

**The Implications of Electoral Competition for Fiscal Decentralization
and Subnational Autonomy in Mexico**

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I. Introduction

Over the past decade, decentralization has become an increasingly popular policy prescription in Latin America. Indeed, international lending institutions and academics advocate decentralization with such alacrity that it is now difficult to find an example of a Latin American country that has not implemented some measure of fiscal and political devolution. According to the IDB, the majority (fourteen of nineteen) of Latin American countries have increased the proportion of subnational spending to overall government expenditure between 1985 and 1995. And those countries that have not decentralized expenditure have remained at approximately the same level of centralization during the same period.¹

The popularity of fiscal decentralization policies stems from the theoretical proposition that devolving fiscal and political authority enhances subnational autonomy by allowing local actors to allocate resources according to their own priorities. Local autonomy is said to improve efficiency of service provision and maximize social welfare since local decision making and policy implementation is more easily monitored by the affected electorate.

Yet despite the attractiveness of these theoretical predictions, in practice, decentralization has produced a wide variety of unforeseen and sometimes unwanted outcomes. In many ways this is not surprising because theories of decentralization are rooted primarily in economics and as such, they oversimplify the relationship between policy change and political change. In other words, decentralization theory, in its most abstract form, does not take into account the political context within which economic policies are implemented and consequently does not allow for the possibility that the purported benefits of decentralizing fiscal and administrative structures might actually fail to materialize.

The purpose of this paper is to demonstrate that political variables play a large role in determining the outcome of decentralization policies. In particular, it will examine the impact of one political variable, electoral competition, on the process of decentralization in Mexico. The main argument advanced here is that the emergence of more open and intense electoral competition in the late 1980s changed state and local politicians' career incentive structure, and as a result, helped foster some of the conditions necessary for local autonomy and fiscal decentralization to reinforce one another.

¹ *Latin America After a Decade of Reforms: Economic and Social Progress 1997 Report*, Inter-American Development Bank. Washington, DC: Johns Hopkins University Press, 1997. p. 157-158.

The demise of PRI hegemony has meant that subnational politicians can no longer count on the party apparatus to reward them with career advancements, sinecures and rents. Instead, it is necessary for them to cultivate local bases of political support if they are to win elections. In those places where electoral competition is high, we see more attempt by state and local governments to exert their independence and there is some evidence that the benefits of decentralization are beginning to take hold.

This discussion compares the Mexican political system of the mid-1980s with that of the present. And while the specific examples may be unique to Mexico, the essence of the argument remains true for all countries currently experiencing the simultaneous implementation of decentralization and local autonomy with more general political reforms.

II. *Decentralization Theory*

According to theories of decentralization², decentralizing the public sector can provide distinct advantages and avoid certain problems that plague more centralized systems.³ Stated succinctly, the main benefit of decentralization is that it promotes greater welfare and efficiency in service provision by allowing local governments to respond to the varying preferences of their communities. Decentralization is said to improve governance in three ways. First, it increases local autonomy by shifting political decision making to the local administration. This allows local officials and constituents to decide on and implement their policy priorities and increases the probability that policies will be more in line with local preferences. Second, the devolution

²Decentralization is a broad concept which is used to describe various types of policies. For example, Minis and Rondinelli (1989; cited in Prud'homme, 1994) distinguish three different types of decentralization: spatial, market and administrative. Spatial decentralization, also known as regional policy, is the process of promoting development and urbanization in place other than large, established metropolitan areas. Market decentralization is synonymous with liberal economic policies which allow the market, rather than the government, to provide public goods and services. Administrative decentralization is the type of decentralization most germane to this work. It is defined by Rondinelli and Nellis (1986) as the "transfer of responsibility for planning, management, and the raising and allocation of resources from the central government and its agencies to field units of government agencies, subordinate units or levels of government, semi-autonomous public authorities or corporations area-wide, regional or functional authorities, or non governmental private or voluntary organizations."

Rondinelli and Nellis also identify three subsets of the concept of administrative decentralization: deconcentration, delegation, and devolution. Deconcentration involves dispersing decision making authority to subordinate offices and ministries of the central government. Delegation transfers political authority to semi-autonomous entities such as a port or transit authority. Devolution is the redistribution of power from the central government to independent subnational governments. Devolution is the concept that is generally referred to as "decentralization." Accordingly, I will use the words devolution and decentralization interchangeably. By decision-making power I am specifically referring to the authority and ability to tax, to spend, to borrow and to regulate. These powers do not always go together, nor are they absolute.

of authority increases the monitoring capacity of constituents who can easily identify individual politicians or parties responsible for specific policies. The result of this connection is said to be greater accountability since voters can retrospectively punish and reward politicians for their performance as public office holders. The fact that local governments are empowered to implement their own policies together with the direct lines of accountability also makes it imperative that politicians represent the interests of their constituents. Finally, decentralization creates incentives for competition among politicians and policies. The consequence is that ineffective or unpopular policies are weeded out and more efficient solutions to local problems are implemented.

Decentralization is an extremely popular strategy in the developing world. The attractiveness of devolving authority appears to be a function of its neoliberal economic basis, which makes it a favorite among international lending and development institutions as well as domestic politicians. The dominance of the neoliberal paradigm, and the purported links between decentralization and democratization make it difficult to alternative policies to gain support in the region.

However, there are some serious obstacles to successfully decentralizing fiscal and administrative functions in the developing world. Scholars have identified seven general characteristics which preclude the realization of the benefits associated with decentralization.⁴ First, decentralization theory assumes that decentralization provides benefits because it allows communities with specific tastes to enhance their welfare. Yet in developing countries the real difference is income level and hence in the ability to satisfy basic needs rather than to provide different mixes of services. It is therefore questionable whether the primary theoretical benefit of decentralization is even attainable in developing countries.

Decentralization theory also assumes that preferences are expressed in votes and that constituents choose candidates based on the policy choices they represent. But it is more often the case in the developing world that even where local elections exist, electoral votes are determined by patronage and party loyalties. Third, in many places the local level decision making processes are anything but transparent. The result is that constituents have a difficult

³Musgrave, 1959; Wallace Oates, *Fiscal Federalism*. New York: Harcourt Brace Jovanovich, 1972

⁴This discussion draws from Rémy Prud'homme, *On the Dangers of Decentralization*. Washington, DC: The World Bank. 1994. Many of the benefits and perils of decentralization are discussed in *Latin America After a Decade of*

time holding politicians accountable for their decisions and their actions. This leads us to the fourth obstacle: elected officials may not have the electoral incentives to respond to local preferences. If the electoral system does not allow for re-election, or if re-election does not depend on local performance (e.g., because of overriding internal party organization or because parties are weak and/or ephemeral), electoral accountability becomes meaningless and politicians need not be concerned with the consequences of their policy decisions.

The fifth general characteristic that hinders successful decentralization is that local governments in developing countries seldom have the resources and institutional or administrative capacity to handle the new responsibilities conferred upon them by decentralization. So even if local politicians wanted to respond to local demands, their hands may be tied. Moreover, increasing the responsibilities of local bureaucracies does not necessarily increase the efficiency or quality of service provision given that most local bureaucracies in developing countries lack the technical training and resources necessary to administer effectively. Sixth, in many countries administrative responsibilities are not clearly defined either in the constitution or in practice. Therefore, local administrations must rely upon the state and federal levels for help carrying out responsibilities such as providing basic public services and collecting taxes. The subordinate position of state and municipal governments increases the possibility that higher levels of government will impose their own program on lower levels. This works to the disadvantage of local governments and necessarily compromises their autonomy and independence.

Finally, the rules that govern borrowing from the federal government are often not enforced. Because many states and municipalities have significant vertical imbalances (the difference between expenditure responsibilities and own revenue), they have incentives to use public debt to pay for normal operating expenses. This not only creates legal problems and threatens relations with higher levels of government, but it also puts the long term economic stability of the municipality at risk. When taken together and added to the incentives for and prevalence of corruption, it becomes clear that there exist some serious obstacles in developing countries which make the realization of the benefits associated with decentralization rather difficult.

As we can see from the discussion above, it is now acknowledged that decentralization by itself does not always produce the outcomes posited by economic theory. In order to understand why such policies produce specific results, we must know something about the political context within which they are implemented.

In the past, one of the main obstacles to decentralization in Mexico was the clandestine nature of the decision making process which makes it difficult for voters to ascribe responsibility for successful and failed policies. This lack of transparency gives politicians at the state and local level both opportunities and incentives to take advantage of the resulting agency slack.⁵ Accountability is further compromised by the fact that neither in the constitution nor in practice is there a clear division of governmental responsibilities.

Subnational autonomy was also hindered by the fact that local governments do not have the institutional capacity to be able to live up to their recently acquired responsibilities in service provision and tax collection. Consequently, many municipalities have no alternative but to enter into agreements with states to realize these functions. This increases the likelihood of interference by state and federal governments and thereby undermines the autonomy of local government.

With such large obstacles to overcome, it is perhaps not surprising that decentralization reform has not led to improvements in efficiency and governance. Until recently, the problem was compounded by the fact that municipal autonomy and capacity were severely limited by the structure of the highly centralized hegemonic party system. Only in the past ten years has this begun to change. Before discussing the impact of this change, it is important to understand how the Mexican political system was organized prior to the introduction of true electoral competition. The following section will address this topic.

III. *The Mexican Political System Prior to the mid-1980s*

Despite its federal constitutional structure, Mexico has long been considered one of the most centralized countries in the world. Indeed, it was often compared to the Soviet Union because the autonomy of state and especially municipal level governments was proscribed to the point of nonexistence. Such a high degree of centralization was possible because one political party, the Institutional Revolutionary Party (PRI), and the president dominated almost all aspects

⁵ See Nickson, R. Andrew. *Local Government in Latin America*. Boulder: Lynne Rienner Publishers Inc., 1995.

of the political process. The internal structure of the PRI created incentives for local and state level politicians to abdicate their constitutionally mandated power to centralized (presidential) decision making. As a result, decisions regarding resource allocation and policy making were handed down from the top and politics at subnational level were largely controlled by the federal government and the official party.

The PRI-dominated political system was organized hierarchically with the president at the top as both the federal executive and the head of the party. This office embodied considerable constitutional and so-called meta-constitutional powers which established the clear dominance of the individual that held it.⁶ Presidential decisions encompassed all levels of government and were not open to negotiation. Nor were these decisions disobeyed because as the party leader, the president was also the ultimate authority on matters of candidate selection and advancement within the party.

Directly below the president were the members of his influential clique (*camarilla*), who were supported by their own followers. Upward mobility within the party was based not on objective criteria, but rather, upon demonstrated loyalty to the *camarilla* leaders (and to the president) and the extent of an individual's personal networks within the government.⁷ As Fagen and Tuohy explain:

Securing continuous and increasingly important series of posts in the government/Party apparatus depends on having an influential sponsor... Officials are evaluated by their superiors according to their ability to accomplish tasks handed down from above as well as to manage the not inconsiderable challenges thrown up to them from below... with minimal public controversy. He [the official] is rewarded not for his innovativeness, initiative, or public policy, but rather for his capacity to facilitate the functioning of the apparatus through the balancing of interests, the distribution of benefits, and the control of potentially disruptive or disequilibrating forces.⁸

⁶ For more on the powers of the Mexican executive see Luis Javier Garrido, "The Crisis of Presidentialism," in *Mexico's Alternative Political Futures*, eds., Wayne Cornelius, Judith Gentleman, and Peter Smith. La Jolla: Center for US-Mexican Studies, University of California, San Diego. 1989. See also, Jeffrey Weldon, "The Political Sources of Presidentialism in Mexico, in *Presidentialism in Latin America*, ed. Matthew Shugart and Scott Mainwaring. Cambridge: Cambridge University Press, 1997.

⁷ For an extensive discussion of the *camarilla* system, see Roderic Camp, *Mexico's Leaders: Their Education and Recruitment*. Tucson: University of Arizona Press, 1980. For an abbreviated discussion see Vivienne Bennett, *The Politics of Water: Urban Protest, Gender and Power in Monterrey, Mexico*. Pittsburgh: University of Pittsburgh Press, 1995.

⁸ Richard Fagen and William Tuohy, *Politics and Privilege in a Mexican City*. Stanford: Stanford University Press, 1972. p.25-26.

In addition, to recruiting, and training officials, the PRI functions as a broker of disparate interests, aggregating them into support for itself. Traditionally, it has done this by organizing its supporters into sectors (labor, professionals, agriculture) in an inclusive, corporatist arrangement. Through its sectoral organizations the PRI maintained contact with the electorate and responded to specific demands and concerns in a particularistic manner. The direct link between the party and its sectors made it unnecessary for individual politicians to develop local bases of support. Rather than respond to the demands of their constituents, PRI office-holders can concentrate on serving the party by implementing policies handed down from above. Since advancement in the party is dependent upon demonstrated loyalty and obedience, there exist very few incentives for politicians to exercise independence since this would be understood as a direct challenge to superiors within the PRI hierarchy and would likely harm the career trajectory of the individual.

Given that political advancement within the hegemonic party system was determined by the party itself, it is not difficult to understand why political and bureaucratic aspirants were more concerned with the incentives created by the party rather than those that their office or position possessed according to the constitution. This was especially true since the party not only controlled the nomination process, but it could also guarantee election of its candidates.

As an electoral machine the PRI participated in extensive campaigning which many times included various forms of electoral fraud. In this way the official party ensured the electoral victories of its candidates to the exclusion of almost all others. The electoral dominance of the PRI gave it a legislative majority. With a majority in both houses of the legislature and voting discipline ensured by the centralized nature of the party, the PRI was able to pass laws that made it difficult for other (unapproved) parties to participate in the political arena. Not only were there significant barriers to entry into the electoral process, but even when they did win seats, the opposition constituted such a small and innocuous minority that its presence was nothing more than symbolic.

Another benefit of PRI electoral and legislative hegemony was that the party controlled the bureaucracy at all levels of government. As a result, state and municipal policies were dictated from higher levels of government and local politicians were afforded very little independence to act on their own. Thus although both governors and municipal presidents were the dominant politicians within their jurisdictions, their spheres of influence were very limited. At the state level, governors were very powerful and able to (and responsible for) controlling the

municipalities within the state. Yet ultimately, state executives answered to the president, who could single-handedly remove them from office.

Lack of autonomy is even more evident at the municipal level where very few important decisions were made and the nature of the party created few incentives for local politicians to act on their own. Here, more than at any other level of government, the high degree of centralization combined with the use of bureaucratic positions as patronage undermined long-term planning and policy coherence. Moreover, short terms of office and high turnover rates, as well as opportunities for graft, made it easy for local politicians and bureaucrats to avoid responsibility for ineffective policies. Rather than commit themselves to long-term projects, most local officials implemented short-term policies which were highly visible and easy to claim credit for. In most cases, these the showy projects did little to address the most pressing administrative and infrastructure problems facing local governments.

It can be said that there are three institutional aspects of the Mexican political system which combined to undermine municipal autonomy by creating incentives local politicians eschew responsibility for their actions and make it difficult for voters to hold their elected officials responsible for their performance while in office. First, although the delineation between state and municipal responsibilities are included in the constitution, in practice they are neither clearly defined nor separate from one another. Consequently, it is often difficult to determine which level of government to hold accountable when demands are not met. When different parties control the municipality and the governor's palace, the problem is exacerbated since it is very easy for each party to blame the other for not delivering on its promises.

Second, in Mexico, local officials are elected to office for only three-years and cannot be reelected. Such short terms greatly affect the incentives of municipal-level politicians. Rather than foster a working relationship with their state-level counterparts, local administrators have incentives to undertake highly visible, short-term, quick-fix projects, since longer-term goals may benefit their successors more (or instead) of themselves. For example, Ward has shown that in Chihuahua during the mid-1980s, municipal administrations controlled by the opposition PAN party concentrated their efforts on smaller projects such as administrative reform and the expansion of public service provision rather than undertake larger projects (e.g., physical

infrastructure) that required federal funding and might also benefit the PRI-controlled state-level government.⁹

Finally, it is impossible for voters to hold specific politicians responsible for their performance when immediate reelection for the same office is prohibited by the constitution. Clearly this institution limits the overall level of accountability of the Mexican political system. But this is not to say that politicians enjoy impunity. Indeed, they are responsible to the parties that nominate them for office. Given the hierarchical and closed nature of the three major parties in Mexico, members with political aspirations must gain the favor of the party if they are run on that label. Undoubtedly performance in office is a criterion on which they are judged for subsequent posts either within the party itself or as a candidate for a higher elected or appointed office.

Clearly there exist some serious obstacles to fiscal autonomy at the local level in Mexico. And while it should not be seen as the key to producing local autonomy or as the solution for the problem of low accountability, I argue that the introduction of true electoral competition has changed the incentives of politicians and made them more aware of their responsibilities to constituents since elections are a mechanism that voters can use to demand that politicians and parties respond to their demands. In a competitive electoral arena the PRI can no longer guarantee the electoral success of its candidates; nor can it continue to reward loyal members with bureaucratic posts and rents. In order to be successful, political candidates must now compete and legitimately triumph in the electoral arena. This changes the incentives of local politicians considerably. Not only must they maintain a good relationship with the party, but it is also necessary for candidates to foster a local base of electoral support by demonstrating their ability as effective politicians. The following section will explore this issue in some detail.

IV. The Effects of Electoral Competition

Although Mexico has held popular elections for public office for several decades, it is only since the early 1990s that these elections can be considered both free and fair. With electoral competition the preferences of subnational politicians are still the same—they want to hold public office—but the incentives that condition their behavior and strategies for attaining

⁹Peter Ward, "Policy Making and Policy Implementation Among Non-PRI Governments: The PAN in Ciudad Juarez and in Chihuahua," in *Opposition Government in Mexico*. Victoria Rodriguez and Peter Ward., eds.,

this goal are different. Now that they must compete against one another, candidates of all parties must know how to garner votes in their favor. For example, they might choose to focus their campaign strategies to reflect their support policies that are popular with constituents, or they may point to the successes and failures of other administrations in an effort to demonstrate their awareness of local interests and their willingness to take responsibility for their actions.

In order for politicians to respond to citizen demands they must possess the ability to make their own decisions and to implement their own policies. Thus subnational politicians, regardless of party affiliation, should be more interested in maximizing local autonomy. Independence from higher levels is essential especially in those cities where different parties control the state and local governments. Indeed, we have seen several attempts in the past decade by state and local governments to exercise or increase their independence vis-à-vis higher levels of government in those places where electoral competition has increased and the opposition has won elections.

Although subnational autonomy may provide municipal politicians greater latitude in their decision making and policy initiatives, it can also complicate their relations with higher levels of government. The reason for this is that both state and municipal governments depend on funds transferred from the federal level for most of their resources. Despite the fact that they are supposed to be allocated and distributed according to established legal formulae, these funds are still subject to considerable manipulation.¹⁰ Therefore, in order to ensure that they receive their share of funds on time, subnational governments must maintain good working relations with the state and federal levels.

At the state level, governors have adopted various strategies for dealing with the intransigence of the federal level. For example, during his term, Governor Ernesto Ruffo in Baja California became well known for his combative stance against the Salinas administration regarding the allocation of resources to his state. In another example, the governor of Chihuahua, Francisco Barrio, adopted a conciliatory attitude toward the federal government in order to secure adequate funding. Of the two, the latter appeared to be more successful in securing resources for his state, but in the end, the PAN suffered in both the midterm elections of

Albuquerque: University of New Mexico Press, 1995.

¹⁰ As part of the budget negotiations of 1997 the Mexican congress passed a law requiring states to allocate certain types of federal transfers according to the same formulae used to distribute them among states. For more on this see Alberto Díaz Cayeros and Olivia Mogollón, "Puebla y el federalismo fiscal." *Nexos*, 242, March 1998.

1995 and more recently in the gubernatorial election of 1998. It is therefore difficult to say whether Barrio's was the correct strategy for dealing with the federal level since voters appear to have been alienating by his close affiliation with President Salinas and the PRI.¹¹

More recently in Puebla, Governor Manuel Bartlett attempted to circumvent national laws regulating the allocation of certain types of fiscal transfers to municipalities. Rather than use the standard criterion of population for allocation, Bartlett and the Puebla state legislature passed a law which requires the state to distribute the federal funds according to an index of poverty. While there is no doubt that poverty is a serious problem in Mexico, it is also clear that the so-called Ley Bartlett was response to the increasing level of electoral competitiveness in Puebla over the last six years, since it was designed as a measure to improve the situation of municipalities controlled by the PRI at the expense of the wealthier, more populous cities which happen to be controlled by the PAN.

Puebla's experience demonstrates quite clearly that the actions of governors do not always benefit the interests of specific municipalities. The reason for this is that state level officials may have an interest in exercising their independence from the federal level, but they have a wider constituent base to please. So, for example, while municipalities are concerned with their own resources, governors must keep in mind the overall situation of the state and implement policies that benefit the state as a whole rather than specific localities.¹²

It is significantly more difficult for municipalities to augment their autonomy from higher levels of government because they are endowed with the fewest resources and possess the most limited administrative capacity. If municipalities are interested in increasing their independence they must generate their own revenue in addition to that which is provided by the federal level. Yet the problem is that municipalities control few policy instruments for realizing this goal. To make matters more difficult, the types of policies that local governments can implement are also likely to generate significant electoral costs. For example, the most common way for a municipality to enhance its resources is for it to raise property taxes, service charges and user fees. But these measures require constituents to pay for the privilege of local autonomy—something they are not necessarily willing or able to do.

¹¹ For more on this see Yemile Mizrahi, "Dilemmas of the Opposition in Government: Chihuahua and Baja California," *Mexican Studies/Estudios Mexicanos* 14(1), Winter, 1998.

¹² Alberto Díaz Cayeros and Jacqueline Martínez Uriarte discuss the tension between federalism and "municipalism" in *Federalismo y municipalismo: lógicas políticas en tensión.* ms., 1998.

Nevertheless, in those municipalities where electoral competition is high, local administrations have begun to assert themselves and challenge the state governments. Returning to the case of Chihuahua, in the summer of 1996, fifty five of sixty seven municipal presidents staged a very visible demonstration against Governor Barrio and his intention to require all municipalities to sign an agreement with the state government which stipulated that municipalities would receive federal funds only if they agreed to use them in accordance with state policy priorities. The mayors, who were all PRIistas rightly argued that this requirement was a violation of their municipalities' autonomy and refused to sign the agreement. In a similar spirit, many of the PANista mayors of Puebla openly objected to Governor Bartlett's attempt to control the allocation of federal resources in this state, arguing that this legislation contravened federal fiscal coordination laws and was therefore unconstitutional.

These examples leave little doubt that both governors and mayors are now more concerned with their ability to secure and use fiscal resources without the interference of higher levels of government. Interestingly, this is the essence of decentralization: the ability of subnational governments to make their own priorities and the capacity to implement their policies based on those priorities. Yet it is not clear what the outcome of subnational autonomy will be. At present it looks like decentralization has placed a tremendous amount of discretion in the hands of the state governors. And as the examples from Chihuahua and Puebla illustrate, governors cannot always be counted on to respect the independence of municipalities. Indeed, it appears that state executives have incentives to maximize their own power at the expense of that of municipalities. It remains to be seen how empowering "local bosses" such as Barrio and Bartlett will affect the system overall. At the same time, devolving responsibilities and decentralizing power creates the potential for the opposition to gain a stronger foothold in important states and municipios. Once these types of stronghold are established it will be extremely difficult to remove them, and neither the president nor the ruling party will be able to dictate political outcomes in the states as it did in the past. Thus, even if decentralization may not deliver on all of its promises of improved governance, it may work together with electoral competition to enhance the power of the opposition and thereby contribute to the democratization of the Mexican political system.

V. Conclusion

While decentralization theory provides an explanation of the motivations for devolving political and fiscal authority, it is an economic theory and as such provides very limited insight on the decisions required to implement specific public policies. In this respect, decentralization theory suffers from two weaknesses that limit its ability to account for variations in political outcomes. First, as an economic theory, decentralization ignores the importance of politics by oversimplifying the process that leads to particular political outcomes and by making some problematic assumption about political institutions. In order to explain why specific political choices are made is not sufficient to simply identify the economic interests and incentives facing particular actors. The theory must identify and elucidate the mechanisms by which the two interact.

Second, because it is designed for developed market economies, decentralization theory does not take into account factors found in the developing world that may act as obstacles to the successful implementation of decentralization. Indeed, economists and other proponents of decentralization admit that its hypothesized benefits are based on a simplified model, and they acknowledge that once restrictive assumptions are relaxed, the situation becomes much more complicated

These two weaknesses make decentralization of limited use in explaining political outcomes in the developing world. In many developing countries local autonomy cannot be assumed. Nor can it be taken as given that representative political institutions function in the same way that they do in the United States. As we have seen, implementing decentralization policies in places like Mexico can produce very different outcomes than those posited by the theory.

Undoubtedly decentralization and local autonomy will play an important role in the future of Mexican politics. This seems especially true now that electoral competition has reached new heights. Politicians now have incentives to stress the division of powers and to enhance their administrative capacity to realize their responsibilities. Yet this is not to say that decentralization is well on its way to becoming a permanent feature of Mexican politics. Nor is it the case that devolving fiscal and administrative responsibilities will produced the economic and political benefits promised by decentralization theory. Indeed there remain some vexing obstacles such as

the no re-election rule, and severe income inequalities which promise to complicate the process of fiscal and political decentralization for years to come.

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