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A Comparison of Federalism
in Mexico and the United States

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Abstract

This document was written as one of two introductory chapters for a collection of case studies on subnational government for students of public policy and public administration in Mexico and the US. Their objective is to provide the comparative background information necessary to understand the current dilemmas facing government, as presented in the case studies, as well as to analyze the distinct options for resolving these issues. The argument of this chapter is that the federal system in each country has proven sufficiently flexible to allow for substantial divergence and variety in the practice of government over time without changing basic legal structures. The chapter closes with a comparison of fiscal federalism between the two countries, to give the reader a clearer idea of how the differences and similarities discussed throughout the text play out in practice.

Resumen

Este documento conforma uno de los dos capítulos introductorios de una colección de estudios de caso sobre gobierno subnacional. Estos han sido escritos para estudiantes de administración y políticas públicas tanto en México como en los EEUU. Su objetivo es brindar el contexto comparativo necesario para entender los dilemas actuales que enfrenta el gobierno, tal y como se presenta en los estudios de caso, así como analizar las distintas opciones para resolver estos asuntos. El argumento del presente capítulo es que el sistema federal en cada país se ha mostrado suficientemente flexible para permitir una divergencia y una variedad sustanciales en la práctica de gobierno durante el tiempo sin tener que recurrir a cambios en las estructuras básicas legales. El capítulo finaliza con una comparación del federalismo fiscal entre las dos naciones, para dar al lector una idea más clara de cómo las diferencias y similitudes discutidas en el texto se manifiestan en la práctica.

Two Forms of Federalism

Introduction

In spite of the 2,000-mile border shared by Mexico and the US, their systems and practices of government –both nominally federal– are substantially different. These political and administrative differences take on growing importance between neighbors who have sought to increase their interconnections and levels of cooperation over the past two decades, and whose residents have come to deal with each other in deeper and more complex ways. Despite these changes, even the best-intentioned efforts by national, state and local government authorities to embark on joint programs and projects are often undermined by a basic failure to comprehend the degree of difference among them in ways of carrying out similar activities.

The comparison of governmental systems across countries is useful, but it is also an exercise fraught with complexity due to the scope of the issues to be discussed. The risk is that generalizations may interfere with a nuanced understanding of these themes, especially as they play out in particular times and places. This chapter sketches the major points of similarity and difference in these two governmental systems in order to help readers better understand the case chapters which follow. Many important discussions must, for practical reasons, be left out of this portrait, but readers should come away with a clearer understanding of the reasons behind some of the problems and the solutions in each country. The bibliographies for each country are a starting point for those who wish to immerse themselves in the vast literature on these topics.

What is Federalism?

Modern forms of national governmental organization are usually divided into two types: federal and unitary. These two types differ principally in terms of the degree of autonomy and sovereignty granted to their subnational units, including the kinds of public services and functions they offer, and their potential revenue sources. In unitary systems, power and control are concentrated in the central government, and subnational governments function essentially as the regional branch of national offices. Federal systems, in contrast, are comprised of somewhat autonomous subnational governments (states or provinces, as well as municipalities in many countries), and based on a division of powers among these levels. In federal countries, the leaders of subnational governments are elected by local

residents, rather than being named by national authorities, and they enjoy varying degrees of control over activities within their jurisdictions.

One of the principle lessons of studies which compare federal systems is that in practice, this is a flexible form of government which allows for substantial variations in the distribution of power and control both among countries and over time in a single country. This chapter suggests that such variation may be expressed in terms of the legal structure, as well as in the actual practice of government by subnational levels. In this sense, the comparison of Mexico and the US is particularly rich, since in broad terms, the countries differ markedly in terms of their federal practices. Keeping in mind the constant changes over time in the governmental systems of each country, Mexico can be characterized as one of the most centralized federations, while the US has been one of the more decentralized (Rowland and Graham, 2002). During most of the twentieth century Mexico was characterized by an ever-increasing tendency toward centralization as the result of its corporatist and authoritarian system¹ that concentrated power in a single, dominant party, and in particular, in the president. These elements contributed to the weakening of subnational powers, both in political and in administrative terms. However, during the last decades of the 20th century, these tendencies began to reverse as part of a broader process of political and economic liberalization.

In the US, the general trend of centralization or decentralization has shifted more frequently over time, and the increasing complexity in intergovernmental relations since the 1960s has made it difficult to distinguish an overall pattern today. The height of centralization in the US can be identified as the New Deal and Great Society eras. Nevertheless, even during these periods of centralization—and in contrast to Mexico and many other countries—subnational governments in the US always maintained substantial autonomy in terms of the scope of local responsibilities and powers. In addition, local elections remained free from national control. By the beginning of the 1970s, the role of central government in public life in the US was diagnosed by politicians and voters as problematic, and a new cycle of efforts to decentralize government was born. However, evaluations of the outcomes of these efforts disagree about the net extent of change (Walker, 2000).

The Evolution of Federalism in Mexico and the US

¹ *Corporatism* is a term commonly used to describe Latin American governments that interpose selected organizations between residents and government, allowing for the negotiation of benefits only between officials and the leaders of these groups. *Authoritarianism* refers to the dominance of a country's political life and structures of government by a relatively small group within the population. Two excellent introductions to these terms in the Mexican context can be found in Camp (1993), and Skidmore and Smith (1997).

Federalism has been more extensively studied and debated in the US than in any other country, reflecting both the longevity of this form of government, and its continual adjustments to reflect the changing needs and preferences of the population. Given the imbalance in information, it is difficult to compare federalism in the US to that of other countries, especially Mexico, where writings on the topic are much more scarce and typically concerned with different issues. In this section the effort focuses on tracing the broad contours of the federal form of government in each country in order to make more clear the similarities and differences which persist to this day.²

Origins of Federalism

Federalism was essentially invented in the United States through its Constitution of 1787, which broadly established a system of government based on the separation and the division of powers, and served as a governing pact for the thirteen original colonies. These colonies had experimented with a more radically decentralized form of national government organized under the Articles of Confederation (1777-1787), but by the decade after Independence, this system had become unworkable in the face of popular challenges to state authority.

The new Constitution, and its accompanying Bill of Rights, was designed to address concerns about public order, but at the same time to conserve the republican form of government and its limitations on the power of the State to impinge on individual freedoms and rights (albeit, only those of propertied men of European descent). Still, there were differences among the main political forces of the era about how best to achieve these goals. The challenge was to balance tensions between those who believed that the wishes of the governed were best served through maintaining powers in the relatively small state governments and those who believed that the country could not survive internal and external threats without a fortified central level. In the end, certain guarantees of state autonomy were retained as a political necessity, in order to assure the ratification of the new Constitution, while limited powers and responsibilities were created for central government.

The principle of divided government authority was not new to the US colonists. Because of the physical distance from England, the governing relationship had evolved by 1763 into a system in which the Crown and Parliament controlled foreign affairs and international trade, while other matters were left to the individual colonies (Janda, *et al.*, 1987:68). Thus, the new Constitution, taking as precedent the Articles of Confederation, was

² Much of this section was adapted from Rowland and Graham (2002).

based on a pact that similarly sought to divide the functions of government, and reserve most powers for the states.

But the political sphere was not the only arena of the colonists' experience which is believed to have influenced their preferences for the new government. For example, shareholder arrangements, in which a portion of the profits of business enterprises was remitted to a central authority charged with managing operations efficiently, were common. In addition, especially in New England, the theology of the Puritans and other religious groups was important. Their concept of *covenants* between God and humans, in which both were voluntarily bound in a mutually beneficial relationship, appears to have influenced not only the form of local government, but also the federalist structure of the Constitution (Elazar, 1987). In his travels in the US several decades later, Alexis de Tocqueville was struck by the degree to which associations and partnerships pervaded American life (Tocqueville, 1969).

Mexico's colonial experience was substantially different from that of the US, not only in terms of governing arrangements, but also in social and economic structure. Political power in the Spanish Empire—as well as in the existing empires of prehispanic Mexico—was centralized in a single individual and was absolutist in character. Royal authority in the colonies took on similar characteristics, with viceroys charged with representing the Crown in every aspect of public life. Some historians argue that this legacy of centralization, combined with a lack of constraints on executive power, has pervaded governance in Mexico throughout history (Reyes Heróles, 1974).

In addition, during the first years of Spanish rule in Mexico, relatively few Europeans arrived with the intention of making the colony their permanent home. The result was an economic system based on the extraction of natural resources, particularly precious metals, to be sent back to the Crown in Spain. Greater numbers of indigenous residents, in comparison with the colonies of the future US, ensured the availability of slave labor, making large landholdings (*haciendas*) a viable economic activity. The dominance of traditional Catholicism in Mexico, which included the presence of the Spanish Inquisition in 1571, also reflected a much more centralized and hierarchical social organization in comparison to what existed in the US around the same time.

Indeed, events in Spain probably had more influence on the independence of the country's New World colonies than did any nascent revolutionary movements. In the midst of a series of challenges to the monarchy (including the implementation of the *Constitución de Cádiz*, which essentially transformed the empire into a constitutional monarchy), Napoleon's invasion in 1808 offered the opportunity to dissatisfied residents of Mexico and elsewhere to declare their independence. However, in contrast to the situation in the US, it was conservatives rather than reformers who dominated post-Independence government in Mexico, and this had important implications

for the type of government which was eventually formed. The country's first government was a monarchy, established under Agustín de Iturbide in 1821. His supporters attempted to ensure that liberal reforms, such as the parliament formed under the Constitución de Cádiz, were not imported from Spain.

Iturbide's reign, however, did not last long. Part of the reason was continued political instability, as well as the threats of secession by certain key provinces, including Jalisco, Oaxaca, Yucatán and Querétaro, which objected to continued centralization in Mexico City. In 1824, the Constituent Congress set out to find an adequate replacement for monarchy. After much debate, it opted for a federal form of government. Much controversy in Mexico surrounds the question of whether members of the assembly were more influenced by the US model of federalism or by European thinkers such as Montesquieu, but most likely there were multiple sources of inspiration. In practical terms, the Constitution needed to balance demands for provincial autonomy on some matters, with the continued threat to territorial integrity posed by not only Spain, but also France, England and the US. The result was Mexico's original federal constitution of 1824, which reflects an uneasy balance of conflicting demands, and which turned out not to be a sustainable basis for government.

Nation Building: The Evolution of Government in the 19th Century

In spite of efforts to use innovative federal constitutions as a basis for the new nations, both countries had difficulties in maintaining national unity and a governing consensus during much of the 19th century. Mexico's case was marked by a rapid succession of unstable governments rotating through power until the 1870s, and the loss of almost half of its national territory to the US. For its part, the US was able to mitigate some internal political tensions by way of continued territorial expansion. Nevertheless, by the 1860s, the bloody Civil War broke out, provoked in part by disagreements over the spheres of authority of states versus the national government.

The struggle between Mexican conservatives, who preferred a centralized and unitary system, and liberals, who favored a decentralized federation, persisted throughout the nineteenth century and contributed to the instability of government. From 1821 to 1850, *fifty* federal executives assumed office, most installed through military coups (González y González, 1993:91). The failure to reach consensus about the form that the new country should take was also reflected in repeated shifts in the constitutional order. In 1836, a conservative Congress returned the country to centralized authoritarian government. In 1842, in the face of rising public discontent coupled with the secession of Texas, a new attempt at federalism was agreed upon in another Constituent Assembly. In the midst of continuing instability, the

administration of President Benito Juárez imposed a modified federal constitution in 1857 (López Rosado, 1972). In the following decade, the country swung from presidential federalism to a new monarchy (under Emperor Maximiliano, 1864-1867) and back, when a stable form of government was finally consolidated by Porfirio Díaz in the 1870s. So severe were the challenges to government during the 19th century that some scholars argue that Mexico did not really exist as a united country before this era (Guillén, 2000; Merino, 1998).

Meanwhile, the US was experiencing different challenges to its federal system. The principal recurring question was the extent to which the national government could impose its preferences over the states, and in what issues. Here, the separation of powers established in the Constitution came to play an important role, as the Supreme Court began to side with the central government against the interests of the states.³ However, in general terms, federalism was conceived and practiced as a system of dual authority. National and state governments each acted within the bounds of the distinct realms of authority mandated in the constitution and restricted by the 10th Amendment, which reserves for the states and the people any powers not delegated to national government.

The Civil War of the 1860s marked a watershed not because it essentially changed the form of government in the US, but because its results were essentially to maintain the status quo of dual federalism (Keller, 2000: 355). The victorious North did manage to impose its preferences on some issues, perhaps most importantly, in the abolition of slavery. Still, the restored national authority did not attempt a radical centralization of powers, in spite of federal military occupation of Southern states afterward. Instead, US government continued much as before, with states responsible for most issues of everyday importance to citizens, and the national government concentrating on foreign affairs and some macro-economic issues. Compared to later decades, this arrangement could be considered decentralized federalism. The hand-off approach to economic issues followed by the central government during this period came to be known as “laissez-faire” policy.

Stability via Centralization: The 1920s to 1980s

The twentieth century in both countries was marked by profound transformations in the practice of federalism. Each experienced serious crises in the early decades of this period, and resorted to more centralized government to overcome these crises. In this sense, each were also influenced by the political and economic philosophies of the 1930s, which suggested that a powerful central authority was necessary to face the power of big business,

³ For example, *McCulloch vs. Maryland*, 17 U.S. 316, 4 L.Ed. 579 (1819).

promote economic stability and overcome poverty. However, in neither case was the basic model or legal structure of federalism formally discarded; rather, the existing institutions were adapted to fit changing situations. By the 1970s, however, the “pendulum” in both countries had begun to swing back from its highpoint of centralization toward renewed efforts at decentralization, as concern about inefficiency and abuse by central government led to demands for change. Again, though, this change in direction was achieved without modifying the basic structure of federalism.

The timing of these shifts did vary between the two countries. The dictatorship of Porfirio Díaz (1876-1910) in Mexico had effectively brought the nation together in the final decades of the 19th century, but it had done so at the cost of both local autonomy (Merino, 1998) and the basic democratic norms laid out in the Constitution of 1857. Elections for governors and the Congress were closely controlled by Díaz and his loyalists, while little attention was paid to the plight of the vast impoverished majority outside Mexico City. By 1910, the regime was confronted with armed rebellion from a number of regional movements which eventually joined together to end this centralized dictatorship. While the uniting principle of these groups was to overthrow Díaz, the variety among their regional bases of support explains why, after nearly a decade of bloody fighting, federalism was unanimously chosen as the structure of the 1917 Constitution (Hernández Chávez, 1993). This new Constitution resembled the 1857 Constitution in the bicameral design of the national Congress, the democratic system, and the free municipality.⁴ These elements were meant to ensure the autonomy of the states by making them politically-legitimate counterweights to decisions of central government. However, measures taken to confront—once again—persistent national political instability, including the creation of a one-party regime, led to informal practices which overwhelmed the decentralized design set forth in the 1917 Constitution.

In the US, the decentralized federalism and laissez-faire government of the late 19th and early 20th century came to an end when the Great Depression shook the bases of the system of government. Additional impetus was given to centralization—particularly in the figure of the national president, who serves as commander-in-chief of the armed forces—when entry into World War II became unavoidable. Both challenges were met with a centrally-led mobilization of resources and efforts which led during the 1930s and 1940s to a shift in power from local and state governments to the national level. In part, the transformation was pragmatic: the extent of economic crisis was simply too great to be overcome with the resources of states alone. Thus, the

⁴ The Constitution mentions the free municipality (*municipio libre*) as one of the bases of government. This has given rise to some confusion over the degree of autonomy that municipalities were intended to exercise. However, legal scholars suggest that the term refers to the form of election of municipal authorities—that is, freely elected, rather than appointed by higher authorities (Tena 1997).

strategy undertaken in President Franklin D. Roosevelt's (1932-1945) New Deal involved a shift from the previous system of "dual federalism" toward one of "cooperative federalism," in which both national and state governments operated with shared authority over certain spheres of public life (Walker 2000:89-90). If, on the one hand, central government greatly expanded its practice of making grants to the states, it did so on its own terms, with its own goals and preferences in mind. Thus, while the relationship could be termed cooperative—and indeed, the weakened states and local governments protested little—it also represented an increase in the power of central government to intervene in state and local affairs.

Meanwhile, in Mexico, centralization came about in a different way during this period, although the basic goals of national government dominance to preserve the nation were similar. As the Revolution came to a close, the need to rebuild the country and to fulfill the social agenda set out in the Constitution by the new political elites were determining factors in a return to centralized power. The first expansion of federal government at the expense of the state sovereignty began in the 1920s, with proposals for the country's physical and economic reconstruction. These represented an opportunity for federal government to intervene in the development and the politics of the states through repeated military incursions by federal troops. Furthermore, the administration of the new social guarantees that were established in the 1917 Constitution (principally, education, labor, and land redistribution) was assumed by the central government, particularly after reforms in 1929 which strengthened the hand of the national Congress relative to the states in labor issues. Presidents used their prerogatives in these areas to manipulate their relationship with the states and their residents. Their power was reinforced with the creation of the National Revolutionary Party (*Partido Nacional Revolucionario*, a direct predecessor of the PRI) in 1929, and the corporatist organization of national society (Hernández Chávez, 1993).

President Lázaro Cárdenas (1934-1940) was able to centralize government further, through the application of the national economic development theories which were in favor throughout most of the world during this era. These theories suggested that the administration of a nation's scarce resources should be planned, organized, programmed and implemented by the central government, relegating the states and municipalities to minor and subordinate roles. Under this logic, the government eventually nationalized not only the petroleum and electricity industries, but also the banking system. The main supports to the presidential system, corporatist groups organized through the Confederation of Mexican Workers (CTM) and the National Confederation of Peasants (CNC), were linked directly to the federal executive and ensured that no rival groups could compete for popular support. Over the years, single-party rule and political practices which

included the intimidation of opposition voices as well as massive voting fraud, ensured that central government maintained control over public life, even while democratic forms, such as elections, were scrupulously followed. Thus, despite a nominally federal structure, Mexican national governments during most of the twentieth century managed to neutralize the system of separated and divided powers set out by the Constitution of 1917. The power of the national president was reinforced by his leadership of the tightly-organized and strongly-hierarchical PRI. The direction of this dominant party allowed him to control not only the legislative and judicial branches of national government, but also the states and even the municipalities. The president came to directly name or approve candidates for every elected office in the country—and the party’s control over elections meant that his candidates virtually always won.

The problems resulting from centralization in Mexico began to be felt in the political crises of the 1960s, especially in the large cities, which had grown rapidly during the economic expansion of the previous decades. Urban residents found themselves outside a corporatist structure developed by the post-Revolutionary regime to fit the rural society that existed at the beginning of the century. The system proved incapable of incorporating the growing number of skilled workers and professionals, in spite of attempts made through the populist presidential strategies of the 1970s (Hernández Chávez, 1993). As in many other countries, the end of the rapid economic growth in the 1970s and 1980s contributed to a widespread disillusionment with the existing centralized system .

Rapid social change in the 1960s and 1970s affected government organization in the US in a similar way. Changes in the country’s economic bases resulted in rapid rural-urban migration, while post-War prosperity for some raised the issue of inequitable distribution of income, especially for racial minorities. The “Great Society” social programs of President Lyndon Johnson continued and expanded the New Deal tradition of central government involvement in programs designed to address social problems. Many new grant programs bypassed the states in an attempt to attend to the needs of impoverished urban dwellers. Conditional grant eligibility rules amounted to increased central government activity in local spheres, there was a broad expansion in the kinds of activity that central government undertook, and states and local governments increasingly became the object of federal regulations (Walker, 2000: 124-125).

Thus, while local governments were beneficiaries of new grants, the programmatic objectives of these grants were set at the national level and responded to national political priorities. This is not to suggest that the goals, such as the enforcement of civil rights law, were without merit, or that the intervention of central government was unnecessary to overcome inequitable state and local practices. The programs of this era do, however, represent a

marked contrast to the strict division of state and national government which characterized US federalism for much of the previous two centuries.

This view helps explain the gradual shift of public sentiment against national government dominance, first represented by President Richard Nixon's "New Federalism" of the 1970s. The new objective was to overcome the perceived problems of large central government, including inefficiency and unresponsiveness to local preferences, by returning to the states and local governments the responsibility for choosing how public resources were spent. Instead of promoting federal government priorities, revenue-sharing with the states allowed the latter more discretion to choose the programs and policies within their jurisdictions (Reagan, 1972). However, many actions by Congress during this period effectively limited the impact of Nixon's efforts. The result, according to one analyst, was "a tremendously expanded commingling of governmental functions" (Walker, 2000:133).

The Impacts of Globalization: Evolution for the 21st Century

By the final decades of the 20th century, both Mexico and the US were embarking on efforts to decentralize government, in part to meet the demands of citizens for greater voice in local affairs, and in part to make government more efficient and flexible. Worldwide changes in theories about the role of national government, as well as the growing globalization of markets, reinforced the notion that greater variety in local responses to changing circumstances should take priority. Earlier questions of national stability, in political and economic terms, were no longer considered so urgent.

In Mexico, the 1980s witnessed the first serious attempts to transform the one-party political system from within. The alternative adopted included both political and administrative decentralization, implemented primarily through amendments to Article 115 of the Constitution in 1983. These amendments introduced the bases of stronger and more autonomous municipalities relative to both state and federal levels of government, by clarifying their responsibilities and revenue sources. The reforms did not, however, broach the topic of decentralization to state levels, presumably because state governors (even members of the ruling party) were seen as potential rivals to national power. In contrast, there was little fear of the potential political challenge of municipal leaders.

In spite of these constitutional reforms, the decentralization of the Mexican system to the municipalities has been severely limited by a variety of contravening constitutional provisions, by the historic weakness and incapacity of the municipalities, and by bureaucratic practices and traditional politics fostered by a one-party system. Decentralization was an objective raised in the rhetoric of the administrations of Presidents Miguel de la Madrid

(1982-88) and Carlos Salinas de Gortari (1988-94), and indeed some limited actions were taken during both periods to promote it. Still, it was not until 1995 that decentralization policies directed toward both states and municipalities were expressed in more formal terms as the New Federalism (*el Nuevo Federalismo*) and introduced as one of the main policies of the national government (Ward, Rodríguez and Cabrero, 1999).

With the administration of President Ernesto Zedillo (1994-2000), Mexican federalism finally appeared to be moving toward meaningful decentralization. However, beyond any policy effort, the most important changes were political: the acceptance of the erosion of the dominance of the PRI at all three levels of government. Initially this was expressed in the growing number of municipal and state administrations in which opposition parties were allowed to win elections and assume office. The shift toward free and fair elections, in turn, provoked increased demands for decentralization, since residents now had direct channels through which to pressure their local authorities to take full advantage of the scope of action guaranteed for municipalities in the Constitution (Cabrero, 1996). In 1997, the PRI lost its relative majority in the Chamber of Deputies for the first time since the party's formation. In the presidential elections of 2000, Zedillo recognized the victory of Vicente Fox as his successor, and, perhaps more importantly, the PRI itself accepted this defeat. This series of events suggests that—even beyond national government policies—the political forces that favor centralization have lost power relative to those that favor decentralization.

In the US, the political transformation of the 1980s was not as stark as Mexico's, but decentralization was also embraced as a response to the political scandal and economic malaise of the 1970s. President Ronald Reagan reintroduced the term "New Federalism" to the US political lexicon, and attempted to return public policy discretion and control to state and local governments, as well as to other forms of local associations, such as churches and non-profit organizations. Whether or not these efforts were successful is subject to some debate. However, it is clear that during these years the states continued their trajectory of increased activity and growing competence (Walker, 2000). This trend toward greater state and local government activity in determining the shape of public programs within their jurisdictions continued through the administrations of Democratic President William Clinton (1993-2001). It also implies that the political onus of deciding between cutting public spending and raising local taxes falls increasingly on state and local governments.

In sum, then, the federal system in each country has undergone a series of transformations over the centuries, reflecting the power of the various social and political groups which have intervened in the political life of each country, as well as the dominant theories and trends in national and international economies. This struggle has resulted in constantly shifting

arrangements, as political and administrative autonomy between the states and the central government was negotiated and renegotiated over the years.

Current Practices of Federalism

The discussions of the previous pages illustrate that federalism, and government practices in general, are constantly evolving and do not lend themselves to easy and enduring generalizations. However, as the following discussion makes clear, in spite of dramatic moves toward decentralization in recent decades, Mexico remains highly centralized. In contrast, the US has undergone a “simultaneous tendency to centralize and to devolve” (Walker, 2000:171), while states and local governments are becoming more active within their jurisdictions. This section compares the present-day practices of the two countries in terms of legal frameworks, the structure of government, and the resulting intergovernmental relationships.

Legal Frameworks

The US national constitution is relatively general and brief, and these traits have allowed for the same document, with only minor revisions, to endure through over two hundred years of social, economic and political change. Indeed, the symbolic importance of the constitution in US political culture is likened by some to Biblical proportions, and this widespread reverence has strengthened the document as the underlying basis for US government (Janda, *et al.*, 1987:66-67). Paradoxically, Mexico has had no fewer than three federal constitutions during the same period, and each has been much longer and greater in detail than the US counterpart. But the provisions set forth typically have not been respected or enforced in practice. Indeed, the Mexican constitution has been described by some as a project, or a set of goals to someday be achieved, rather than the basis for everyday government (Guillén, 2000; Merino, 1998). However, there are some basic similarities and differences in the governing structures which these two documents (in Mexico’s case, the current Constitution of 1917) set forth. Most generally, both constitutions *separate* national government into executive, legislative and judicial branches, and describe not only the powers of each branch, but their relationship with residents as well. In addition, power is *divided* according to these federal constitutions among relatively autonomous state governments, and, in the Mexican case, municipal governments as well.

Separation of Powers: Checks and Balances

Influenced by Montesquieu and other thinkers of the late 18th century, both Constitutions depend on the separation of powers at national and state levels to limit the extent to which government might be dominated by a single person or group. The three branches of government—executive, legislative and judicial—are designed to exercise different functions and in this way guarantee, on the one hand, responsiveness to distinct regions and shifting public demands, and on the other, that the actions of government conform to Constitutional norms. The separation of powers allows each branch a margin of authority over particular government tasks, while at the same time submitting it to a certain level of scrutiny and control from the other two. This is known as “checks and balances” in the US. For example, while Congress has the power to design and enact legislation, the President may veto a new law, or the federal courts may invalidate it.

In theory, then, the national executive, the President, is elected to administer public resources and carry out the sentiment of the national majority regarding the direction of the country. Legislators are elected separately by each state or district in order to express the wishes of residents of distinct regions, as well as of the state governments. Members of the judiciary are named by consensus of the two other branches to serve longer terms so that they may be less influenced by public desires, and remain focused on guaranteeing conformity to the basic legal structure. However, in practice there is variation not only between the way the Mexican and US Constitutions foresee the role and scope of these activities, but also in the extent to which constitutional provisions are adhered to in practice. The basic structure and practices of the three branches are described in Figure 1.

F I G U R E 1

COMPARISON OF THE THREE BRANCHES OF FEDERAL GOVERNMENT IN MEXICO AND THE US

	MEXICO	US
EXECUTIVE BRANCH		
TERM LENGTH	SIX YEARS	FOUR YEARS
REELECTION POSSIBLE	NO	ONE TERM
FORM OF ELECTION	DIRECT POPULAR	ELECTORAL COLLEGE
VICE PRESIDENT	NO	YES, FROM CANDIDATE'S OWN PARTY
LEADERS OF CABINET AND AGENCIES	DETERMINED BY EXECUTIVE	CANDIDATE PROPOSED BY PRESIDENT, CONFIRMED BY SENATE
LEGISLATIVE BRANCH		
UPPER CHAMBER	SENATE	SENATE
TOTAL NUMBER	128	100
NUMBER OF REPRESENTATIVES PER STATE	4 (2 BY "PROPORTIONAL REPRESENTATION"*)	2
FORM OF ELECTION	STATEWIDE	STATEWIDE
TERM LENGTH	6 YEARS	6 YEARS
REELECTION POSSIBLE	NO	YES

* As noted in the text, Mexico's version of porportional representation differs markedly from those of other countries.

LOWER CHAMBER	CHAMBER OF DEPUTIES	HOUSE OF REPRESENTATIVES
TOTAL NUMBER	500 (200 BY REGIONAL SLATES)	435
NUMBER OF REPRESENTATIVES PER STATE	BASED ON STATE POPULATION, WITH MINIMUM OF 2 FOR EACH	BASED ON STATE POPULATION, WITH MINIMUM OF 1 FOR EACH
FORM OF ELECTION	BY DISTRICT AND AT-LARGE	BY DISTRICT
TERM LENGTH	3 YEARS	2 YEARS
REELECTION POSSIBLE	NO	YES
JUDICIARY		
NUMBER OF JUSTICES	11	9
TERM LENGTH	15 YEARS	LIFETIME
SELECTION PROCESS	SENATE CHOOSES FROM LIST PROPOSED BY PRESIDENT	CANDIDATE PROPOSED BY PRESIDENT, CONFIRMED BY SENATE

The Executive Branch

According to the design of the US Constitution, the President has limited power and is charged primarily with executing the laws enacted by Congress. While the President does exert leadership on foreign affairs, the office is less dominant in domestic issues. For example, one analyst has calculated that less than 20 percent of legislation proposed by the executive branch is approved in Congress (Peterson, 1995), which means that presidential effectiveness in domestic policy is related to abilities to negotiate, bargain, and influence key members of Congress. Nevertheless, depending on political circumstances and personalities, the president may play a key role in setting the agenda, framing the debate, proposing the budget, and vetoing legislation. In addition, the chief executive can have a lasting effect on policy well beyond his term in office through appointments to the federal courts, particularly the Supreme Court.

Still, in comparison to the Mexican counterpart, US presidential power is relatively circumscribed. For example, the Mexican Chamber of Deputies' approved 98 percent of presidential initiatives from 1991 to 1994 (Casar, 1999), and 84 percent from 1997 to 2000 (Hernández Quintana, 2003). The predominance of the Mexican federal executive over the other two branches of national government is known as *presidencialismo* (presidentialism). It also expresses itself in the traditional subordination of subnational governments to national authority. In this sense, the system of separation of powers in Mexico falls far short of generating the checks and balances intended in a federal system, due to the concentration of power at the national level and in the person of the President. Literature explaining the centralization of power in Mexico is divided into two arguments. The first contends that it is the result of the presence of non-legal elements of the political system, in particular, the single-party system of the 20th century and the meta-constitutional powers of the president, that undermine the real objective of federalism (Carpizo, 1978; Casar 1996). A contrasting view suggests that the concentration of power and the centralization of the political system are the

deliberate result of legal provisions which undermine the very institutions they establish, including the legislative branch (Marván, 1997).

The Legislative Branch

In federal systems, the power to propose, design and revise legislation, including laws and many public policies, is endowed to the legislative branch. In Mexico and the US, this power is divided between two chambers, the Senate, and the Chamber of Deputies or House of Representatives, as the latter is known in each country.

In the US, the need to attain majorities in order to pass initiatives has traditionally led to complex bargaining and negotiation among the variety of senators and representatives, each of whom is charged with both protecting the interests of his or her own electorate (a particular state or a district of voters). Thus, the final form of legislation typically represents a compromise between the general purposes of an initiative and the specific local benefits which must be included in order to gain the support of individual legislators. The short term of office for members of the House, in particular, means that each must be constantly concerned with how his or her actions will be perceived in the home district, and representatives are frequently criticized for playing “pork-barrel politics” to ensure that their potential voters see immediate and tangible gains from the representative’s actions in Washington, while paying as few costs as possible (Peterson, 1995). Senators, by design, have relatively more freedom to take a longer view, since their terms of office are six years rather than just two.

The legislative branch in Mexico is typically criticized for rather different reasons. In both the Senate and the Chamber of Deputies, the one-party system and the prohibition of re-election have limited the responsiveness of members to their electorates. The existence of one-party rule distorted the incentives of legislators during much of the 20th century, since their political careers depended upon pleasing the president and serving the Party, rather than representing local interests. The ban on re-election—which has come under increasing scrutiny in recent years—reinforces this problem, since there is little need for an outgoing representative to seek voter approval. These issues converted the actions of the Mexican Congress during most of its existence into a simple process of rubber-stamping Presidential initiatives. However, the growth of opposition parties since the late 1980s has managed to increasingly balance the power of the PRI with opposition parties in Congress and this, in turn, has begun to limit the authority of the federal executive in the legislative process.

A deeper problem may exist in the Mexican Senate, in spite of what may have been the intentions of its designers to follow the model of the US legislative branch. The purpose of this chamber is ostensibly to

counterbalance the potential for centralization in the hands of the Executive by representing the interests of the states in national policy. However, it has always lacked the basic powers to exercise this function, including the power to intervene in decisions related to key federal government policies, such as the federal budget. In fact, since the President, as head of the ruling party, was essentially the political patron of each senator, these, like other public officials under the single-party regime, tended to express more loyalty to him than to their nominal constituents.

Thus, in contrast to the US, the traditional function of the Mexican Senate has been to temper the decisions of the relatively more diverse Chamber of Deputies. Senators acted not as representatives of Mexican states, but in the service of the federal executive (Carmagnani, 1993; Marván, 1997). Only since 1986 has the Senate been empowered to appoint the Attorney General, the Justices of the Supreme Court, the President of the National Human Rights Commission, and the Governor of the Bank of Mexico (central bank), all of which were previously named directly by the president. This reform, combined with growing partisan plurality in the Senate, may lead the way to a new role for this chamber in coming years.

The Judicial Branch

The checks and balances exercised by the judicial branch in a federal system include the interpretation of laws made by Congress, as well as rulings on intergovernmental disputes. Judges in federal courts are named, rather than elected, since in both the US and Mexico, the highly-specialized professional expertise of the officeholder is considered indispensable. In addition, the term of office for these positions is much longer than it is for either the executive or the legislative branches, under the rationale that judges should be shielded from the vagaries of public opinion, rather than responding to it.

In the US case, the judicial branch has taken on increasing importance since the beginning of the 19th century through the exercise of judicial review. Federal courts, and in particular, the Supreme Court, regularly affect the policy and practice of the other two branches through their rulings. In contrast, throughout history, Mexico's federal judiciary, to an even greater extent than the legislative branch, has been characterized by a permanent dependence and submission to the federal executive, making it the weakest of the three branches. Nevertheless, real reforms aimed at strengthening this branch were enacted at the beginning of the Zedillo Administration. One key change, in 1997, was to introduce the possibility of constitutional controversies (essentially, law suits against other levels of government) which potentially could limit the actions of federal and state governments to the boundaries of the constitution.

Division of Power Among Subnational Governments

In addition to the horizontal separation of power among branches of national government, the federal systems of the US and Mexico also divide power vertically, among different levels of government. Each of these levels enjoys a certain margin of autonomy from the others, although not precisely the same kinds of “checks and balances” that exist among the branches of the national level. This division of powers among relatively autonomous, territorially-based entities is considered by some to be the essence of the federal system, and the aspect which distinguishes it most clearly from unitary government.

The US is composed of fifty states, each of which has its own constitution and which separates power at the state level into executive, legislative and judicial branches. This arrangement at the state level actually predates the national Constitution in some of the original thirteen colonies and served as the model for national government. The state constitutions are generally longer and more detailed documents than the federal one, and some are even amended annually. Every state except one has a bicameral legislature and a judiciary which operates in parallel to the federal court system. Most legal issues are settled in state courts, where state laws prevail; federal courts deal only with national Constitutional issues, or disputes over federal law. The balance of power among branches of government at the state level varies both according to design and to the relative weight of political forces over time.

Local levels of government are numerous in the US and vary widely among states. They may include counties, municipalities, cities, townships, parishes, school districts, special districts and more. All of these are created by state charters—they are not mentioned in the national Constitution—and must follow the precepts laid out by these.⁵ Thus, US local governments depend for their authority on state governments, and enjoy few spheres of responsibility that are off-limits to state levels. This contrasts to the clearer constitutional division of powers between the national and state levels. There are some policy areas in which states and local governments may share powers or even compete with one another, but the state is the dominant player in the areas in which it chooses to act. At the local level, depending on their design, governments may concentrate power in a single local executive, disperse it among numerous council members, or follow a number of other variations (see the accompanying chapter for more detail).

Subnational government in Mexico is much more uniform, both in design and, until recently, in practice. In this country, the national Constitution lays

⁵ The exception is the District of Columbia, which is a federal creation and serves as the seat of national power.

out three levels of government: central, state and municipal,⁶ and each is assigned specific areas of decision on public matters and functions, as well as different sources of finance. Furthermore, the Constitution also sets forth implicit and concurrent powers, which are designed to permit collaboration and coordination among the different levels of government in specific policy areas, such as education, health, public safety, and environment (Tena, 1997).

Public power within each of the thirty-one states is divided into an executive branch, a unicameral legislature and a judicial branch. The states must adopt the municipality, the smallest unit of government defined in the Constitution, as the basis of their territorial, political and administrative division. New constitutional reforms to Article 115 in 1999—which were intended to reinforce the decentralization measures of 1983—established the municipality as an independent level of government, no longer legally subsumed to state administration. This endowed local government with greater powers and a slightly wider range of autonomy.

The municipal administration is known as the *ayuntamiento*, and is led by a council consisting of a municipal president and a varying number of council members and comptrollers, according to legislation in each state. Thus, the municipal government can be understood as having only one branch, the executive (Rowland, 2000b). In some cases, the council attempts to play a legislative role, but it can make only municipal administrative rules, and not law. The municipality has no judicial authority, so both criminal and civil matters are referred to state courts. Terms of office for municipal authorities are three years, and no immediate re-election to the same post is allowed.

State constitutions typically are close copies of the federal model, though some variety has begun to appear in recent years as greater electoral competition for state and municipal executive posts has begun to exert pressure on governments to experiment and innovate with the rules of the game. However, few state legislatures or courts have changed significantly in recent decades, in stark contrast to their federal counterparts. For example, some state legislatures have simply neglected over the course of decades, to make the required changes in their constitutions to reflect federal-level reforms; others have indeed made changes, but ones that contradict the spirit of national actions. In addition, recent federal reforms in the judiciary have not been echoed at the state level, so governors retain wide discretion to form a judiciary that favors their interests and to conserve a pattern of dependence on the executive branch.

The Practice of Government

⁶ The Federal District of Mexico City is the seat of the country's national government, and neither a state nor a municipality. Its structure is currently undergoing a series of profound changes (Iracheta 1997; Ziccardi 1998).

While the US has remained relatively stable in terms of the structures of government, the increased transparency and credibility of Mexico’s electoral institutions has resulted in a transformation of government during the past two decades. The basic rules of the country’s electoral system have changed little, but the role of the parties and the relationship between representatives and voters has profoundly altered the practice of federalism in Mexico.

Elections, Appointments and Terms of Office

The structures of federal governments for both countries is summarized in Figure 1, above. In general terms, as mentioned in that section, the Mexican system tends, both in law and in practice, to allow more discretion and control by the executive branch, while in the US, checks and balances among the federal branches prevail. In addition, in the US a substantial, permanent and merit-based bureaucracy staffs most offices of the executive branch, as well as many parts of the legislative and judicial branches. In Mexico, under one-party rule, new administrative teams typically would enter office with each change of government, and these party faithful would often lack not only experience but also the special expertise necessary for complex government functions. In 2003, a new law establishing career civil service was passed for Mexican central government. However, its implementation has proven complex and its impacts will not be apparent for some time.

At the subnational level, there is another type of contrast between the two countries. In both cases, states control elections at the state and local levels, and appointed officials at both levels serve at the pleasure of their respective executives, without higher-level intervention. However, while Mexico is marked by uniformity in terms of types of subnational elective office, terms, and faculties, the US is distinguished by its great variety in state and local practices (Figure 2). In the latter, states hold elections not only for governor and both branches of the legislature, but also for many judicial positions and some executive administrators. At the local level, the variety and number of elected posts is even greater, and in some jurisdictions they include justices, county clerks, treasurers, school boards, sheriff, police and fire chief, and more.

F I G U R E 2

COMPARISON OF STATE AND LOCAL GOVERNMENT STRUCTURES IN MEXICO AND THE US

	MEXICO	US
STATE EXECUTIVE (GOVERNOR)		
TERM LENGTH	SIX YEARS	FOUR YEARS
REELECTION POSSIBLE	NO	YES, THOUGH LIMITED IN SOME STATES

FORM OF ELECTION	DIRECT POPULAR	DIRECT POPULAR
LEADERS OF CABINET AND AGENCIES	DETERMINED BY EXECUTIVE	DETERMINED BY EXECUTIVE; SEPARATE ELECTIONS FOR MANY POSTS
STATE LEGISLATURES		
CHAMBERS	UNICAMERAL (CHAMBER OF DEPUTIES)	BICAMERAL (SENATE AND HOUSE OF REPRESENTATIVES)*
FORM OF ELECTION	DISTRICTS	STATEWIDE AND DISTRICTS
TERM LENGTH	3 YEARS	VARIES BETWEEN 2 AND 4 YEARS
REELECTION POSSIBLE	NO	YES, THOUGH LIMITED IN SOME STATES
STATE JUDICIARY		
TERM LENGTH	VARIES	VARIES
SELECTION PROCESS	DESIGNATED BY GOVERNOR	ELECTED OR DESIGNATED
LOCAL GOVERNMENT EXECUTIVE	MUNICIPAL PRESIDENT	WIDE VARIETY: MAYOR, COUNCIL, BOARD OF SUPERVISORS, ETC.
FORM OF ELECTION	PARTY SLATES (SOME "PROPORTIONAL REPRESENTATION" FOR RUNNERS-UP)	DIRECT POPULAR
TERM LENGTH	THREE YEARS	VARIES: USUALLY FOUR YEARS
REELECTION POSSIBLE	NO	YES, THOUGH LIMITED IN SOME STATES

The Party Systems

National, as well as many state and local elections in the U.S., are typically conducted between candidates of just two parties—a rarity among democratic countries. Analysts have attributed this tendency to the “first-past-the-post,” “winner-take-all” electoral system in this country, which assures that the single candidate who collects the most votes wins office (Janda, *et al.*, 1987). Thus, a state entitled to ten representatives in Congress is divided into ten congressional districts, with one representative elected from each district and no proportional representation. However, voters often appear to try to balance the power of one party against the other, and throughout U.S. history, no party has dominated politics at all levels and branches for than a few years at a time.

Party affiliations tend to be less important in state and local elections, and in recent decades this has become only one of several factors which influence a candidate’s chances to win office. The trend since the 1970s toward professionalization in state and local governments means that the personal qualifications of candidates often outweigh partisan considerations for voters. In addition, in some states, party affiliations are not allowed for local government candidates, although voters usually identify candidates as members of one or the other party anyway.

In contrast, one of the most striking aspects of the Mexican electoral system is the centrality of its political parties. As noted earlier, during most

* Except the state of Nebraska.

of the twentieth century, the country was dominated by a single party, the PRI. This system was characterized by strong party discipline and a political culture in which accountability to voters lacked importance, as the result of an institutional design that favored stability in the political arena (Marván, 1997). However, other parties have always existed, and these served not only as an option for those who opposed the PRI, but also to legitimate the claim to democracy expressed by the rulers of this functionally single-party system.

The PRI's dominance of the political system began to erode around 1988, when a group of dissatisfied members separated from the party, and united with several leftist parties, to create what later became known as the PRD (*Partido de la Revolución Democrática*). That year, the opposition presidential candidate, Cuauhtémoc Cárdenas, demonstrated the extent of dissatisfaction with the country's electoral system: according to many analysts, Cárdenas won the election, although the official PRI candidate, Carlos Salinas de Gortari, ultimately assumed the presidency. Disputes related to this election resulted in the creation and strengthening of a much more credible electoral system, at least for federal elections. From this year on, an increasing number of opposition victories in states and municipalities also were recognized by central government and the PRI apparatus.

Paradoxically, it has been the PAN (*Partido Acción Nacional*, a party which dates from 1939) rather than the PRD, which has taken the greatest advantage of growing transparency in the electoral system. This party began with triumphs in states and municipalities in the north and quickly expanded its influence to major urban areas throughout the country. In 2000, its candidate, Vicente Fox, became the first national president in 71 years elected from a party other than the PRI. Meanwhile, the PRD has triumphed mainly in rural areas in the center and south of the country, as well as in two consecutive victories (1997 and 2000) for the government of the Federal District of Mexico City.

The rise in electoral competition suggests that the one-party system has given way to a more plural one, with a tendency toward three-party competition (PAN/PRD/PRI). There are also more balanced, clear rules and impartial oversight for elections. However, Mexico's most important political parties maintain a centralized monopoly over power, since electoral rules prohibit the participation of non-partisan candidates at any level of government. This restricts the possibility that regional parties or political outsiders may have much impact in federal elections.

The Relationship between Representatives and Voters

As mentioned above, the single-party rule that characterized Mexico during the 20th century was based upon a corporatist system that originated in the 1930s. However, the potential of the PRI to incorporate these new groups

declined as a result of repeated economic crises in the 1970s and 1980s. By the 1990s, many specialists had detected the emergence of a more active and informed civil society, which has made its opinions heard through municipal and state electoral victories by opposition parties. The new relationship between these citizens, who are more independent of the political parties, and the government, which is now more plural, is still developing. Among the effects of these changes is a civil society more inclined to demand the opportunity to participate in decisions that concern residents, especially in urban areas. Increasing emphasis is also placed on the need to follow the letter of the law to ensure a greater transparency in the government's actions.

In contrast to this heightening of political activity in Mexico, in the US, electoral participation has tended to drop in recent decades and voter apathy is a much-discussed issue. However, two traditional aspects of the relationship between voters and government in the US deserve mention. The first is that elected representatives are generally expected to understand the sentiments of the majority in their jurisdiction and respond to these. This understanding is aided by frequent personal contact, individual letter-writing and massive campaigns (now, often through the internet), as well as constant public opinion polls.

The relationship between voters and their representatives in government has changed in recent decades with the growth of professional lobbyists, who shape legislation both at the federal level and in the largest states. The role of lobbyists has come under scrutiny because, in a context of increasingly expensive electoral campaigns, the interest groups they represent tend to contribute large amounts to the campaign coffers of certain candidates (and at times, to both major candidates for a single post). The worry is that lobbyists may expect to exert influence over the winning candidate, thereby undermining the traditional direct channels of communication between government and voters.

The second issue of representation in the US concerns the counterbalance to elected (and designated) officials which is exercised through direct activity and involvement of citizens at the local level of government. Foreign observers are often surprised by the number of public hearings, commission meetings and neighborhood associations which exist in most cities and towns across the country. This scope and degree of direct citizen involvement in government activities is unmatched at any level in Mexico.

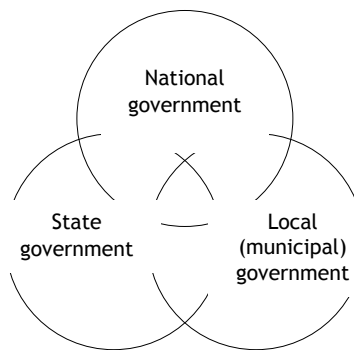
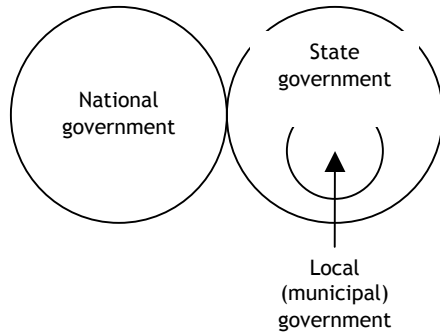
Intergovernmental Relations

The study of intergovernmental relations encompasses the interactions of multiple levels or branches of government. It is crucial for understanding public administration and public policy in federal systems, since with

authority separated and divided, the priorities and interests of the distinct levels may diverge. Analysts have developed a variety of models to illustrate the ways in which federal systems organize the powers and responsibilities of government, but these are vast simplifications of extremely complex processes. In the broadest sense, the terms *dual federalism* and *cooperative federalism* are used to distinguish among systems in which the spheres of authority of national and subnational levels of government are strictly separated versus those in which responsibilities are shared among different levels.⁷ In practice, these characterizations can shift both over time and according to the issue under discussion, since in the course of normal governmental duties, the boundaries marked by legal codes are not always reliable guides.

⁷ In reference to the US case, Janda, *et al.* (1987:110-115), refer to these two formulations of federalism as “myths.” The terms are, however, used widely in the related literature.

F I G U R E 3
SPHERES OF AUTHORITY IN INTERGOVERNMENTAL RELATIONS



Dual Federalism

Cooperative Federalism

As noted in the previous section, the US has shifted from dual to cooperative federalism over its history without the need for substantive changes in the legal structure governing the country. Since the 1970s, the complexity of intergovernmental relations has expanded, making such characterizations difficult (Walker, 2000; Wright, 1993). A large percentage of government activities now involve all three levels of government working simultaneously, either in coordination or in competition, leaving rather small areas in which any single level enjoys complete autonomy and discretion.

This increasing complexity and interdependence has spawned a corresponding increase in studies of intergovernmental relations, as well as some dissent, particularly among those who suggest that government responsiveness is diluted or hidden by such a tangle of activity. In fact, most intergovernmental relations in the US take place on a mundane, bureaucratic level, among professionals who exchange information and expertise. However, criticism has targeted national-level legislation which seeks to devolve responsibility for resolving the most difficult and contentious problems to states and localities. “Unfunded mandates” passed by national Congress are also criticized for absorbing the budgets of subnational units and leaving less room for local initiative.

The subject of intergovernmental relations is even newer in Mexico, since under the one-party system, disputes were resolved out of public view, and typically along the hierarchal lines established by the PRI. This meant that municipal governments conformed to state preferences, and the states rarely rebelled openly against the policies established by central government. These vertical patterns of political power also impeded the formation of networks among governments of the same level.

The basic limits of the responsibilities of each level of government are defined in the federal and state constitutions, as well as in relevant laws and regulations. However, some prominent legal and political scholars argue that there are technical contradictions among articles of the Constitution (Cárdenas, 1996; Marván, 1997). There is also an extensive margin of ambiguity regarding specific attributes of federal, state and municipal levels of government, as well as the mechanisms for coordination, including the Democratic Planning System and the National Fiscal Coordination System.

Thus, in recent years, Mexico has embarked on a process of definition of the exclusive and shared politico-administrative responsibilities of each level of government, in large part as a result of democratization, the entrance of distinct parties into different levels of government, and the implementation of decentralization. Many state and municipal governments have begun to explore the potential of relationships with one another, as well. The participation of new groups in the political arena has also gradually generated incentives among local governments—regardless of their party—to demand greater autonomy in the decisions that directly affect them, such as greater allocation of public resources and respect for local institutions.

Public Policy Issue: Fiscal Federalism

In order to illustrate some of the key issues discussed in this chapter, the present section takes a closer look at one policy arena common to the two countries, *fiscal federalism*. Readers should not be surprised to find that, in

general, patterns of fiscal federalism in the US and Mexico resemble the broader aspects of government discussed previously. While the US tends toward decentralization in fiscal matters, Mexico is remarkable for its continuing centralization, in spite of profound changes in government during the past two decades. The idea in this section is to lay out basic structures, highlight similarities and differences, and leave to the reader more concrete suggestions for improving the effectiveness of each. The emphasis is particularly on revenue policy, since questions of expenditure are treated in more detail with reference to subnational government responsibilities in the next chapter.

Revenue

There are numerous ways of classifying a country's public revenue, and the precise one chosen depends in part on the objective of the analysis. One basic starting point compares each country's public revenue as a percent of its GDP. This gives an idea of the importance of the government as a whole relative to the size of the economy, although the figures may mask important differences, such as national ownership of economic resources. Using this measure, it is clear that the various subnational governments in the US are more economically important than those of Mexico, since the former have accounted for around 30 percent of GDP for most of the second half of the 20th century, remaining steady in the midst of rapid economic growth (Slemrod and Bakija, 1996:19). In Mexico, in contrast, central government revenue was equivalent to 15 percent of GDP in 2000,⁸ and the inclusion of state and local governments would add no more than a few percentage points to this figure. Like many other issues of federalism, the ideal share of public revenue in GDP is subject to some controversy. The US figure has traditionally seemed low by the standards of, say, Western Europe, but many of these countries have attempted to lower their own shares in recent decades as a response to changes in the global economy. On the other hand, few analysts suggest that Mexico's figure should serve as an example: tax rates are considered too *high*, but collections are considered too *low* by international measures.

Perhaps more relevant to issues of fiscal federalism, and federalism in general, is a comparison among the share of total revenue which is collected by each level of government. Again, caution about how these figures are computed is in order when making international comparisons. Still, because of the importance of finances to government activities, these can give a general idea of the relative distribution of power among levels of government, both across countries and over time. For example, as the role of central

⁸ Data from worldbank.org, Data Query, accessed 13 August, 2003.

government in both the US and Mexico expanded from the 1930s to the 1970s, the share of state and local government revenues in total collections shrank, but by the 1980s, it had begun to grow again (Slemrod and Bakija, 1996; Díaz Cayeros, 1995). These patterns persist in each country, as evident in the most recent data available (Figure 4.)

F I G U R E 4
COLLECTION OF PUBLIC REVENUE BY LEVEL OF GOVERNMENT, 2000 (%)

	MEXICO	US
FEDERAL GOVERNMENT	75	59
STATES	18	26
LOCAL GOVERNMENT	7	15

Source: Derived from IMF (2002) *Government Finance Statistics Yearbook 2002*, International Monetary Fund Publication Services, Washington, DC.

As this figure makes clear, the most striking difference between the two countries, and one that has held steady over time, is the share of revenue collected by local governments. This reflects their tightly constrained realm of action in Mexico, and their wider variety of revenue bases in the US. Of course, this imbalance is rectified somewhat by intergovernmental transfers, but the lack of substantial revenue collection by the municipal level in Mexico suggests problems in the system's design, as well as inefficiencies in local government collections.

Allocation among Levels of Government

The agreements that determine which level of government is allowed to collect particular types of revenue are known as the allocation of revenue bases. In Mexico, much of the relevant legislation has been elevated to the Constitutional level, while in the US, federal, state and local laws determine this arrangement. One possible effect of this difference is that the revenue bases in Mexico tend to be exclusive to particular levels of government. In contrast, in the US, many revenue bases are shared by two or more levels.

Sources of Revenue for National Government

Mexican central government monopolizes the most important and lucrative revenue bases, including personal and corporate income taxes, the national value-added tax (IVA) and the profits from many natural resources, including the production and sale of petroleum. Some of this revenue is distributed via revenue sharing programs to the states and municipalities, but the

concentration of public monies at the central level is nevertheless marked. US central government is much more limited in its bases, depending principally on revenue collected from personal and corporate income taxes. Unlike the case in Mexico, these are shared, rather than exclusive tax bases, and around ten percent of the total collected accrues to state and local governments. In both countries, the central government is the only level which may charge customs and duties on imported goods, but these revenues are relatively small in the US and have tended to fall in Mexico since the beginning of economic liberalization policies in the 1980s.

State Sources of Revenue

Differences between the two countries in the balance of power among levels of government are especially apparent in the structure of fiscal federalism at the state level. In the US, the states control multiple and relatively profitable sources, including general sales taxes and many excise taxes, which are shared with local jurisdictions in many cases. In addition, many US states take advantage of liquor sales, certain types of gambling, and user fees, particularly on motor vehicle ownership and operating licenses. In contrast, Mexican states depend only on payroll taxes, taxes on new automobiles and vehicle licenses. This is because all the states signed a formal agreement proposed by federal government in the early 1980s, the National Fiscal Coordination System (*Sistema Nacional de Coordinación Fiscal*, SNCF), through which they waived their previous right to tax a variety of other bases. In return, they gained access to federal revenue transfers. This system has been the source of increasing controversy as states have gained greater measures of political autonomy, and have begun to complain that neither their revenue bases nor their federal transfers are sufficient to cover their growing responsibilities (Díaz Cayeros, 1995, 1997; Sempere and Sobarzo, 1993, 1996).

Local Sources of Revenue

In both countries, the primary source of revenue raised at the local level is the property tax, which is reserved principally for local use. In the US, it represents nearly half of all locally collected revenues, with the largest share collected by local school districts (Fisher, 1996:325). User charges are also important, and some local governments make use of an add-on to state sales taxes as well. In Mexico, the municipalities do not have independent tax authority (that is, the ability to impose new taxes, such as add-ons), but the Constitution gives them exclusive right to tax certain bases, and state laws define the exercise of this power more specifically. The most important of these bases are property taxes, user fees and charges, and fines. In both

countries intergovernmental transfers are also important, although the dependence on them varies substantially according to specific cases.

In Mexico, the majority of municipalities do not have sufficient administrative capacity to take charge of the responsibilities and obligations granted by the Constitution (Cabrero, 1996). This is why, in many cases, it is still the state which carries out nominally municipal tasks, either partially or totally. Federal transfers and revenue sharing (*participaciones*) are the most important means of finance for subnational governments, representing approximately 56% of the total amount of municipal revenue. Unfortunately, these transfers tend to vary greatly from year to year, making local planning more difficult. This is particularly problematic in small and rural municipalities, which continue to rely on intergovernmental transfers for most of their income, since the value of their local tax bases is low (Rowland, 2001). On the other hand, the largest and most dynamic municipalities have shown not only the capacity to increase their budgets through charging local taxes, but also their potential to tap sources which only a few years ago evaded taxation entirely (Cabrero, 1996; Cabrero y Orihuela, 2000).

Intergovernmental Transfers

In federal systems, intergovernmental transfers serve the key function of increasing the size of local and state budgets, and thus the capacity of these levels to fulfill their functions. The use of intergovernmental funds may be unrestricted (known as revenue sharing, unconditional grants or block grants in the US, and *participaciones* in Mexico), or they may be restricted for use in support of national priorities, for example, education, health, anti-poverty programs, or public works (generally referred to as conditional grants, these are also known in the US as categorical grants⁹ and in Mexico as *aportaciones*). In general, central government in the US distributes about the same share of its own revenues to subnational governments as does Mexico's (Figure 5). Still, because of their own revenue capacity, state governments in the US depend much less on federal transfers than their Mexican counterparts. In contrast, local governments in the US are more dependent on federal transfers than are those in Mexico, probably as a reflection of the fact that federal revenue sharing programs in Mexico are funneled through state governments rather than directly to the local level. It should also be emphasized that these national figures mask wide variation among particular jurisdictions.

F I G U R E 5

⁹ Detailed descriptions of these grants in the US, including distinctions among project grants versus formula grants, lump-sum versus matching grants, and more can be found in Fisher 1996; Mikesell 1995; Rosen 1995.

INTERGOVERNMENTAL TRANSFERS, 2000 (%)

	MEXICO	US
SHARE OF FEDERAL REVENUE TRANSFERRED TO STATES	25	12
SHARE OF FEDERAL REVENUE TRANSFERRED TO LOCAL GOVERNMENTS	3	16
SHARE OF STATE REVENUE RECEIVED THROUGH TRANSFERS	51	22
SHARE OF LOCAL REVENUE RECEIVED THROUGH TRANSFERS	27	39

Source: Derived from IMF (2002) *Government Finance Statistics Yearbook 2002*, International Monetary Fund Publication Services, Washington, DC.

The share of US central government revenue which is devoted to intergovernmental transfers expanded during the second half of the 20th century, but the specific types of grants changed as national policy went from funding Great Society programs to the New Federalism and beyond. Local governments depend especially on the state levels for these transfers; school districts (which receive more than half of the general revenue from intergovernmental transfers), in particular, receive the great majority of their funds from the states (Mikesell, 1995:449).

In Mexico, the revenue received by states and municipalities from the central government is classified as either federal conditional grants (*aportaciones*) or federal revenue sharing (*participaciones*). These two sources have come to represent most of the revenue of states and municipalities. Federal conditional grants have increased slowly since 1994, reaching 14% of total expenditure of the federal government in 2000 (SHCP, 2000), when decentralization began to be undertaken in a serious way, and the need for resources to support the autonomy of subnational governments in carrying out their responsibilities was explicitly recognized (PND, 1995). *Participaciones* represented an additional 13.5% of the total transfers of the federal government in 2000 (SHCP, 2000). The distribution of *participaciones* is based on criteria which seek to ensure a regional balance in the distribution of revenue, and efficiency in the expenditure of public resources. The states, in turn, have an obligation to distribute 20% of the shares that they receive from central government among the municipalities of their jurisdiction, according to their own criteria.

Public Debt

Another form of revenue available to national governments, as well as subnational levels in varying degrees, is public debt. Like other issues treated in this section, the use of public debt is a vast and complex topic in itself. For the purposes of this chapter, the discussion is limited to an explanation of the

differences between governments in Mexico and the US in terms of their ability to use debt as a supplementary form of resource collection.

In Mexico, the use of debt by governments is substantially more restricted than it is in the US. The Mexican central government can contract public debt on the nation's credit, subject to the approval of Congress. Any loan contracted must be used for works that promote an increase in public revenue, except for those contracted for the regulation of the money supply or during an emergency declared by the federal executive according to the terms of Article 29 of the Constitution. Congressional approval is also required for debts contracted by the Federal District and by public agencies, and both the Executive and the Mayor of the Mexico City Government must inform Congress of the use and purposes of these monies.

State and municipal debt must be authorized by the respective state legislatures, and can only be borrowed from domestic sources, including the national development bank (*Banco Nacional de Obras y Servicios Públicos*, BANOBRAS) and national commercial banks, national private organizations, and decentralized bodies of the federal public administration, such as CFE (*Compañía Federal de Electricidad*, Federal Electricity Company) or CNA (*Comisión Nacional de Agua*, National Water Commission). Changes in federal law in 1997 mandated that state legislatures now must issue their own laws with regard to public debt, and according to these, agree to mechanisms of payment and sanction with creditors in the event of non-compliance. This makes subnational governments responsible for the use of their resources, and is designed to avoid the macroeconomic problems generated by this kind of borrowing which have plagued other federal countries, most notably Brazil, as well as the need for another bailout by central government as occurred in Mexico in 1995 (Hernández, Gamboa y Díaz, 1999).

In the US, governments borrow money by issuing bonds, which are contractual promises for repayment plus interest at a later date. The use of debt has grown rapidly at national, state and local levels since the early 1970s, as credit markets for all levels of government have expanded. At the subnational level, the revenue supplement provided by loans has allowed for an expansion of expensive and long-term public infrastructure. However, large quantities of new debt have been contracted by special districts or other authorities whose relationship to elected officials and the public is not always clear. The danger, as was seen in the Orange County debacle of the mid-1990s, is that if not carefully supervised, irresponsible money managers may risk not only current public funds, but also the potential for future borrowing.

Expenditure

In both countries, the general pattern of expenditure among the levels of government resembles the pattern of revenue collection, although intergovernmental transfers lead to a slightly greater level of decentralization in spending in both cases. Relatively more public expenditure is carried out by subnational governments in the US than in Mexico, but both have moved toward greater decentralization of spending in recent years. This trend is compatible with one of the main tenets of the theory of federalism, that of *subsidiarity*. This term suggests that public responsibilities should be allocated to the lowest level that is capable of exercising them both efficiently and effectively. Thus, local governments typically control activities like street paving and land use restrictions, states are charged with tasks like regional development and public health, and central governments oversee national defense and income redistribution (see Musgrave, 1959; Oates, 1972; Tiebout, 1956). According to these theories, the optimal arrangement in many cases involves sharing responsibilities among more than one level of government. For example, in many sectors, broad policies and service standards can be set and overseen by a higher level, but lower levels of government should have the responsibility for direct service provision and administration (Shah, 1994).

The analysis of expenditure responsibilities is complicated in both countries by the sharing of many tasks among more than one level of government; the details of this arrangement may vary not only by state but even among the distinct local governments of a single state. During the latter half of the 20th century, the US has been characterized by increasingly complex interactions among levels of government (Walker, 2000). Just as suggested in theory, public services are not always carried out by the same level which imposes the minimum standards or other regulations related to these functions. In addition, many transfers of funds from federal or state governments come with restrictions for their use. In Mexico, variations in arrangements for service provision and expenditure responsibility are only beginning to appear since the Constitutional reforms of 1983 and 1999. The accompanying chapter discusses the tasks allocated to each level of government in more detail (Rowland, 2004). This section of the present chapter sketches the broad outlines of expenditure responsibilities and patterns in each country, to set the contexts for the debates discussed in the final section.

Allocation of Expenditure Responsibility among Levels of Government

In line with the general tendency of the Mexican constitution to specify much more detail regarding practices of government than does its US counterpart,

the former delineates the public service responsibilities of each level of government—the allocation of expenditures. For much of the 20th century, states took advantage of the one-party system to usurp the expenditure responsibilities of municipal governments,¹⁰ and not incidentally, reap the electoral advantages to be gained through the clientelist manipulation of public services. Recently, however, due both to changes in political practice and to increasing intergovernmental disputes, consensus is emerging around the idea that state responsibilities are circumscribed to promoting economic development and offering the necessary conditions for growth, a task which ranges from investment in state highways and roads, to public education, health and safety. States also continue to spend in certain sectors for which they judge that municipal capacity is not sufficient, although this is often done beyond the margins of the law, and has become an issue of constant controversy.

In the US, there is a broader range of patterns of expenditure responsibility, since the principal of divided powers, established in the national constitution, has led over time to the development of wide variety of responses to service provision needs. In general, either the state or some local level of government provides education, public welfare, highways, health and hospitals, police and fire, interest on debt, administration, environment and housing, corrections, and other direct consumer services.

Coordination of Expenditures among Levels of Government

In principle, the Mexican federal system allows for the existence of both exclusive and concurrent responsibilities, depending on the sector of activity. The system which is designed to coordinate the functions of the different levels of government is known as the National Democratic Planning System (*Sistema Nacional de Planeación Democrática*, SNPD). This was established in 1983 as part of national decentralization initiatives and acquired renewed importance during the administrations of Presidents Zedillo and Fox. The SNPD envisioned a structure of institutions at the state and municipal levels which would prepare plans and serve as a link between the different levels of government and their various agencies. At the state level, the COPLADE (*Comités de Planeación del Desarrollo de los Estados*, State Development Planning Committees) consist of representatives of the three levels of government. At the municipal level, the planning body is the COPLADEM (*Comité de Planeación para el Desarrollo Municipal*, Planning Committee for Municipal Development), whose purpose is to promote the socio-economic development of the municipality through the integration of the principle

¹⁰ Municipal responsibilities include water and sewage systems, public lighting, public sanitation, markets and slaughterhouses; cemeteries; streets, parks and gardens, public safety and transit; and land use regulation and planning.

actors in local planning (government, social and private organizations). They are to carry this out within a framework that is compatible with the plans of the state and federal levels of government.

Unfortunately, institutions parallel to the SNPD undermine its effectiveness: essentially, real decision making power lies elsewhere (Cabrero, 1998). First, at the federal level, the Secretaries of Social Development, Health, and Education, among others, annually sign specific agreements (*convenios*) for the execution of resources derived from federal transfers within local areas. These Social Development Agreements are not part of the SNPD but rather, are specifically created to facilitate certain expenditure decisions of the federal executive. Thus, the legal framework does not determine true practice, and very few states and municipalities actually take full advantage of the SNPD structure. The reasons for failure are mainly political. The traditional practice of Mexican government leaves ample space to the discretion of the executive branch, and if this planning system were used as designed, it would act as a restriction on this margin of discretion. Furthermore, the creation of the COPLADEM would represent real decentralization to the municipalities, an idea that many state administrations still resist, whether from a fear of losing power or because of the supposed lack of administrative capacity of the local level (Cabrero, 1998; Rowland, 2001).

The presence of concurrent responsibilities has led to intergovernmental disputes among some municipalities and states in the last few years. This type of conflict has been less frequent between the states and the central government, in part because the definition of the states' responsibilities is even more ambiguous; states encounter more difficulty in protesting the interventions of the central government because their own attributions are not completely defined. On the other hand, in some cases, such as education services, certain states actually have requested federal intervention in what is nominally their own sphere of authority, since their lack of local financial and administrative capacity prevents them from meeting existing demand.

Practice in the US contrasts markedly with Mexico's elaborate, and ultimately non-functional system of planning. Indeed, political forces in the US have always resisted initiatives for "central planning." To the extent that coordination of expenditure takes place, it happens in a way similar to that of Mexican practice, with earmarked intergovernmental transfers the primary vehicle. This lack of an explicit system of strategic coordination of intergovernmental expenditures, combined with grants for specific projects and matching contributions, is widely considered not a weakness, but a flexible and pragmatic approach to the complexities of modern government.

Current Debates in Fiscal Federalism

In both Mexico and the US, debates on fiscal federalism are rooted in the dependence of subnational levels on central government transfers. In neither country do subnational levels control sufficient revenue bases to cover their expenditures, including both administrative costs and service provision responsibilities. Central government maintains specific revenue bases for both efficiency and equity reasons. For example, certain taxes, such as income taxes, are more reliably collected by the center to prevent evasion, and there may be economies of scale in their administration as well. At the same time, systems of central government transfers seek to minimize the loss of efficiency in collections which results from the fact subnational levels are not responsible for funding all the activities they undertake and therefore may not face incentives to cut costs. Not surprisingly, then, the distribution of federal revenue is the cause of controversy, albeit for different reasons in each country. These reasons reflect both the differences in national contexts and the relative extent of agreement over which of the three levels should be charged with certain duties and powers.

In the Mexican case, the financial dependence of state and local governments suggests some important and enduring weaknesses in the country's fiscal system, including local incapacity to collect taxes and fees. It may also reflect inadequacies in the allocation of revenue bases. Underlying the concern about these weaknesses are questions regarding the extent to which political discretion may influence the transfer of federal funds to particular states and municipalities. This discretion not only could distort the stated objectives of programs, but also could influence elections through the use of public monies.

Several additional debates currently exist in Mexico with regard to revenue generation; these are related to particular problems in the national context. First, the determination of the amount of the transfers that each state and municipality receives from higher levels has been the cause of great controversy because of their discretionary nature and the lack of transparency in the system. Critics argue that the decentralization of intergovernmental transfers has represented a transfer of administrative responsibility but not of authority. Decision-making over general policies and the creation of programs is reserved for the federal government, marginalizing states and municipalities (Cabrerero, 1997).

Second, there is some fear that states and municipalities with higher pre-existing concentrations of poverty and fewer local resources will be increasingly left behind regions in which economic development and infrastructure already exist. This is problematic to the extent that decentralization truly forces states and municipalities to be more autonomous. Presumably, one goal of central government policies is to overcome regional imbalances, but this has not been the case in Mexico, either historically or in the present-day design of the SNCF (Díaz Cayeros,

1995; Sempere and Sobarzo, 1996). For this reason, the issue of regional inequality in terms of economic and social development remains one of the central government's main arguments for maintaining control over most of the nation's revenue bases.

A third issue of debate is whether states could and would accept the responsibility of establishing taxes and efficiently handling their collection. In recent years, the debates in the Chamber of Deputies have made clear that states prefer to pressure for an increase in the size of the transfers that accrue to them, rather than facing the electoral cost of imposing new taxes within their jurisdictions. The states also would have to update their own coordination systems if municipalities are to benefit from this decentralization. In addition, since both the revenue and spending needs of the municipalities vary with the level of development (Cabrero, 2000; Rowland, 2001), states would have to diversify both taxation responsibilities and their revenue bases among municipalities. This would give municipalities incentives to improve their own collections and ensure that decentralization of revenue is not mismanaged by states.

A final area of discussion is how to ensure that the states and municipalities use public resources efficiently. It is clear that their lack of legal powers and the low political and administrative cost derived from the current fiscal system reduces their interest in becoming efficient in their expenditures and accountable to their residents. Also pending are a variety of other subjects such as the strengthening of collection and financing systems, studies of potential new sources of local revenue, and the modernization of land registries to improve the collection of property taxes and water service charges.

In the US, the limited revenue capacity of states and local governments raises questions for some observers about the degree to which states, in particular, truly enjoy autonomy to choose policies for their jurisdictions if these do not conform to the priorities and preferences of national government. For example, in a context of shrinking federal transfers to states and localities, one response by local governments is to seek more creative—and complex—approaches to carrying out their duties, including the creation of special districts, new user charges, and greater involvement of non-profit organizations, which can often deliver the same goods and services for a lower cost. However, critics charge that the kinds of revenue bases upon which subnational levels increasingly rely tend to be inequitable and inflexible. The use of these new approaches also has raised some concern about the potential “distancing,” or loss of responsiveness, by local politicians to the wishes of their constituents.

Other issues of debate regarding public expenditure are related to revenue distribution, and how the actions of federal government can cause new problems for states and local governments. As noted above, many

observers complain that central government often creates new expenditure requirements for other levels without providing additional funding to support them. Controversy on this issue rose to the point that Congress passed the Unfunded Mandates Reform Act of 1995 (UMRA), which requires the Congressional Budget Office to review pending legislation for the presence of federal mandates and to estimate their costs for states and local governments (Congressional Budget Office, 1998).

A final area of concern in the US is related to public welfare programs. Decentralization of responsibility for spending in these programs over recent decades has led to criticism on two fronts. First, states dedicate a growing share of their total budgets to public welfare, in response to increased federal transfers for this purpose (Merriman, 2000). However, this distribution of the state budget is regulated by federal, rather than state, government and does not necessarily respond to current priorities in state politics. The second line of concern criticizes the decentralization of welfare programs for rather different reasons. These analysts argue that income redistribution policies are not well-suited to subnational governments, since people and firms are mobile across space and will tend to settle where the “package” of government benefits most suits them. The fear is that this may give rise to a “race to the bottom” in terms of income redistribution and public services, since states will presumably seek to restrict their welfare policies (to avoid attracting poor families with high demand for public services but little capacity to pay taxes) and keep their own tax rates low (to attract wealthy families and firms which cost the state less).

In Mexico, the “race to the bottom” is not a key point of concern, since states and municipalities do not currently have enough authority over tax rates to make much of a difference in the location decisions of families and firms. In fact, the most serious expenditure problem may be those areas in which government responsibility is not specifically allocated to any level. In the context of highly inequitable income distribution and widespread poverty, the lack of clarity in the allocation of responsibilities has allowed public authorities of all levels to evade responsibility for the demands and needs of residents in many cases. The current scheme for intergovernmental transfers falls far short of eliminating the gap between public resources and the necessary levels of investment in public services that correspond to the other levels of government. In recent years, the states have become especially concerned about this problem, since the decentralization of education and health services has left them with expensive new activities to finance. What is more, the history of inadequate public service provision means that current governments must not only face the new challenges that arise during their administrations, but also have to contend with longstanding shortfalls in service delivery. For example, in most cities, long-established neighborhoods are home to thousands of families who live without piped water or paved

streets. The current level of public expenditure in Mexico does not approach the amount needed to meet basic urban service standards.

In theory, central government control of a large portion of total expenditures might lead to improved interregional distribution of benefits, but this has not in practice been the case. The problem caused by the concentration of resources in the central government, as explained in more detail in the accompanying chapter (Rowland, 2004), is that its criteria for expenditure decisions are not totally transparent, and the states and municipalities are prevented from participating in this process.

A Brief Conclusion

These comparisons of fiscal federalism in Mexico and the US exemplify the main arguments of the chapter as a whole. The balance of power and responsibility among levels of government in each country has shifted over time, leading to historical variation in the degree of centralization or decentralization. These variations persist because of, and in some cases in spite of, the design of the formal legal framework.

As governments in both countries and at all levels have increased in complexity, it has become ever more difficult to characterize them and to compare across countries. Still, some general patterns can be discerned. At the beginning of the 21st century, Mexico remains a federation in which central government dominates, and states and municipalities remain relatively less important. This is the case in spite of efforts—and some real changes—in favor of decentralization. In contrast, in the US, states and local governments continue to assume an increasing variety of responsibilities, even if these do not always carry with them new powers of decision over policies and programs. Regardless of whether this trend represents increased decentralization or not, it is clear that in the US, these levels already enjoy substantially greater scopes of action than do their counterparts in Mexico. Both countries, as federal systems, operate in ways that are clearly distinct from unitary countries. However, the relative autonomy and administrative experience of subnational units implies very different possibilities for government.

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