

November 2003

## **Historical Background and Perspectives of Intergovernmental Relations: The Mexican Case**

by Rubén Monroy

Ever since the Constitution of 1824, Mexico has been a federation. However, the political reality has been that Mexico's political system has oscillated between that of a confederation and a centralist regime. Mexico has alternated between periods of great dispersion of power and deep centralization, which could hardly be called federalism.

It is difficult to find an equilibrium between the national and the local interests that characterize any political system where there are more than one autonomous political unit. Even though some countries have found that balance in their intergovernmental relations more often, it is usually not due to the goodwill of both sides, but because of incentives in each political system and the political culture present in each case.

The thesis of this paper is that the present characteristics of Mexican intergovernmental relations are determined by the nation's political culture and by the structure of its political system, which still shows important features of the authoritarian regime that ruled Mexico for the past 70 years. Therefore, this paper will briefly examine the historical process of the country's path to democracy and federalism, and will mention the main characteristics of the Mexican system which, from my point of view, determine to a great extent the behavior of the main participants in negotiations involving Intergovernmental relations.

### **A Historical Overview**

After the last defenders of the Spanish Empire in the Americas were defeated in 1821, Mexico became an independent country. The final stage of the long Independence War occurred when an important military leader of the Spanish army joined the insurgents' cause, and with most Mexicans still loyal to the monarch, Mexico's first attempt to build a government ended in a monarchy.

Nevertheless, when the Spanish rule was overthrown, it left enormous areas of power that were fulfilled by other actors, specially by the provincial elites. The vast mineral and commercial wealth of the country favored the emergence of local elites that did not depend on the central government. They developed their own culture and their own political and economic dynamics, very different from that of Mexico City. Therefore, when Mexico became an independent country, the strongmen of the provinces wouldn't accept easily the establishment of a centralist regime.

Mexico's first Head of State, Emperor Agustin I, lasted a couple of years but before resigning, he was forced to accept the creation of a Congress in which all the provinces were to be represented. That Congress passed the country's first federal Constitution in 1824. Having this Constitution as their legal inspiration, some governors of the provinces began to declare that they represented "sovereign states", and created their own constitutions, armies and congresses. According to the Constitution of 1824, the states had to finance the national institutions, but almost no provincial government provided the federal government with the indispensable resources that could guarantee its survival. Some states even declared their independence from the federation.

In the first four decades of the country's history, Mexico was a loose *de facto* confederation in which provincial strongmen fought with each other to obtain control of the Republic. Mexico had an average of two presidents per year and in those days there was no effective formal nor informal mechanism for intergovernmental communication. The national government was too weak to maintain the unity of the nation, and the states were strong enough to defy any instructions from the national government.

Taking advantage of the internal struggles between "federalists" and "centralists", Mexico was invaded several times by the European powers and by the United States. The result of those years of continuous civil war was the loss of more than the half of the original territory, when Texas declared its Independence from Mexico and the Northern territories were sold to the United States after the Mexican-American war of 1848. During these violent years, most provinces didn't even cooperate enough with the national government to provide financial or human resources for national defence.

The federalist issue was the most important concern of the Mexican ruling elites of the nineteenth century because it was at the core of the conflict between Liberals and Conservatives. The Conservative Party considered federalism an alien and injurious foreign influence that put in risk our political tradition; the Liberal Party defended federalism but when a "liberal" reached the Presidency, he behaved in as authoritarian a manner as any of the former governments, and was also unable to control the state governors or to maintain the political unity of the nation. The only mechanism of intergovernmental "communication" were the periodic uprisings of some governors whose privileges were at stake when the "tyrants of the central government" established any measure to put in order the country.

After decades of civil war and foreign interventions, the pendulum swung to the other side: dictatorship. Military leaders began to gain control of most state armies, while secularists won the battle against the Catholic Church and its attempts at controlling political affairs. These facts paved the way towards the emergence of national leaders strong enough to control state governors, but once again Mexico didn't find the equilibrium between national unity and provincial autonomy, between national and regional government.

During the 30-year rule of President Porfirio Díaz, a liberal hero of the war against the French invasion, the country was finally at peace but federalism was only a matter of the Constitution and not of reality. All the governors were appointed by the President, and state governments became administrative branches that applied the instructions of the federal executive.

In 1910 the Revolution against President Díaz began. It was a general uprising headed by several different persons such as Emiliano Zapata, Pancho Villa and Francisco Madero. Each of them had his own aims and objectives that were as diverse as the distribution of land among poor peasants, local autonomy, respect of political rights, and whatever was added during the battles. As it also happened during the War of Independence against the Spanish Empire, when the dictator resigned, he left an enormous power vacuum that was occupied once again by local leaders who weren't eager to accept the rule of a strong central government.

The country experienced a new period of dispersion of power in which governors ruled their own territories without any intervention of another tier of government. They had their own armies and even their own currencies, and continuously threatened the national presidents. Despite this period of violence, the ruling elite was able to establish a Congress which created the Constitution of 1917, which still in effect. Among other dispositions, the Constitution included several articles that guarantee the "sovereignty" of states, the "autonomy" of municipalities, and that emphasized the federal character of the Republic.

Some regional leaders, specially the ones of the northwestern states of the country, were stronger than the others and began to control larger sections of the territory. More important, they were also victorious and murdered most of their opponents and consolidated the confederation of local parties and labor unions that emerged during these chaotic years under one national authority. This was the origin of the Institutional Revolutionary Party (*Partido Revolucionario Institucional* or PRI as it is called in Mexico), the Party that ruled Mexico from 1929 to the year 2000; the Party that determined the structure, functioning and main features of Mexico's twentieth century political system.

### **The Political System's Structure**

It is difficult to find any other case in which a political party was born while it was in power. President Elías Calles, a revolutionary leader of the northern state of Sonora, was able to build a strong political coalition of armies, labor unions and other social groups from all around the country. After obtaining the Presidency in a controversial election, he thought that it was time to apply the principles of the revolution by institutional means, in other words, using the party and the army.

From then on the party was the government, and the government was the party. The President of the Republic was at the same time head of the party and head of state. There was no distinction between the institution whose main task is to promote candidates in the elections, taking into account an ideology, a party, and the rest of the administrative branches of the government. For the regime, the PRI was a kind of "Ministry for Elections" and the agency where the official "ideology of the revolution" was developed.

The centralization of power around the President not only affected the legislative and judicial branches of the national government, but also the autonomy of the subnational units. Gradually, the PRI candidates occupied the governorships of each of the 31 states, and most of the municipalities. The local and federal elections were held punctually, despite the enormous inequality that

characterized the electoral competitions. Opposition parties were relegated to secondary posts, and the only triumphs of the opposition that were accepted by the electoral authorities were the ones that the governor or the President wanted to. During the electoral campaigns, the opposition candidates were put in jail while the PRI's members were even supported with public funds.

The PRI's domain was so overwhelming that the government had to create "opposition parties" to simulate a competitive party system. From the 1930s until 1997, the PRI had the absolute majority of the Deputies Chamber, despite some electoral reforms that allowed the appearance of some opposition deputies in the chamber, who couldn't do anything to reverse or to contest the power of the President in the legislature.

In the Senate, the PRI's domain was more evident: the 64 Senators were of the party of the President; actually there was no counterbalance of the federal power in the legislature and no real representation of states in the national government. Also the 31 state congresses were in hands of the PRI, who had a complete power over the amendment process of the Constitution and of any federal or local law.

What about federalism and intergovernmental relations in this context of centralization? Once again, federalism was only a matter of constitutional theory, and Intergovernmental relations were only an aspect of PRI's internal politics. The President of the Republic, as the head of the party, appointed all the state governors by nominating the candidates of the PRI. The internal struggles of the official party were more important than the elections in choosing the next state governor, because the PRI candidate was surely the winner of any election. The governors and the mayors owed their appointments to the President, so they had no possibility to defy or contest any measure of the federal government. Any member of a local authority that raised his voice against the President's determinations not only put at stake his charge, but also his political career. There were no intergovernmental relations but instead "intergovernmental obedience".

The *de facto* centralization became a *de jure* centralization. With no real opposition, the Constitution was continuously amended so that many state competences were transferred to the federal government. According to the Constitution, all the competences that are not clearly identified as federal in the Constitution, are state competences. That is why the Article 73, which stipulated the federal competences, became one of the largest articles with several additions, that actually implied reductions of state competences.

Also the fiscal arrangements were modified to foster a deeper centralization. Before the PRI's regime, most states had their own taxes and a large financial autonomy from transfers. In contrast, by the end of the twentieth century, 93% of the state governments' incomes came from federal transfers, due to the creation of a fiscal system that gradually allocated the most important taxes to the federal tier of government. This system generated no incentives for local governments to develop a strong administrative body for tax collection, because at the end of each month they would receive much more from transfers than from their own tax revenues. The financial dependency of states and municipalities limited their capacity to develop and implement their own policies and projects, and their power to negotiate with the federal government.

In this authoritarian political system, states and municipalities were politically and financially dependant on the federal government. Intergovernmental relations occurred in an unequal negotiation dominated by party discipline and by the President's figure. It can be said that the most important channel of intergovernmental communication were the agencies of the party (PRI) established all around the country. State and municipal governments were hardly more than the federal executive representation in the regions, in charge of keeping order in their localities according to the party's rules. Nevertheless, federalism was maintained in the Constitution and in rhetoric as one of the main features of the Mexican political system and as an element of the regime's legitimacy.

### **The functioning of Mexican intergovernmental relations**

In the early 1980s the regime recognized some victories by the opposition in some important municipalities. The PRI experienced some divisions within its members and the opposition began to obtain more places in the municipal and in the state governments. In 1988 an opposition party won a governorship for the first time since 1929; in the mid 1990's five of the municipalities with more than one million inhabitants were ruled by the National Action Party (*Partido Acción Nacional* or PAN), historically the most important opposition party. In 1997, for the first time in Mexican history, the PRI lost its absolute majority in the federal congress. In the year 2000, Vicente Fox, the candidate of PAN, became President of Mexico after winning an historic election. Effective and real intergovernmental relations were about to appear.

The Senate, as the chamber of federalism, is acquiring a more important role in the representation of states. Even though, it is still dominated more by party interests than by state interests. The Senate is not only made up of Senators who represent states, but also of Senators, elected by proportional representation, who don't represent any state. In the past year no important act or proposal has emerged from the Senate to improve the structure or the functioning of Mexican federalism; the Governors do not use the Senate as a mechanism of presenting their proposals and federalism doesn't seem to be one of their priorities.

There are some other intergovernmental institutions which are not effective in representing state interests. The Fiscal Coordination Committee was established in 1980 to build coordinated policies and proposals for fiscal federalism. Despite the opinion of the Ministry of Finance, no important measure has emerged from this intergovernmental committee. On the other hand, the Health Council has become the most effective intergovernmental mechanism in Mexico, due to its results and the features of the negotiations that prevail in it. Health policies show an important degree of federal-state coordination, and state ministers of health are well represented in the Council.

There are also some institutions that remind us of the former centralist regime, such as the "delegations" of the federal ministries located in the states. Each ministry has around six delegations in each state, and some of them have a larger budget and a better administrative capacity than that one of state governments. During the PRI regime these administrative branches of the

federal government were used as an instrument of political control of the states, because the delegations were the agencies that spent federal funds in the regions and municipalities. In the present time, delegations still handle the federal funds and some of them are more powerful than states.

As it has happened in several federations, informal mechanisms are more effective for state interests than institutional mechanisms. In 2002 the National Conference of Governors was created. This pressure group has obtained congressional approval of more federal transfers for state governors. The most important issue for governors is the federal budget, because it is the main source of the state income and it seems that for them federalism implies more money rather than more responsibilities. They are also pressing the Congress to approve some other laws that will imply more financial resources for states. The existence of the National Conference of Governors is a proof that the Senate and other institutions have not been effective in representing regional interests.

The municipalities have also developed their own associations. In Mexico there are three main municipalities associations which are trying to merge into one, task that is difficult because each of the associations represents members of a different political party. Nevertheless, they have been effective in the promotion of the municipal agenda and in the strengthening of local governments' institutional capabilities. Still, the municipal associations are influenced by party issues.

Mexico does not have a Ministry of Intergovernmental Affairs as other federal countries do, even though a special agency for intergovernmental matters and local development was created in 2002 within the Ministry of the Interior (*Secretaría de Gobernación*). The National Institute for Federalism and Municipal Development is in charge of the coordination of all the federal government's policies for decentralization, local development and intergovernmental affairs. This agency is too young and its position is still weak, compared to that of other ministries whose size and financial capacity make them resist decentralization policies. Several competences and functions that, according to the principles of subsidiarity and efficiency, should be in the responsibility of state governments, remain in the federal tier of government, but most federal agencies are reluctant to apply federalist policies or to develop institutionalized mechanisms of intergovernmental cooperation.

Some other informal meetings of federal and state governments represent the most important intergovernmental mechanisms of communication. Most governors have a personal and direct communication with the President and the federal ministries in order to solve some administrative and political problems. This kind of contact has not been enough to build the agreements that are needed to obtain long lasting solutions.

That is why the most important concern of many political actors and of academics is that the structural problems of federalism – the kind of issues that have to do with the Constitutional and legal foundations of federalism – is not present in the agendas of political parties nor in those of the governors, who are more interested in the short-term benefits that imply an increase in transfers.

Federal and state governments are still learning how to manage their relations. International examples may be useful for learning this task. In

intergovernmental relations in Mexico today, it is difficult to find the balance between state and federal interest and to channel negotiations toward effective solutions. It would take more time to improve the present mechanisms of intergovernmental relations. Structural reforms are also needed to change the incentives of subnational units and of the federal government, in order to generate effective negotiations and intergovernmental cooperation.

## Conclusion

In the present time, there are no revolutions, no dictators and the PRI regime is over. Mexico is experiencing a transition towards democracy and federalism, a transition that began in the local governments.

Before the decade of the 1980's it would have been almost useless to study Mexican intergovernmental relations — it would have been like studying political parties systems in a dictatorship. Although the Constitution established the existence of two tiers of government, and stipulated an exclusive area of competence for states, in reality there was no more than one tier of government. There was almost no conflict between states and the federation, because most issues were resolved by instructions from the federal government or the party, instructions that weren't subject of negotiation. Eventually, when an intergovernmental conflict arose, it was solved neither by institutional nor by federalist means.

The democratic transition started in the municipalities and in the states, so when the PRI regime was peacefully overthrown, one of the main aims of the emerging political actors was federalism. Nevertheless the motivations of Mexicans for asking for the establishment of an authentic federalism in Mexico differ. Some think that federalism is the best way to develop social policies that take into account the different characteristics of each region, and as the international examples show, they are right. Some others see in federalism a useful tool to recuperate, at least partially, the power they have lost.

Once again the debate on federalism is arising. The search for the balance between local autonomy and national unity has emerged again. Mexico has another chance to build a political system in which the existence and discussion of different points of view can result in better solutions for the most important problems of the Mexicans. In this sense, the construction of effective and transparent intergovernmental relation mechanisms, in which different tiers of government can negotiate on equal terms and together build the nation's future, seems to be an imperative.

Nevertheless, Mexico can't have effective, transparent and efficient means of intergovernmental communication when the country's political system still contains several elements of the authoritarian and centralist regime of the PRI. Nor can the country do so when the it has never experienced a federalism where conflicts among tiers of government are channeled through means of conflict resolution. Nor can the country do so when it does not have a strong federalist tradition, and where the political actors have not found yet their place in the new democratic system.

Neither federalism nor democracy can be built in a day. Still, Mexico is changing quickly and the pressures for a deeper decentralization of power are

stronger. State governments should widen the scope of the federalist debate and the federal government should demonstrate its will to build agreements. The balance is about to be found.