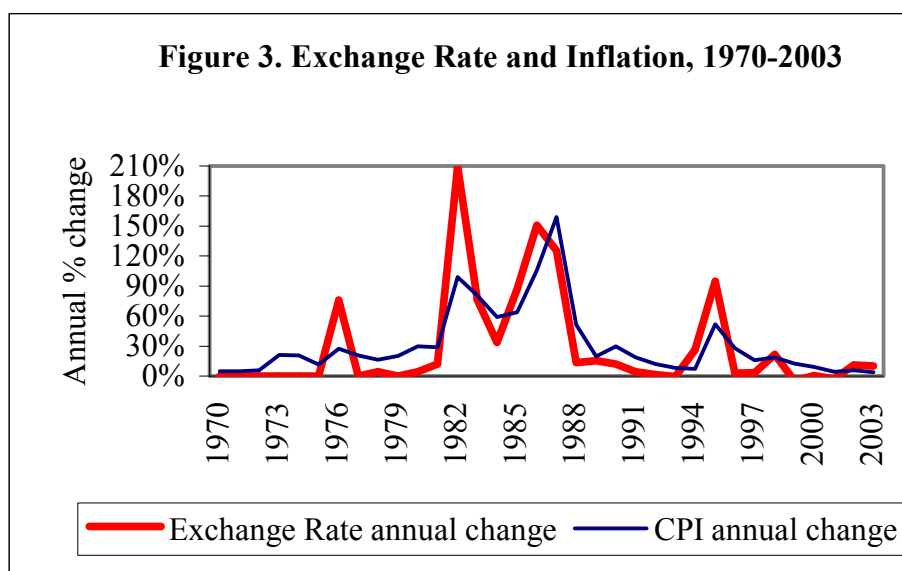


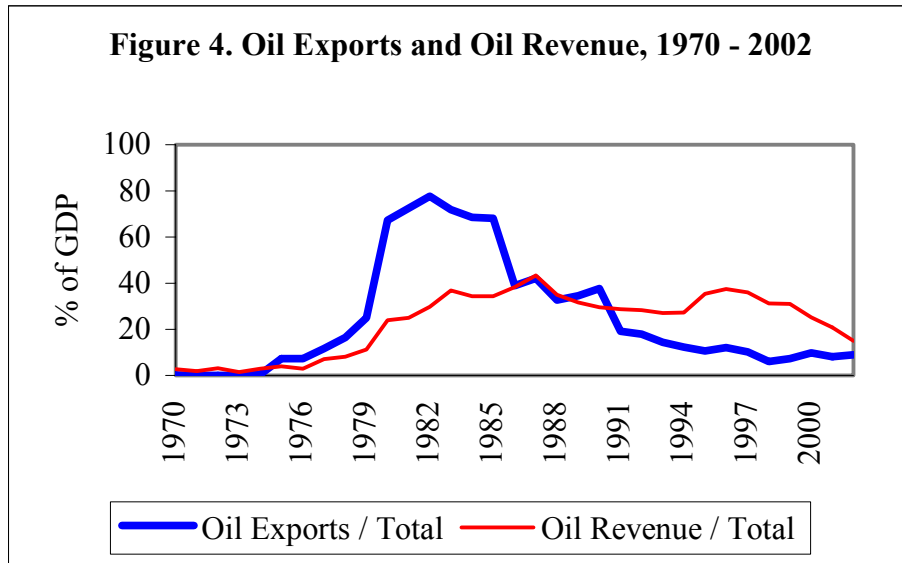
Mexico has also experienced periods of crisis and policy volatility. Crises include the recurring devaluations since 1976, which ranged from 75 percent to more than 200 percent (see Figure 3). A combination of unsustainable balance of payment deficits and/or sudden changes in oil prices triggered devaluations 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, when imbalances became unsustainable, the outgoing president would often choose to adjust the exchange rate *before* his successor took office as part of *presidencialismo*'s inter-temporal bargain; this matter is analyzed in the next section.

Some economic and political reforms have been consolidated, and they remain stable with divided government. An open economy in which exports plus imports account for 60 percent of GDP (2000 estimate) limits radical policy changes and increases the payoffs of economic stability. The macroeconomic policy goals of low inflation, a floating exchange rate and low deficits have been preserved, and social spending increased from 7.7 percent to 8.8 percent of GDP between 1994 and 2000 (Scott, 2004). Policy continuity has been facilitated by President Fox's retention of a number of important financial operators from the previous administration, including the Secretary of Public Finance, Francisco Gil Díaz. An autonomous electoral court system now organizes highly competitive elections (Eisenstadt, 2003). Hence

there has been stability in these policy areas during both periods but for different reasons, as explained 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. Import-substitution policies, deficit spending and market-oriented reforms were implemented sequentially following the common wisdom of the day. Between 1950 and 1970, therefore, policy led to unprecedented growth and to 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. The positive oil shocks of the 1970s, for instance, made deficits affordable; but the negative shocks of the 1980s, such as severe devaluations and the reduction of inflation, led to major reforms in a relatively short time. When the populist policies of the 1970s concluded with 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).





Mexico’s political transition, which is described in the following sections, also evidences policy adaptability during the PRI era. As with the economy, institutional reforms followed political crises, including the 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. At times of political pressure, presidents pursued economically inefficient populist policies. When a crisis is more economic in nature, radical policy shifts are possible even if that means losing political ground (such as 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, whereby politicians, business groups, and corporatist leaders exchanged political support for private-regarding rents (Castañeda, 1995). The regime used low taxes and entry barriers to protect private investment that otherwise could 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: poorer terms of trade for agricultural products, for instance, limited the feasibility of the import-substitution industrialization (ISI) model; increases in oil prices increased the government’s borrowing capacity; and US economic 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, public sector reform is harder than economic liberalization. While federal policy-makers have 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). Thus the central government's total tax take since 1980 is an average of 10 percent of annual GDP, a rate that puts Mexico next to Guatemala in the ranking of least-taxed societies in the Western Hemisphere. Petroleum exports account for only 10 percent of total exports, but they represent an average of 30 percent of public revenues (Dalsgaard, 2001). Opposition from corporatist interests contributed to the Salinas administration's decision to expedite the privatization of the state telecommunications firm, one that led to the creation of a vertically integrated telecommunications firm (Telmex) that dominates the domestic market and charges some of the highest rates for home telephone rates in the world (Mariscal, 2004). Though the Zedillo government managed to privatize pension for private sector workers (but, as part of the compromise left major public sector unions exempt; see Madrid, 2003), no government before or after the 1980s has managed to address the enormous inequities that partial coverage implies (Scott, 2005). Labor regulations remain unreformed, although an antiquated labor code empowers old corporatist unions that, in 1997, covered just 12.9 percent of the labor force (Bensusán, 2004: 272). Policymakers also have not been able to reform PEMEX, the state oil monopoly. While there is widespread consensus that milking PEMEX of its revenues leaves it without revenue to invest in oil exploration and development, there is no agreement to either reduce the scale of transfers or to amend the constitution to open up the electricity, gas, and petroleum sectors to private investors. As a result, PEMEX is stagnating because energy nationalists and neoliberals disagree on how to reform a state corporation that accounts for a third of federal revenues. At current rates of extraction, proven oil reserves will begin to fall by 2015 (Shields, 2003).

From private to public-regarding policies. Because of the corporatist organization and one-party domination of politics, 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 and labor leaders to business

groups (Middlebrook, 1995; Centeno, 1997). This policymaking approach was clientelistic and private-regarding. It only became more public-regarding when elections became increasingly competitive during the 1990s.

The urban bias of PRI-era policies is evident in the development gaps that accumulated in that period. In 1984, after three decades of sustained growth, 61.5 percent of the rural population belonged to the first four deciles of 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 those in extreme poverty lived in the countryside and accounted for 42.4 percent of the rural population (Cortez et al., 2002). As of 2000, the illiteracy rate was 9.6 percent nationally but 21 percent in rural areas. The national average for schooling was 7.6 years, but only 4.8 years in the countryside (World Bank, 2003). In the PRI's heyday in 1979, the two largest labor organizations (CTM and FSTSE) consisted of no more than 1.7 million workers (56 percent) of a unionized workforce of about 3 million (Durand Ponte, 1991). This figure is less than a tenth of the economically active population (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 transferred about 50 percent of all arable land to some 30,000 *ejidos* or agrarian communities (Warman, 2001). The political manipulation of land reform, however, led to the excessive fragmentation of landholdings and to low productivity. In 1991, 2.2 million rural producers had less than 5 hectares of land, an insufficient amount to generate tradable surpluses (Scott, 2004). The price controls used in the 1970s and 1980s mostly benefited large surplus producers. Consumption subsidies were concentrated in urban areas (Friedmann et al., 1995). In 1988, the Mexico City area accounted for 70 percent of food subsidies (Scott, 2004). Hence 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 replaced urban food subsidies. The share of these programs received by the lowest income decile rose from 8 percent to 33 percent between 1994 and 2002. In 2002, only 10 percent of food subsidies remained in Mexico City, and more than 50 percent of rural transfers reached the poorest producers (Scott, 2004).

The share of spending devoted to basic education steadily declined between 1970 and 1989, while the share allocated to higher education rose. Given the nature of income distribution in Mexico, this was a regressive policy that benefited higher income and urban groups whose members can afford the opportunity costs of higher education. Basic education spending has become more progressive since 1989, although the results of higher spending on educational attainment remain to be seen (Scott, 2004).

In the most recent major reform of value-added tax (VAT) in 1995, basic foods and medicines became tax-exempt. The original estimate was that about 15 percent of all goods and services would be free of tax but, because of a series of loopholes in the tax code and court challenges by industrial groups, 48 percent of goods and services are 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 benefiting the lowest income quintile, the highest quintile received 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 2-4 percentage points of GDP higher in Mexico (CIDE-ITAM, 2003).

Under divided government, spending programs for agriculture, education and health care for low-income groups have improved. The more public-regarding and more targeted social spending programs that started in the 1990s survived the 2000 change in the presidency. Low fiscal revenues limit the net redistributive impact of these programs, although progressive social programs have increased as a share of GDP (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 asymmetry among its bureaucratic bodies. On the one hand, the groups close to the president rewarded bureaucratic specialization on two top-level fronts: experienced political operators of the PRI and *Gobernación*, and highly educated policy experts in the federal administration (Camp, 2002). On the other hand, middle and lower-level bureaucracies are highly centralized, hierarchical, and overly regulated. Human resource practices are mostly discretionary. Non-unionized patronage employees fill about 14 percent of public positions. Some 86 percent of public servants are unionized employees, a circumstance that often guarantees

them job security but limits their prospects of advancement (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 bureaucracy's incentives. Instead of investing in administrative capabilities, bureaucrats organized to protect their jobs and to curry favor with top officials, union, and corporatist leaders. The low quality of public education, the inability to collect very many taxes, and the regressive nature of social spending are three powerful indicators of the existence of a low-quality public bureaucracy. The ban on consecutive reelection, along with the deactivation of checks and balances, also inhibited the development of a policy-oriented Congress, one that might have become interested in policing the bureaucracy. Rauch and Evans (2000) estimate that Mexico's overall bureaucratic quality ranks twenty-fifth out of the 35 countries they study, while the relative salaries of its most senior officials rank third. Efforts to improve the bureaucracy resulted in the enactment of a civil service law in 2003, but it is too early to measure its results.

Coordination and coherence. Most policies under *presidencialismo* were highly coordinated because, as the next section shows, the PMP was highly secretive and centralized. This centralization, however, did not always produce 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, leading to two major devaluations.

There is less coordination and coherence under divided government because the PMP is less centralized and the number of key players involved has increased to include pivotal constituencies. Crucial policies are now delegated to "non-partisan" or more autonomous bodies that are flexible enough to deal with economic and political changes. Hence the increased autonomy of the Supreme Court, the Central Bank and electoral institutions, which confer coherence on important policy issues. Thus, 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)

Unified government and corporatist control of the economy made a constitutionally weak president the linchpin of an inter-temporal agreement that placed unwritten but nonetheless important limits on 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 (the 1990s to the present), democratization has breathed life into the checks and balances of the 1917 constitution. Divided government weakened presidents and forced policy-making to adapt to the script set out in the constitution. As a result, policymaking became less coordinated and less adaptable to changes in the executive's preferences, and increasingly it 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 and advisors, and corporatist leaders. The Secretary of Public Finance and the Secretary of the Interior (*gobernación*) were the most important cabinet members (Ortiz Mena, 1998). The finance secretary's importance stemmed from his control of revenues and expenditures; with this control, in Mexico's centralized political system, the secretary could make or break any state agency and therefore the career prospects of agency heads. The Secretary of the Interior was responsible for domestic political management, and he ran the intelligence agencies that kept both supporters and opponents under surveillance (Aguayo Quesada, 2001). He supervised state and municipal governments and orchestrated the deployment of resources that kept the PRI in control of the vast majority of elected posts in the country until the 1990s (Molinar, 1991).

Leaders of the corporatist sectors, whose representatives sat in Congress and colonized executive departments and agencies, were also key players during the heyday of *presidencialismo*. President Lázaro Cárdenas (1934-40) began the sectoral organization of Mexican society. Membership of the Party of the Mexican Revolution (PRM) was based on affiliation with the peasant, labor, military, and popular sectors. In return for an *ejido*—common property bestowed on 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, or CTM (Middlebrook, 1995). The PRM

also created a military sector, recognizing the threat posed by the large numbers of soldiers and officers who had fought during the Mexican Revolution (1910-20), in which one in ten Mexicans at the time had perished. In 1940, the regime disbanded the military sector (Camp, 1992). Public sector employees, middle-class professionals and anyone else not belonging to one of the aforementioned groups joined the National Confederation of Popular Sectors (CNOP).

Though the revolutionary family did not have an official place for capitalists, the PRI also created peak-level associations for factory owners, merchants and bankers. Revolutionary nationalist ideology exalted the defense of national sovereignty and public control of the economy, and thus could not admit entrepreneurs to the cause, but economic realism led the PRI to incorporate the private sector into the regime outside the party and within officially recognized agencies (Purcell and Purcell, 1977). As shown in the section on elections and the party system, each of these sectors retains representatives in Congress, even as their importance has waned since the early 1990s.

The canonical texts of the classic period of Mexican authoritarianism agree that the interests of most Mexicans were not represented to the president, his circle of secretaries and advisors, or the leaders of corporatist sectors. Each leader 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 whom lived in very poor rural areas or migrated to the United States or to urban areas (Eckstein, 1977)—belonged to what he called the “marginal” sectors. Unlike members of the formal, urban sector—most of whom belonged to one of the corporations—the regime did not allow “marginals” to protest. It forced them to settle for a collectively-owned *ejido* that often took more than a decade to acquire from the president himself (Warman, 2001), to leave the countryside for the city or, like one in five Mexicans, to emigrate to the United States. Even members of the formal sector were allowed to seek redress for their demands only through officially sanctioned leaders, most of whom were more beholden to the president than to their sector's membership. Fewer than 5 percent of rural residents and more than 70 percent of urban dwellers belonged to an officially sanctioned union or association, according to 1960 census data (González Casanova, 1970: 121-2), a circumstance that attests to the narrowness of the regime coalition and helps explain why its policies were so private-regarding.

Secrecy was the second hallmark of the PMP under *presidencialismo*. Few were privy to the president's plans and calculations. Neither the courts nor Congress oversaw the executive. State-controlled television stations trumpeted the regime's successes, discussed few of its failures, and offered little analysis of public affairs. Dependent on advertising fees paid by state agencies, the print media did not disseminate critical analysis of the regime's policies (Lawson, 2002). The zenith of the regime's control of the press was in the late 1960s when newspapers failed to report the 1968 student massacres (Scherer-García and 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 fundamentally authoritarian regime. The rhetoric of constitutional forms required Congress to approve new laws and modify existing ones. The reality of an omnipotent president, however, meant that the chief executive consulted his advisors, cabinet members and corporatist leaders before sending a bill to Congress. Legislative approval of his bills was pre-ordained, as suggested by the data on floor voting in the House and Senate discussed in this paper's section on executive-legislative relations.

The policy-making process for distributive measures, the kind that would impose a cost on an organized interest—entrepreneurs, large-scale commercial agriculturalists or bankers, for example—became even more secretive. In Susan Kaufman Purcell's (1975) classic account, President López Mateos's (1964-70) decision to require entrepreneurs to share a portion of their profits with their workers was not even discussed with labor leaders, much less with the entrepreneurs. The pertinent bill was sent to Congress at the end of the legislative year to ensure that its measures would not be publicly debated. President Luis Echeverría's (1970-76) decision to reform CONASUPO, the state marketing board that bought staples and resold them at subsidized prices to urban and rural consumers, was also made in secret. Merilee Grindle (1977) analyzes how senior 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, according to which only the public sector could redress these wrongs, Echeverría encouraged CONASUPO officials to redesign their programs by, among other things, shifting the purchase of staples from large-scale commercial farmers (whom the regime also rewarded with huge and expensive irrigation projects, loan guarantees and credits,

and the like) to small-scale farmers. Again, the program was redesigned in secret to prevent well-organized interests from mobilizing in order to block the shift in development priorities.

Only President López Portillo (1976-82) and his closest advisors knew that the *sexenio* would end with the nationalization of the banks. Once the president had gained legislative approval for the reform, entrepreneurs split in their response to this transgression of property rights (Elizondo Mayer-Serra, 2001a). The more radical—many based in the northern city of Monterrey—organized protests and filed a writ of *amparo* with the Supreme Court. Others accepted the change in the status quo and worked to secure bountiful compensation for their assets, many of which included bad loans that they were happy to foist onto the state. Judicial redress proved fruitless because the Supreme Court declared that the writ was “superseded” by the constitutional amendments that Congress had enacted after the expropriation of bank assets. Protest dissipated as bankers negotiated the terms of their compensation with new President Miguel de la Madrid (1976-82).

Precisely because everyone expressed loyalty to the regime and its leader, the Mexican president wielded an enormous amount of discretionary authority. Indeed, the inability of anyone to identify the limits of the executive’s powers gave the system a unity of purpose and power more apparent than real, since any outcome *was* possible. But the presidency did have limits. The nature of the policies was the first determinant of the extent of presidential power. The second was the organizational strength of interest groups. Indeed, the operation of the PMP was determined by whether the issue before the president was distributive, since—to quote Susan Kaufman Purcell and John F. H. Purcell (1980)—the Mexican state was a “bargain” among key individuals leading corporatist sectors, rather than 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. In line with classical constitutional theory, the executive organized elections and a PRI-dominated legislature certified their results (Lehoucq, 2002). Supreme Court justices served lifetime terms. Deputies and senators could not run for reelection, but the regime rewarded loyalty by placing them in other lucrative policy positions. Though the constitution also prevented the president from standing for reelection, he did hold power for a six-year term. More importantly, he could designate his successor (Castañeda, 1999). *El 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. The president, who had the longest time horizons, was the linchpin of the system. This 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 presented in this paper's 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 PRI's survival 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 per capita GDP of \$4,115 (Przeworski et al., 2000). But by 1970 the Mexican economy had reached this plateau of \$4,000 per capita GDP, and unified government under the PRI still seemed 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 ever more urban population. Labor unionists and social movements shifted their support to 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, entrepreneurs began to support the PAN in reaction to government arbitrariness (such as the 1982 bank nationalization) and because increasingly assertive exporters wanted free trade (Thacker, 2001). Political protest and economic reform therefore led to the development of a multi-party system, an interactive process that increased the number of groups participating in the PMP.

The PRI's share of the vote and of legislative seats declined steadily after the watershed and controversial elections of 1988 (see Table 2). The official results of that fraud-tainted election indicate that Salinas won 50 percent of the votes to 32 percent for the leftist Cuauhtémoc Cárdenas (son of President Lázaro Cárdenas [1934-40]), and 17 percent for the right-of-center Manuel Clouthier. Jorge G. Castañeda (1999) suggests that the computer crash on the evening of

election day allowed the regime to doctor tally sheets to deny Cárdenas the presidency. Jorge Domínguez and James McCann (1997) compare surveys of voters and non-voters 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).

**Table 2. The Partisan Balance of Power
between the President and Congress (1952-2003)**

Year of election	President	President's party	Vote Percentage	Turnout*	Percentage of seats in Chamber of Deputies**	Percentage of seats in Senate***
1952	Adolfo Ruiz Cortines	PRI	74.3	49.5	93.8	100
1955			--	--	94.4	--
1958	Adolfo López Mateos	PRI	90.4	50.1	94.4	100
1961			--	--	96.6	--
1964	Gustavo Díaz Ordaz	PRI	88.8	47.5	83.3	100
1967			--	--	83.5	--
1970	Luis Echeverría	PRI	85.9	59.0	83.6	100
1973			--	--	81.8	--
1976	José López Portillo	PRI	100	58.7	82.3	100
1979			--	--	74.0	--
1982	Miguel de la Madrid	PRI	72.5	60.7	74.8	100
1985			--	--	72.3	--
1988	Carlos Salinas	PRI	51.2	42.9	52.0	93.7
1991			--	--	64.0	95.3
1994	Ernesto Zedillo	PRI	50.2	66.8	60.0	74.2
1997			--	--	47.8	60.9
2000	Vicente Fox	PAN	42.5	64.0	44.6	39.8
2003			--	--	30.2	--

Source: For data on the composition of the Chamber of Deputies between 1952 and 1994, see Nacif (2002). The source for the rest of the information is from Schedler (2004).

* Valid votes in presidential elections/ registered votes.

** Seat percentages controlled by the party of the president in the Chamber of Deputies, which is completely renewed every three years.

*** Seat percentages controlled by the party of the president in the Senate. The Senate is completely renewed every six years in concurrent elections with the presidency and the Chamber of Deputies. However, from 1988 to 1994 the Senate experimented with partial renewal in staggering elections every three years.

The 1997 mid-term elections mark the shift from a closed, secretive PMP to one in which 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 the satisfaction of citizens' demands—and not those of the president and of

the hegemonic party—the center of political life. An increasingly assertive press (Lawson, 2002) generates previously unavailable information about politics and government 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, policy-making is becoming less centralized, less secretive, and more public-regarding. Presidents continue to consult corporatist sector leaders, but they must also lobby Congress because government is divided. 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 which demands participation in fair elections. The PRI, however, many of whose legislators come from rural and labor corporatist organizations, joins with the PRD to thwart second-generation structural reforms.

Electoral Systems and Parties

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

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

Constituencies and Incentives

While the president is elected from a national district, individual legislators represent narrower constituencies. During the heyday of Mexican *presidencialismo*, the effects of these differences were muted because the president and his successor shaped legislators' career prospects. 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 one of very few countries that do not award the presidency to the winner of a simple majority (Colomer, 2002: 186). That the presidency is awarded to the candidate winning more votes than anyone else, however, does raise the possibility that the choice of a minority of voters—one least preferred by the supporters of two or more other candidates—can capture the country's most important office. While a president's constituency is national, therefore, plurality laws do not necessarily mean that he will represent the median voter.

Until the 1960s, the median voter lived in a rural area. He was not well educated and his children did not always finish primary school. In all likelihood, he either was a member of an *ejido* or a landless agricultural worker. In either case, he received few benefits from the Mexican state. If he was a member of an *ejido*, he was beholden to PRI-sanctioned communal leaders. He had no access to health care or a retirement pension. Petitioning for land typically took up to a decade, during which time peasants gave their votes to the PRI and communal leaders were local PRI operatives (Warman, 2001).

Since the 1970s, the Mexican population has gradually become urban, more educated and 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, as a result of the gradual fall in the PRI's share of the vote and in partisan identification with the party, by the time of the 1988 presidential election fewer than half of survey respondents identified 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, such that they came to hold the loyalties of an average of 11.5 percent and 19.8 percent of survey respondents, respectively. Throughout this period, about a third of respondents remained independent.

By the 1990s, urbanization and political competition created a new electoral and party landscape. Using the World Value Surveys, Alejandro Moreno (2003: 116) shows that, for the two thirds of respondents who can place themselves on a five-point left-right scale, electoral preferences are normally distributed and tilt toward the right. Between 1990 and 2000, the average placement of the Mexican citizen has moved from 3.14 to 3.45 on a five-point scale, on which 1 is the left and 5 is the right. Though the PRI historically stood for a closed and nationalist economy, its supporters (perhaps out of deference to the party establishment) tended to favor market policies by the 1990s. PRD voters, in contrast, unabashedly favor social redistribution. PAN identifiers were more interested in social redistribution in the mid 1990s than were PRI voters. By the time of the 2000 election, however, both the PAN and the PRI had shifted to the left on economic policy. Research using surveys of deputies also shows that, in contrast to the electorate, the ideological self-placement of deputies tilts slightly to the left and that deputies can all place themselves on a left-right scale (Lehoucq and Moreno, 2004; Moreno, 2004).

The president therefore appeals to an electorate that is ideologically complex. PRI candidates can no longer assume that the median voter is a *priista*, though a third of the electorate remains loyal to the formerly hegemonic party. With time, the PRI has become increasingly reliant on less educated and more rural voters. Opposition parties garner the sympathy of another third of the electorate, 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, therefore, each party has to appeal to centrist voters and position itself on economic issues that appeal to the median voter, one who belongs to a household whose 2003 yearly income is US \$4,363 (CSES, 2003; Mexican \$11 = US \$1).

Mexico's mixed system for electing Congress is one of the least proportional of its kind (Colomer, 2002), and its key features date from 1977 (Molinar and Weldon, 2001). Unlike the German mixed system, the partisan share of seats in Congress does not have to equal proportional representation (PR) district seats. Since 1977, there have been 300 single-member plurality districts (SMPDs). In 1986, constitutional reformers doubled the number of PR legislators to 200 and deprived citizens of one of their legislative votes. Since 1988, a citizen's single vote for the Chamber of Deputies simultaneously selects his or her SMPD and PR

deputies.² 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 SMPDs to win an average of 7.3 more in seat shares than in the popular vote. As shown below, the PRI continues to perform well in predominately rural districts, allowing it to remain a key force in Congress.

Since 1933, no legislator has been allowed to run for consecutive reelection.³ Though term limits continue to make legislators dependent on national party executive committees for campaign financing and career advancement, deputies have become more interested in servicing territorially based constituents. (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. Selecting the new members for the Senate and the Chamber of Deputies was, after all, not only a way of rewarding loyalty but also of institutionalizing the bargain (analyzed in the 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. The data indicate that the popular sector has always had the largest number of representatives in the Chamber of Deputies. The popular sector includes members of the National Syndicate of Educational Workers (SNTE), FSTSE and assorted professional groupings. The figures also indicate that workers have been losing their representation in Congress. Labor unions experienced a decline in representation from a high of 29.6 percent of all PRI deputies in 1976 to a low of 7.6 percent in 2003. Representatives of the peasant or agrarian sector rose from a low of 14 percent in 1991 to a high of 37.8 percent in 1997. The final column in Table 3 shows the share of legislative seats the opposition won during these years, to help make the point that corporatist representation in Congress has also undergone a secular decline.

² Between 1857 (when 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 won more than 2.5 percent of the national vote (1.5 percent after 1973).

³ In 1933, former President Plutarco Elías Calles (1924-28) worked behind the scenes to secure congressional approval of constitutional ban on the consecutive reelection of legislators in exchange for lengthening deputies' terms from two to three years and expanding senate terms from four to six years. According to Jeffrey Weldon (2003), it was a reform that the national PRN leadership expected to rein in maverick legislators, and 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.

Though virtually all PRI deputies retain a corporatist affiliation (only a handful of deputies are unaffiliated), popular sector membership has become more ritualistic over time. With the democratization of electoral competition, both the PRI and other parties are fielding candidates to suit state and local tastes. Growing numbers of deputies and senators have held state-level elected offices; legislators with only federal bureaucratic experience, or those coming directly from one of the PRI's corporations, account for a declining share of PRI deputies. Between 1985 and 1997, 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 candidates for the Chamber coming from either the presidential cabinet or a corporatist sector fell by between 7 and 11 percent in the 1985-1997 period. 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, the number of candidates coming from a federal government post fell from 38 percent to 10 percent of the total.

Table 3. Corporatist Affiliation of the PRI, 1964-2003

Legislative Term (Number of Deputies)	PRI Sectors (%)			Percent Opposition Deputies*
	Peasant	Labor	Popular	
1964-66 (N = 178)	27.0	19.7	53.4	16.7
1967-69 (N = 173)	25.4	22.0	52.6	16.5
1970-72 (N = 177)	26.6	20.3	53.1	16.4
1973-75 (N = 192)	27.1	19.8	53.1	17.2
1976-78 (N = 196)	28.6	29.6	41.8	16.7
1979-81 (N = 400)	16	23	60.7	26.0
1982-84 (N = 400)	17.7	23.2	59.0	25.2
1985-87 (N = 400)	17.5	24.5	58.0	26.7
1988-90 (N = 500)	17	21	62	48.0
1991-93 (N = 500)	14	15	71	36.0
1994-96 (N = 500)				40.0
1997-99 (N = 500)	37.8	11	50	52.2
2000-02 (N = 500)				55.4
2003-05 (N = 500)	28.2	7.6	50.9	69.8
Average	23.4	19.8	55.4	32.2

Sources: For 1964-1976, see Smith (1979: 227). For 1979, see Pacheco Méndez (2000: 36). For 1988 and 1991, see Reyes del Campillo (1992: 147). For 1982, 1985, and 1997, see Langston (2002: 422, 427). (Pacheco Méndez's estimates for 1985 and 1997 are within 1 or 2 percentage points of Langston's). For 2003, see Reforma (2003a: 5A). The last column is from Table 6.

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

As politics has become more competitive in Mexico, the PRI's share of a district's vote—like the Peronist Party's in Argentina—is positively associated with the rural share of the district's population (Gibson, 1997). The present authors calculate that in the 1997 and 2000 elections, the PRI won 90 percent and 81 percent, respectively, of the 25 percent of all SMPD that are predominately rural. In contrast, the PRI won only 38 percent and 6 percent, respectively, of the predominately urban SMPDs in those elections.⁴ Using survey data from the 1997 CIDE post-election survey, Ulises Beltrán (2000) demonstrates that rural voters are more likely to support the incumbent party (or PRI) even if the respondent believes the economic situation has worsened. Loyalty to a party that championed land grants and particularistic goods in districts with poor, dispersed and hard-to-reach voters may help explain why many voters remain *priistas*.

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

The days may be gone when deputies from rural constituencies typically voted against the interests of their constituents. González Casanova's (1970) conclusion that rural or marginal people 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 mid-term 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

⁴ A section is here classified as rural if the Federal Registry of Electors classifies 50 percent or more of its sections—the highest-level jurisdiction into 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. The authors' 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 the authors' and suggests that 115 are rural.

for grabs, rural voters are important because 26 percent (79 out of 300) to 38.3 percent (115) of SMPDs 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).⁵ Depending on the measure used, therefore, 41 percent to 60 percent of SMPDs are packed with rural voters, although only slightly more than a quarter of the population lives in rural areas and agriculture contributes less than 5 percent of GDP.

Electoral formulas and district boundaries therefore convert voters' preferences into a party system that over-represents rural interests. Divided government makes pivotal players of legislators from rural constituencies and senators from economically marginal states, both in the PRI and therefore within Congress. So, the policymaking influence of legislators from hardcore corporatist sectors has increased, even though the absolute number of corporatist legislators in Congress has declined. Moreover, party centralization also gives rise to ideological coherence within each legislative contingent, even as democratization spurs a much more diffuse set of attitudes among the electorate itself (Lehoucq and Moreno, 2004). The median legislator, therefore, is 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 the 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. His veto power, however, means that he can do more than initiate legislation and wait for Congress to enact it

Unified (and Authoritarian) Government

How did a president with limited powers become so seemingly powerful? The most powerful constitutional tool the Mexican president has to deal with Congress is the package veto. The

⁵ The Federal Electoral Registry catalogues the remaining 39.1 percent of districts as either “urban concentrated” (62) or urban (55) (Reforma, 2003a). Before the 1996 reapportionment, rural areas were even more over-represented in Congress, since district boundaries date from 1977 and 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).

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 (1997a; see also Casar, 2002b) suggests that three factors made *presidencialismo* possible. The first condition was *priista* unified government. The second was party discipline. The final condition was the president’s ability to set the party’s agenda and sanction uncooperative behavior among the members of the PRI’s legislative contingent. Weldon (1997b) demonstrates that the necessary conditions for *presidencialismo* were first met in the late 1930s. During the thirty-ninth legislature (1934-37), the first to be subject to the prohibition on officials’ consecutive reelection, the success rate for executive-sponsored legislation rose 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 (1924-28). Between the mid-1930s and mid-1990s, PRI presidents secured congressional approval of more than 90 percent of their bills.

Table 4 presents data on the legislative process during the fifty-fifth (1991-93) and fifty-sixth legislatures (1994-97), the last two in which the PRI led unified governments. The first four columns show the number of bills introduced to and approved by the Chamber (and by source), 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, with the Senate playing the role of revising chamber.⁶ 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, not the bills themselves. Between 39 and 57 percent of all bills died in committee between 1991 and 1997.

The success rate can be construed as the probability of a bill introduced by a specific source being reported by committee and approved by the floor. Table 4 indicates that the

⁶ The data include bills involving changes in law and constitutional amendments, but exclude permits and symbolic legislation. They also treat each bill as if they were of equal value and do not contain the number of amendments to which bills were subject 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.

president had the highest success rate: the probability that an executive-initiated bill would become law was close to one during the fifty-fifth and fifty-sixth legislatures, respectively. 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 percent and 79.9 percent of executive-initiated bills. The contribution of the executive to the total volume of legislation far surpassed 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.

Table 4. The Legislative Process in the Chamber of Deputies under Unified Government (1991-1997)^a

Source	Bills introduced		Bills approved		Contribution ^b		Success rate ^c	
	1991-94	1994-97	1991-94	1994-97	1991-94	1994-97	1991-94	1994-97
Executive	124	84	122	83	81.9	76.9	98.4	98.8
PRI	30	19	11	7	7.4	6.5	36.7	36.8
PAN	26	79	4	8	2.7	7.4	15.4	10.1
PRD	32	45	2	3	1.3	2.8	6.3	6.7
PARM	9	-	1	-	0.7	-	11.1	-
PPS	5	-	0	-	0.0	-	0.0	-
PFCRN	4	-	0	-	0.0	-	0.0	-
PT	-	8	-	3	-	2.8	-	37.5
Independent	1	12	0	2	0.0	1.9	0.0	16.7
State legislatures ^d	2	2	1	1	0.7	0.9	50.0	50.0
Other	10	2	8	1	5.4	0.9	80.0	50.0
Total	243	251	149	108	100.0	100.0	61.3	43.0

Source: Sistema Integral de Información y Difusión de la Cámara de Diputados.

^a The data includes legislative bills originated in the Chamber of Deputies. Permits, symbolic legislation, and bills originated in the Senate were excluded.

^b (Bills approved by source/ Total of bills approved) x 100

^c (Bills approved / Bills introduced) x 100

^d Including the Asamblea de Representantes del Distrito Federal.

Although the opposition initiated a significant amount of legislation, opposition bills rarely survived the committee stage. Opposition legislative bills range from 31.7 percent to 54.3 percent, but their contribution to the total volume of the Chamber's legislation was only 4.7 percent to 13 percent, respectively. PRI congressional majorities themselves delegated substantial lawmaking authority to the executive. They were only responsible for between 7.4

percent and 6.5 percent of all legislation between 1991 and 1997. Moreover, that only 37 percent of PRI initiatives came from its legislators suggests that they played a minor role in lawmaking. The president was not only the chief executive but also the chief legislator.

Divided Government

Divided government has transformed the president into an essentially “negative” branch of government because the president can use the executive veto only to maintain, not change, the status quo. Opposition parties cannot form a minimum winning coalition without the support of the president and his party. For President Fox and his party to secure approval of their bills, however, they need the backing of at least one of the two main opposition parties.

Table 5 shows that there has been a substantial increase in the number of non-PRI bills and a notable decline in the number of executive-initiated proposals since the mid-1990s. President Zedillo (1994-2000) reduced the number of bills he sent Congress after the PRI lost its legislative majority in 1997. The number of executive-initiated bill fell from an average of 83 to 32 per year. By limiting his legislative program, President Zedillo was able to maintain a success rate in Congress of 87.5 percent. The legislative agenda of the administration increased quite notably when President Fox took office in 2000. The total number of executive-initiated bills rose to 61 during the fifty-eighth legislature (2000-03).

Table 5. The Legislative Process in the Chamber of Deputies under Divided Government (1997-2003)^a

Source	Bills introduced		Bills approved		Contribution ^b		Success rate ^c	
	1997-	2000-	1997-	2000-	1997-	2000-03	1997-00	2000-03
Executive	32	61	28	50	20.4	18.2	87.5	82.0
PRI	86	306	15	54	10.9	19.6	17.4	17.6
PAN	168	265	31	65	22.6	23.6	18.5	24.5
PRD	157	294	20	45	14.6	16.4	12.7	15.3
PT	23	41	7	6	5.1	2.2	30.4	14.6
PVEM	44	74	8	14	5.8	5.1	18.2	18.9
State	25	86	1	15	0.7	5.5	4	17.4
Independent	10	11	2	1	1.5	0.4	20	9.1
PAS	-	13	-	0	-	0.0	-	0.0
PSN	-	8	-	0	-	0.0	-	0.0
CDPPN	-	6	-	0	-	0.0	-	0.0
Joint	-	42	-	25	-	9.1	-	59.2
Other	61	-	25	-	18.3	-	40.9	-
Total	606	1207	137	275	100	100	22.6	22.8

Source: Sistema Integral de Información y documentación de la Cámara de Diputados for the period 1997 to 2000 and Gaceta Parlamentaria (<http://gaceta.cddheu.org.mx>) for the period 2000 to 2003.

^a The data includes legislative bills originated in the Chamber of Deputies. Permits, symbolic legislation, and bills originated in the Senate were excluded.

^b (Bills approved by source/ Total of bills approved) x 100

^c (Bills approved / Bills introduced) x 100

^d Including the Asamblea de Representantes del Distrito Federal.

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 percent to 76.9 percent of the volume of legislation. Executive-initiated legislation amounted to only 20.4 percent 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 represented 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 legislative process reported in Table 5 is that divided government has not involved any reduction in total legislative output, even if it has made it harder to enact second-generation structural reforms. In fact, Table 5 shows that the total volume of legislation, measured by the number of bills passed by the Chamber of Deputies, has been higher during the period of divided government than during the last two legislatures in which the PRI controlled both the Congress and the presidency. The total legislative output rose from 104 and 98 bills in the fifty-fifth and fifty-sixth legislatures to 137 in the fifty-seventh legislature, and 275 in the fifty-eighth legislature.

It is possible that part of the explanation for the greater volume of legislation during the period of divided government lies in an increase in non-significant changes to legislation. The data, however, do not allow a distinction to be drawn between significant legislation and minor legislative change. It is unknown if the legislative changes during the period of unified government were more significant on average. What the data clearly show is that divided government is associated with less executive-initiated legislation both in relative and absolute terms. This change did not involve a fall in legislative output because the contribution of legislative factions, notably from the opposition parties, has grown substantially under divided government.

The new patterns in the legislative process reflect the strategic interaction between the president and the political parties in Congress. To understand the outcome of this interaction it is helpful to break down the lawmaking process into two parts. First, legislative policymaking can best be represented with the median voter model (Weldon, 2004; 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" dilemma, since he can veto bills.

Under divided government, in contrast, they can only influence the content of legislation in a limited way. Since there is not a single-party majority in Congress, the party located in the center takes on the dominant role in the PMP. 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 Multi-Party Government

González Casanova (1970) describes Congress in the heyday of the PRI as a powerless institution that legitimated executive decisions. Extensive delegation to the executive responded to the career incentives of PRI legislators, for whom political survival ran counter to their protecting Congressional 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, making the policy process more transparent and public-regarding. However, non-consecutive reelection of legislators still limits the policy-making capabilities of Congress.

Congress under Presidentialismo

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 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.

During the heyday of the PRI, however, most legislation was actually drafted in the executive departments. Table 4 shows that deputy-initiated bills fluctuated between 19.1 percent and 20.1 per cent of the total volume of legislation from 1991 to 1997, the last two legislatures in

which the PRI had a majority in the Chamber of Deputies. This pattern of the lawmaking process was similar a decade earlier, when the PRI majority in the Chamber was even larger. In the 1982 and 1988 legislatures, deputy-initiated bills amounted to 14.3 percent and 22.6 percent of all laws that the deputies passed (Nacif, 1995). Weldon (1997b) 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 on technical grounds with executive departments. Extensive delegation to the executive branch and a failure to develop the necessary technical capabilities was a function of the career incentives that legislators, particularly PRI legislators, faced (Ugalde, 2000).

The ban on consecutive reelection made legislative service a mere stepping-stone to other political positions. Data on legislative careers show the lack of professionalization among politicians serving in the Mexican Congress (Campos, 2003). Between 1934 and 1997, an average of 86 percent of the members of the Chamber of Deputies served only one term. Only 11 per cent on average served a second term. This figure fell to practically 0 percent for those serving a third term or more. A period in the Chamber of Deputies was a very important experience for politicians seeking a seat in the Senate. From 1982 to 1994, 67.7 per cent of the members of the Senate had served in the Chamber of Deputies for at least one term. The Chamber of Deputies was the previous experience of political office for one third of the Senators during that period (Nacif, 1996).

In deciding to run for Congress, PRI politicians considered not only the benefits of holding a seat in either house of Congress, but also the sequence of offices related to congressional service. Congressional service was the most significant political experience for aspiring state governors. Members of Congress used to compete for the PRI nomination to gubernatorial office with prominent politicians serving in the federal administration and the mayors of large municipalities. After the presidency of the republic, state governorships were the most valuable positions to which politicians advancing their careers through elected office could

aspire. In several respects a governorship was more attractive than a Senate seat.⁷ As chief executives of state administrations, governors controlled a sizeable system of patronage. Their ability to organize teams and reward loyalty placed them at the centre of the promotional structure at the state and municipal levels. Between 1976 and 1995, 45.2 per cent of elected governors had previously served in Congress (Nacif, 1996).

The system of congressional governance under *presidencialismo* was highly centralized (Martínez Gallardo-Prieto, 1998). It revolved around the *Gran Comisión*, a committee comprising representatives of state delegations to the Chamber of Deputies and the Senate. In practice, the *Gran Comisión* was a single-party governing body chaired by the leader of the PRI parliamentary faction. Its powers included staffing committees, assigning committee chairs, appointing administrative officials, allocating financial resources and staffing the *Mesa Directiva*—the legislative body governing plenary meetings.

The chair of the *Gran Comisión*, also known as the *jefe de control político*, wielded the powers formally vested in the *Gran Comisión* as a collective body. The PRI majorities in Congress played no role in appointing the chair of the *Gran Comisión*; in practice, the chair owed the job to the president. The PRI's National Executive Committee (CEN), 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 *Gran Comisión*'s chair 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 branch.

Under PRI rule, relatively little was delegated to standing committees. The PRI limited the role of standing committees to that of revising executive-initiated legislation. Bills from different sources, especially from the parliamentary factions 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* could expedite the passage of executive legislation and, when necessary, committees were simply circumvented.⁸

⁷ In 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).

⁸ To comply with congressional procedures, someone from his inner circle or the chair of the *Gran Comisión* drafted the committee report and then collected the signatures of the majority of members of the committee.

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

In Mexico, however, the probability of returning to the Chamber of Deputies after a waiting period of one term was too low to make policy specialization attractive. Moreover, the rotation of office-holders made PRI legislators 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's 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. Although 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 widened the dispersion of power within Congress. Table 2 shows that the percentage of seats held by the president's party, in both the Chamber and the Senate, have been declining since the 1990s. The PRI still has the largest legislative contingent but, after the PAN won the presidency, the old hegemonic party began facing incentives to challenge the executive.

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 1,060 for the first two legislatures under divided government. More importantly, the contribution of deputy-initiated bills to the volume of legislation passed by the Chamber of Deputies, which

fluctuated between 17.4 percent and 22.2 percent from 1991 to 1997, grew to 78.9 percent and 81.4 percent between 1997 and 2003.

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

Divided government also gave rise 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 that introduced power-sharing arrangements in both houses of the legislature. The allocation of committee chairs and secretaryships on the basis of proportional representation, already in operation in the Chamber of Deputies, was extended to the Senate. A committee comprising all leaders of the parliamentary factions—the *Junta de Coordinación Política* in the Chamber of Deputies and the *Junta de Gobierno* in the Senate—replaced the *Gran Comisión* as the governing body.

Though divided government makes the committees central players in the policy-making process, standing committees continue to face severe constraints that limit the development of their policy-making capabilities. Apart from the constraints imposed by non-consecutive reelection, the existing parliamentary arrangements further weaken the role of standing committees. The practice of multi-committee assignments (all deputies must belong to at least three committees) inhibits specialization. The system of open rules that prevails in floor proceedings leaves committee reports unprotected against unfriendly amendments. Finally, the 1999 Organic Law of Congress gave leaders of the parliamentary factions the power to remove committee members at any time without consulting the plenary, thereby undermining the independence of standing committees. The weakness of the committee system prevents Congress from gathering information, assessing policy alternatives and overseeing the implementation of legislative change.

Unlike their counterparts in the United States, the national leaderships of Mexican parties are very powerful. Their leverage stems from their influence on the nomination of candidates and

their control of lavish campaign finance subsidies. The CEN's control over the factions begins with the nomination of candidates. The CEN reserves safe seats—top positions on the party list or safe districts—for those politicians who will play leading roles within the legislative faction. The PRD and the PRI recently introduced the practice of holding elections for the coordinators of their legislative factions (in other parties, including the PAN, the CEN appoints the coordinator of the legislative faction), but the CEN has ultimate control over the process of selecting the parliamentary faction leadership.

Indicators of party unity confirm that parliamentary factions usually vote *en bloc*. The average Rice index was more than 90 per cent for all parties.⁹ The president's party typically displays the most discipline. The PRI won an average of 99.7 percent of all votes between March 1998 and April 2000. The Rice score of party unity for the PAN increased from 92.8 to 97.6 after it won the presidency in 2000. After losing the presidency, the PRI index of party unity dropped to 94.8 on average (Casar, 2000; Weldon, 2004).

The Supreme Court

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

The Supreme Court under Presidentialismo

Since the late 1920s, constitutional rules and political centralization have prevented the high court from acting as a collective actor with its own policy preferences. Constitutionally, the party in power secured the loyalty of the Supreme Court through the rules on the appointment, tenure and impeachment of its judges. The gradual concentration of power in the hands of a single party

⁹ The Rice index is a simple indicator of party unity that consists of the difference between the percentage of party members voting against and for a specific motion. The maximum value of 100 per cent means that the total party membership votes the same way. The minimum value of zero means that the party membership split into halves on a specific bill. The Rice index takes account neither of absentees nor those who abstain.

with control over the qualified majorities required to amend the constitution meant that Supreme Court judges tended to have preferences similar to those of the PRI. While the 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 the PRI violated the constitution.

The 1917 constitution sought to guarantee 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 a joint session of a bicameral congress. It also granted judges lifetime appointments after a “trial” period of six years. In 1928, after dismissing all Supreme Court justices (who at the time all enjoyed lifetime appointments), President Calles (1924-28) secured congressional amendment of the constitution so that the executive could nominate judges, subject to the approval of a simple Senate majority. He also gained 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 won the right to ask Congress to dismiss judges accused of “bad conduct.” In 1934, President Cárdenas (1934-40) discharged all the Supreme Court justices. He also passed a constitutional amendment that replaced the lifetime tenure of judges with a six-year term concurrent with that of the president. This reform also altered the process for the removal of Supreme Court judges by establishing a “private hearing” with the president before he formally required Congress to remove a judge.

Judicial careers were already politicized when, in 1944, a new constitutional reform restored the lifetime tenure of Supreme Court justices. Between 1933 and 1995, 47 percent of all justices had a political position at the federal or local level before being appointed. From 1940 to 1994, 20 percent of the members of the Supreme 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 an opportunity to renew *at least* 40 percent of the members of the Supreme Court (Fix Fierro, 1999: 188-189). This obviously implies a high turnover rate for a supposedly technical body, one that requires stability and accumulated experience to act as 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 Supreme Court’s most powerful means of

reviewing 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 disputes, however, were generally political in nature and the procedure was 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 *amparo contra leyes*) provided the Court with the opportunity to decide whether a law or a government act breached the constitution, it limited the ability of judges to act as independent guardians of the constitution (Baker, 1971; Taylor, 1997; Fix-Fierro, 1999).

One group of shortcomings stemmed from the logic of the *amparo* suits. As in the rest of Latin America (Navia and Ríos-Figueroa, forthcoming), *amparo* suits can only indirectly control the constitutionality of government 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 *amparo* suit only has effects *inter partes* (between the parties). Hence a favorable ruling simply exempts the plaintiff from the law, but the law remains valid for citizens who have not filed an individual suit. This restriction has prevented the Supreme Court from using *amparo* rulings as legal precedents whose enforcement is mandatory for lower courts and public officials. A ruling on *amparo* suits acquires general effects in Mexico if the Supreme Court decides five consecutive cases similarly, and the absence of an authority responsible for determining the similarity of the rulings has 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 Supreme Court from ruling on certain matters, such as religious freedom, education, voting rights and the implementation of electoral rules, the deportation of foreigners, decisions taken by decentralized public entities and the right to challenge presidential decisions on the expropriation of land (Schwarz, 1971: 169-186).

During the PRI's heyday, the president packed the Court with his nominees or amended the constitution to replace an adverse judicial ruling. Between the early 1930s and 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 Court ruled that Congress could not delegate to the president the power to modify export tax rates, except in emergencies. In the same year, Congress circumvented the effects of this ruling by amending the constitution to permit Congress to delegate to the president the authority to abolish tariff rates on imports and exports without declaring a state of emergency (Baker, 1971: 150-51).

The available evidence confirms that the Court, while not completely null as an enforcer of individual rights, was neither a veto player in the PMP nor an impartial enforcer of an inter-temporal agreement. In a study of 3,700 *amparo* suits between 1917 and 1960 in which the president is mentioned as the responsible authority, González Casanova (1970: 34) finds that the Supreme Court decided in favor of the plaintiff in 34 percent of the cases. The Court either denied the merits of the rest of the *amparo* suits or dismissed them on procedural grounds. In a more detailed analysis of Supreme Court rulings in *amparo* suits, Carl Schwarz (1977) observes that the Court appeared to be relatively independent when deciding on the legality of administrative procedures, particularly in the areas of expropriations and taxes. More than 50 percent of these cases were decided in favor of the plaintiff from 1954 to 1966 and 1968. In other areas, however, such as labor regulations, economic policies or political dissent, the Court ruled in favor of the executive.

Both González Casanova (1971: 37) and Schwarz (1977: 215-16) conclude that in politically sensitive areas the Supreme Court rarely defied the PRI. In these cases, the Court either ruled against the plaintiff, dismissed the case on procedural grounds or declared that the matter was beyond the competence of the courts (Fix Fierro, 1999). In 1982, for example, the Court decided against hundreds of *amparos* that challenged the constitutionality of the 1982 bank nationalization, even though the measure violated constitutionally defined property rights. During the 1960s, the Court dismissed, on procedural grounds, *amparos* invoked against the so-called crime of "social dissolution," a fairly broad legal category that basically penalized simple actions of political dissent. In other cases, the Court declined its jurisdiction to decide on potentially conflictive issues by invoking the doctrine of "political questions." While the constitution and the Law of *Amparo* excluded the jurisdiction of the courts on some electoral

matters (such as the decisions made by electoral boards and legislatures on the legality of electoral procedures), the Court interpreted this doctrine broadly enough to refuse to hear cases on individual rights that touched upon matters of voting rights (Schwarz, 1977: 176).

The Supreme Court after 1994

The 1994 constitutional reform, passed with the support of the main opposition party, the PAN, gave the Supreme Court the power to play a more active role in the PMP. First, while the president retained the power to nominate candidates to the Court, the threshold for their appointment in the Senate was increased from simple majority to a qualified majority of two thirds. To lessen the politicization of Supreme Court nominations, the reform required that candidates should not have been secretaries of state, prosecutors, federal deputies, senators or state governors during the year before their nomination. Second, the reform created the “action of unconstitutionality” (AU) as a new type of judicial review. Wholly independent of the *amparo* suit, the AU allows the Court to declare laws or administrative acts unconstitutional. If such a decision is supported by eight of the eleven Supreme Court justices it leads (unlike 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 AUs to include the adjudication of electoral disputes. AUs do not require the existence of a judicial case involving the concrete violation of a constitutional right. They differ from *amparo* suits in that citizens cannot initiate them. Only a limited number of political authorities, such as a percentage of federal deputies and senators, or the Attorney General, have the authority to invoke them. Finally, constitutional controversies now include conflicts (previously beyond the scope of *amparo* suits) between the branches of government. As with AUs, the reform established that whenever local laws are involved, Supreme Court rulings in CCs might invalidate those laws if no fewer than eight of the eleven justices agree on the decision.

With formal guarantees of independence, more effective powers of judicial review and 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). 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 Supreme Court still pronounced 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 Court’s rulings in favor of the PRI falls as the PRI’s hold on elected offices declines.

Table 6 shows the probability of the Court ruling in favor of the PRI was 85 percent between 1995 and 1997, when the PRI was a defendant in both constitutional controversies and actions of unconstitutionality. Between 1997 and 2000—that is, when the PRI lost its majority in the Chamber of Deputies for the first time since the 1930s—the probability fell to 34 percent. After 2000, when the PRI lost the presidency, the probability of a decision in favor of the PRI declined to 31 percent (Tapia Palacios, 2003).

Table 6. Supreme Court Rulings and Control of the Executive

		Unified (1995-97)	Divided 1 (1997-2000)	Divided 2 (2000-03)
Court Decision	Defendant wins	34/40= 0.85	20/58= 0.34	19/61= 0.31
	Plaintiff wins	1/40= 0.02	5/58=0 .09	15/61= 0.25
	Dismissed	5/40= 0.12	33/58= 0.57	27/61= 0.44

Source: Tapia Palacios (2003).

Selected case studies also show that between 1997 and 2000 the Supreme Court ruled against the PRI in politically sensitive matters. In September 1998 it ruled in favor of the PRD, which had challenged the constitutionality of an electoral law in the State of Quintana Roo that granted the plurality vote-winner an automatic majority of seats in the legislature. Since the measure was passed by a PRI-dominated legislature to protect the party from an expected decline in electoral support, its abrogation seriously affected the PRI’s hegemony in that state (Finkel, 2003). The following year, all the main opposition parties won a CC that forced President Zedillo to disclose secret financial information that potentially involved 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. As to the PAN—the party of President Vicente Fox (2000-06)—Tapia Palacios (2003) shows that between 1997 and 2000 the percentage of cases decided in favor and against the party was almost the same as in the previous three-year period. Nonetheless, the percentage of cases decided in favor of the PAN fell from 37 percent between

1997 and 2000 to 7 percent between 2000 and 2003. In the latter period the Supreme Court does not seem to have been ruling either for or against the PRI, since the percentage of cases decided in favor and against the PRI was almost identical.

These patterns suggest that the Court is building its reputation in a different way. From time to time it will continue to act as a veto player in the PMP. This seems to be the direction the Court has been taking in recent CCs, when it developed a strict doctrine of separation of powers to invalidate one executive decree that allowed private companies to generate electricity and another that exempted from taxes the users of fructose in industrial production. At the same time, the 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 government branches. It became very active in the interpretation of the Mexican state's international obligations and 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 committed during the 1960s and 1970s. These cases suggest that, if divided government persists and control over the presidency rotates among parties, a more experienced Supreme Court could shift from being a veto player to being an impartial enforcer of inter-temporal agreements among policy and partisan players.

Intergovernmental Relations

During the PRI's heyday, tight federal control over tax collection 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 policymaking. The decline of the national executive's control over the PMP was also important in ending the discretionary delivery of benefits and political favoritism in the assignment of federal resources. State and municipal interests are now more predictably involved in national policy-making, but 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. Before then there was no tax and policy coordination among states, nor between states and the federal government. That circumstance 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), which replaced the national sales tax with a federal 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 collection was possible because local politicians were willing to surrender tax authority in exchange for fiscal compensation from the federal government (Diaz-Cayeros, 1997b). In 1979, with the creation of the SNCF, local politicians found it politically expedient to accept a further centralization of tax authority and inter-governmental relations (Diaz-Cayeros, 1995), even though there was no constitutional provision forcing states to join. The PRI could still guarantee political careers, and the oil boom of the 1970s 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 recover 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 leave the system (Diaz-Cayeros, 1997a).

Because of the federal government's fiscal powers, public expenditure came to reflect presidential priorities, which lent secretiveness and unpredictability to state expenditures. Throughout the twentieth century, presidents used the PMP to maximize economic returns as a means of rewarding PRI members. Maximizing economic returns, however, meant concentrating fiscal transfers and public investment in the most profitable economic sectors (Diaz-Cayeros,

1997b). Since most of industry and most 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 more to do with a coincidence of presidential priorities than their ability to affect the PMP. This tendency was reinforced by the PRI's corporatist structure, which allowed sectoral rather than territorial interests to dominate the federal Chamber of Deputies. The Senate was powerless to protect regional interests, since it has no role in the federal budgetary process and the formal assignment of public resources.

The domination of presidential over regional interests in the PMP is reflected in the regional distribution of federal transfers. Table 7 presents information on differences in per capita GDP by state and level of marginality, so as to provide 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 (*participaciones*) on the basis of revenue collected from their own taxes and their share of the national sales tax, which has perpetuated inter-regional disparities (Diaz-Cayeros, 1995). 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 being based on tax collection. That poorer states accepted such allocations evidences the robustness of the federal equilibrium during most of the twentieth century.

Table 7. Per Capita GDP by State and Level of Marginality (2000)

State and Marginality Level	GDP per capita (US\$)^a
<i>Very Low Marginality</i>	
Distrito Federal	23,403
Nuevo León	16,098
Baja California	12,603
<i>Average</i>	<i>17,368</i>
<i>Low Marginality</i>	
Chihuahua	13,173
Baja California Sur	11,068
Coahuila	11,419
Aguascalientes	10,997
Sonora	10,528
Tamaulipas	9,882
Colima	8,795
Jalisco	9,152
Morelos	7,633
México	7,616
<i>Average</i>	<i>10,026</i>
<i>Médium Marginality</i>	
Quintana Roo	13,801
Sinaloa	6,623
Nayarit	4,996
Tlaxcala	4,809
<i>Average</i>	<i>7,557</i>
<i>High Marginality</i>	
Campeche	8,139
Querétero	10,723
Yucatán	7,340
Durango	7,247
San Luis Potosí	6,590
Guanajuato	6,133
Michoacán	5,116
Zacatecas	4,729
<i>Average</i>	<i>7,002</i>
<i>Very High Marginality</i>	
Puebla	6,919
Guerrero	5,002
Hidalgo	5,202
Veracruz	5,411
Oaxaca	3,946
Chiapas	3,816
<i>Average</i>	<i>5,049</i>
<i>State Average</i>	<i>8,674</i>

Source: PNUD-Mexico (2002): 128. INEGHI is the source of the classification of states.

a. Figures are adjusted for the petroleum component and are in PPP.

The lack of a regional voice in the PMP is also reflected in federal public investment spending (*inversión pública federal*, IPF). IPF funds are the most important source of public investment for economic and social development projects. Rather than being awarded to states on the basis of economic and social need, however, IPF funds have been used typically 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) (Diaz-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 one presidential term to another. This reflects variation in presidential policy priorities, as well as the secretiveness and centralization of the PMP, which could be manipulated to serve the interests of specific presidents.

Table 8. *Inversión Pública Federal* Priorities by Presidential Term
(percentage of PPF resources)

Term	Agriculture	Regional Development	Industrial Projects	Infrastructure	Social Welfare	Administration
Díaz Ordaz (1965-70)	10.68		39.62	21.95	25.46	2.06
Echeverría (1971-76)	13.20	1.39	38.59	21.78	19.39	2.52
López Portillo (1977-82)	14.87	3.73	47.86	14.21	17.90	2.72
De la Madrid (1983-88)	8.60	6.98	42.42	20.60	22.49	3.09
Salinas de Gortari (1989-94)	6.86	12.03	35.54	13.59	35.32	2.74

Source: Diaz-Cayeros (1997b).

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 a regional voice in the PMP aggravated regional inequalities, the equilibrium bargain between

federal and local leaders remained robust. Local leaders from both poor and wealthier areas exchanged guaranteed political careers for predictable shares of government resources. Economic favoritism, however, also helped reward the most important PRI followers—including public utilities workers, workers in private industry and business groups—because it delivered jobs and prosperity to states that already had strong corporatist representation in the national government. Leaders from poorer areas, though their careers were guaranteed, were marginalized from most policy programs, while the federal government used its control over the PMP to support the most economically influential areas of the country.

Prying Open the PMP through Decentralization

The reasons why the federal government embarked on the decentralization of inter-governmental fiscal relations remain subject to scholarly debate. It appears that the economic crisis and 1980s structural reforms coincided with, 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 as to why the federal government decided to initiate the decentralization of fiscal relations maintain that decentralization was undertaken as a means of staving 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 to deliver fiscal resources came under question. To ward off criticism, the federal government was forced to cede some control of tax expenditures and policymaking to local governments, which 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 formulas used to calculate state shares of unconditional transfers (*participaciones*); the formula used to calculate state shares of conditional transfers (*aportaciones*); the policy responsibilities allocated to state governments; and 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 of placating growing discontent. The party 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 of the national Chamber of Deputies in 1997. In 1998, state and municipal governments were given education, health care and public security responsibilities after the opposition-dominated Congress was inaugurated. State spending now accounts for nearly 24 percent of total government spending, while municipalities account for just over 5 percent.

The decentralization of fiscal relations transformed the centralized and secretive PMP, since it opened the door to the insertion of local interests into national politics. In 2000, the most important contenders for the presidency had all been governors (Courchene, Diaz-Cayeros and Webb, 2000). The lack of a 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, and spurred a rise in the percentage of 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; it now includes funds based on population size and 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) experienced, on average, 33 percent growth in the per capita transfer of *participaciones* in the 1990s alone. Wealthier states, by contrast, have seen negative growth in per capita revenue shares (Rodríguez, 1997).

As a result of the decentralization of resources to local governments, local political interests have found a voice in national policy-making. The centralized PMP had been cracked. Local governments demand a more transparent resource-allocation, and thus the distribution of revenue now takes local leaders into account. Gone are the days of extreme favoritism toward those areas most likely to contribute to economic growth. Table 9 presents some data on per capita public investment. During the early 1990s, wealthier states experienced a decline in per capita public investment, while poorer areas received a higher amount of federal funds for development projects. Such trends attest to the greater importance of satisfying the variety of local and state political and economic interests, and thus to the decentralization of federal priorities.

Table 9. Public Expenditure by Level of Government, 1990- 2000

Year	Federal	State	Municipal
1990	89.0	9.3	1.7
1995	86.2	11.5	2.3
1996	85.4	12.2	2.4
1997	84.9	12.6	2.5
1998	72.5	22.8	4.6
1999	68.3	25.9	5.8
2000	71.2	23.7	5.1

Source: Rowland and Caire (2001).

Conclusions

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

Because there were no competitive elections, however, most partisan and policy decisions were taken in secret. Authoritarianism prevented the development of a professional and high quality bureaucracy. It kept an independent judiciary from enforcing a stable and modern agreement that transcended the personalist relations among the president, the members of the cabinet and corporatist leaders. By exchanging particularistic policies for support from narrowly based corporatist sectors, *presidencialismo* relinquished the right to tax society and thus to build a modern, professional state with the rule of law. This paper argues that *presidencialismo* was more powerful in appearance than in reality. Almost universal congressional support for executive-based initiatives conceals the fact that Mexican presidents, unless faced with a serious crisis, could not secure approval of any measures with redistributive significance. Only when lawmaking touched on non-controversial issues could the president win the consent of

corporatist sectors—which held legislative seats commensurate with their economic importance—and organized business to enact or change laws.

When policy reform might have caused losses for one or more urban-based groups, however, PRI presidents typically postponed dealing with thorny issues. Hence, during the 1970s and early 1980s, Mexican presidents did little to solve balance-of-payments crises and address lackluster economic growth other than devalue the currency and, given the rigidity of tax collection, enlarge the public debt. The costs of reforming an economy that had stopped growing by the 1970s helps to explain why economic volatility did not force change in the policies of a highly centralized PMP. After massive devaluations and periodic negative growth rates—both of which recurred with the end of the six-year presidential term and the start of a new one—several presidents adapted a centralized PMP to new economic and political circumstances. Presidents De la Madrid (1982-8), Salinas (1988-94) and Zedillo (1994-2000) opened up the economy to international competition, deregulated it, 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, one that pits a president elected in a national constituency against a territorially-delimited legislature. The majoritarian components of the electoral system, along with the boundaries among SMPDs, now favor partisan players (such as the PRI) and rural voters (who comprise a quarter of the electorate and contribute less than 5 percent to national GDP). A new PMP, one under construction, increases the transaction costs of negotiating structural reforms. The activation of the separation of powers (which unified government and corporatist representation concealed) with numerous checks and balances among the branches of government fragments political power. Old and new parties (and interest groups) can veto efforts to denationalize energy sectors, eliminate tax loopholes and deregulate labor markets.

Poorly defined property rights may also help explain why parties cannot agree, for example, to amend the constitution so as 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, wherein reforms are agreed upon in exchange for some political and economic compensation, requires credible commitments and, as importantly, has to be enforceable. In private bargains, it is easy to

rely on explicit contracts and third-party enforcement. In matters of public policy, however, such explicit contracts are rare, and the likely enforcer (the electorate) faces collective action problems and remains ambivalent about further structural reforms. For example, while about half of the electorate expresses support for private sector involvement in the energy sector, a 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 the main lawmaking branch of government. Term limits also shorten the time horizons of deputies and senators, thus constraining the political bargains that can credibly be made. It is also unclear how an increasingly independent Supreme Court will interpret the constitution; this is an unknown of strategic importance, because public control of energy resources is constitutionally protected in Mexico. In the PRI era, centralized policy-making allowed for some political bargains, but those bargains faced limits and trade-offs that often led to 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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