

Universal Pensions in Mexico City: Changing Dynamics of Citizenship and State Formation in a Global City

By

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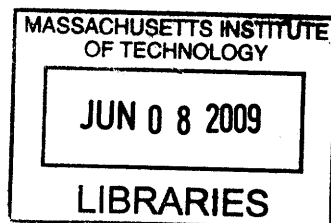
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Formation in a Global City

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Abstract

The main topic of this study is the enactment of a non-contributory and non-means-tested Universal Pension (Pension Alimentaria Ciudadana para Adultos Mayores) program in Mexico City directed at city residents 70 years of age or older. A state-centered framework for social policy analysis is used to understand why and how was this policy implemented at the local level considering that it pertains a policy area that is normally restricted to national states. In order to show that there is a distinct local state in Mexico City, from the national state, the study explores the impulse international economic changes gave to the decentralization and democratization processes that took place in Mexico in the last few decades. As a consequence of these processes, an additional process of local state formation has taken place in the city, itself having larger consequences at the national level. To show how this process is taking place a series of political conflicts among city institutions and also national institutions in the 2000 – 2003 period are narrated. This process of local state formation prominently includes the change in the relationship between the state and society, from a relationship structured around corporatist institutions to a broader notion of citizenship through the introduction of a non-contributory universal pension.

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This thesis is dedicated to my grandparents:

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Luther, your logic is correct, your facts are correct, but your conclusions are wrong. Now, I'll tell you why. That account is not useless. That account is not to determine how much should be paid out and to control what should be paid out. That account is there so those sons of bitches up on the Hill can't ever abandon this system when I'm gone.

Franklin D. Roosevelt talking to adviser Luther Gulick on Social Security

- Richard E. Neustadt, Thinking in Time

There is a commitment for maintaining this program because we can't give out support [for the aged] one year and not the next year. Of course, we depend on the Congressmen. If they decide for any reason that this program won't be part of the budget then we would have the Zócalo filled with people. We are not taking [the pensions] away and if the Asamblea wants to take them away it's going to have trouble.

Asa Cristina Laurell, Secretary of Health for Mexico City (2000 – 2006) talking to a reporter about the Universal Pension.

- *Reforma*, October 8, 2001

Introduction

This thesis intends to answer two questions: why was a non-contributory universal old-age pension established in Mexico City in the year 2001?¹; and, why wasn't it established earlier? These questions are asked with the belief that its answers will provide insights about welfare policies in developing countries and cities in the dawn of the 21st century. Both questions will be answered with the description of the formation of a local state in Mexico City, which promoted the legal establishment of a universal old-age pension for its residents. However to explain such process this paper will delve into larger issues about the role and recent political history of Mexico City in a larger context of globalization, decentralization and democratization. Once such context and its political consequences are taken into consideration an analysis of how and why such policy was actually implemented will be put forth.

In early 2001 the Gobierno del Distrito Federal (GDF) announced the establishment of a non-contributory universal old-age pension (Pensión Alimentaria Ciudadana para Adultos Mayores, PACAM) for residents of Mexico City 70 years of age or older funded from the city budget (its current cost is around 4% of the city budget, see appendix A for some calculations). First the program was announced as a food supplement to help the aged primarily in the poorer areas of the city, but universalization was set as the main policy

1 The names "Mexico City" and "Distrito Federal" (DF) will be used interchangeably.

objective a few months after the initial program was established. By 2003 after almost achieving universal coverage in the city, the GDF announced that what had been, until that year, a government program would be turned into law by the local legislature, transforming the universal pension in an entitlement for every resident. This spurred a lengthy debate between government supporters and the local opposition that turned into a campaign issue in the mid-term local elections taking place the same year. The debate was so stringent, that national politicians, particularly the ones that opposed the universal pension, intervened and pushed the discussion into the mid-term federal elections that were held on the same date. After the mid-term elections, in late 2003, the universal pension was passed into law, and since then it has provided almost all residents 70 years of age and older a monthly pension (going from 76.4% coverage in 2001 to 95.5% by 2006), of half the minimum wage indexed to inflation, through the equivalent of an ATM card (SSGDF, 2006).

Non-contributory universal old-age pensions are not very common around the world and the few that exist are implemented at the national level. Mexico City seems to be the only place with such a scheme at the local level, bringing up issues about urban social policy in global cities. Some of the countries that have established non-contributory universal old age pensions have done it as a first step towards contribution based systems like, England, Sweden and Australia in the first half of the 20th century, and only two countries have sustained this entitlement for long periods of time, New Zealand, and Mauritius (Hecló, 1975; Blackburn, 2002; Willmore, 2006). More recently, mostly

developing countries like Bolivia, South Africa, Lesotho, Namibia and Botswana have implemented pension schemes with the same non-contributory and universal characteristics (Barrientos, 2006; Willmore, 2007; Pelham, 2007). Although pension systems and pension reform is interesting enough, the example of Mexico City has the added complexity of being a local scheme funded by the city budget, which apparently is being copied by other states in Mexico and to some degree by the national government².

Politics in Mexico City have changed dramatically in the last two decades as part of a larger process of nation-wide democratization, especially because the city had no legal mechanisms for electing representatives or a Mayor until the early 1990s. A democratically elected chamber of representatives was first established in 1988, and the Mayor (Jefe de Gobierno) was elected by direct vote starting in 1997. Previous to those institutional reforms, politics in Mexico City depended heavily on national politics since the President had the prerogative to name the Mayor without any legal restrictions. In parallel, decentralization policies started in the early 1980s began to take root a decade later, particularly in the form of fiscal and political decentralization, providing more responsibilities to local states but also more autonomy from the national state. Since the first election of the Mayor in 1997 the party that has held the mayor's office, the Partido

2 Since the start of the Mexico City program many states in Mexico have announced their own pension programs but none of them have established the pension as a legal entitlement, and there is no evidence that they are universalistic in any sense. The federal government announced its own non-contributory pension program called 70+; although non-conditional it only exists in cities that have a population of 30,000 residents or less. 70+ is a government program not a legal entitlement.

de la Revolución Democrática (PRD) is an opposition party to the one holding the President's office at the national level, either the Partido Revolucionario Institucional (PRI, 1997 - 2000) or for the last 9 years the Partido Acción Nacional (PAN, 2000 - 2009). This juxtaposition of government and opposition parties at both level of government has made political conflict particularly salient, considering that Mexico City is the biggest city in the country and has a large metropolitan area that spills over to other states where power is held by different parties. The establishment of a legally mandated universal pension has been one of most important issues that have fueled the recurrent conflict between local and national authorities.

The trend towards decentralization has called the attention to local government, and the transformation of the nation-state, but there is little attention to local state formation as part of the political consequences of decentralization on cities. Some aspects of it have been addressed regarding city governments, in particular as part of the “global cities” literature (Castells, 1981; Borja and Castells, 1997; Sassen, 2000). However most of it is framed in larger theories of nation-state formation, which define the state, but do not describe the process by which the state is formed (Weber, 1946). So the analysis of the process of local state formation in Mexico City brings insights to both the local state aspects of state theory and the difference between a process centered and an outcome centered definition of state formation.

Although various areas of study are covered throughout this work, the main objective is

to analyze why and how a particular set of policies regarding old-age pensions came about from a state-centered perspective at the city level. Therefore it is a study mainly analyzing urban social policy, even if it spreads the span of its analysis to the larger context in which this policy was implemented.

Social policy analysis has to advance on a thin line between explanations centered on leadership and individual or collective interests, and more mechanical and structural analyses that give little space to the role of agency. This implies that to have thorough analyses both perspectives need to be addressed without establishing a clear-cut causal relationship among them while keeping the incisiveness of each type of analysis. The state-centered perspective taken in this thesis understands structural conditions as the enabling environment for certain opportunities to which collective and individual actors react. Therefore, to answer the questions that are of interest to this study both levels of analysis will be taken into account and they will be linked with the political context in which policy decisions and implementation take place. The combination between politics and local government action in a larger framework of globalization and a structural change of the nation-state is what makes local state formation a relevant issue in this case.

In the last few decades the characteristics of the state have changed, they have been subject to critique and some degree of reformulation. A local state-centered analysis may throw some light about similar consequences to these larger processes in other sub-national units in Mexico, or other countries where cities are becoming local states and playing a more important role everyday. Considering the important role Mexico City has

historically played in the country, the analysis of the formation of its local state may also provide an interesting perspective on larger trends regarding the Mexican nation-state.

This thesis is composed of four chapters. The first chapter is literature review on social policy and the welfare state, as part of the explanation on why the state-centered perspective is chosen for this study. The second chapter is an overview of the consequences of globalization in Mexico's nation-state, accompanied by the impact of recent decentralization policies as the causes for local state formation. The third chapter defines and describes the process of local state formation with some examples of how state power was exercised in Mexico City during the years 2000 and 2001. The fourth chapter describes the political process by which the non-contributory universal old-age pension came about in a context of local state formation in a global city. And finally, the conclusion will try to summarize and articulate how all the issues covered are linked, while the original questions that motivate this study are answered.

Chapter I: Welfare policy frameworks

The (Aged Citizen Alimentary Pension) PACAM in Mexico City can be easily identified with what is traditionally understood as a welfare state policy, meaning the public organization or provision of health insurance, old-age pensions, unemployment insurance, and disability insurance among others. However in the context of recent policy discussion in Mexico, it is often understood as a poor relief program which contrasts in its details and consequences with the famous Progresa-Oportunidades program from the federal government that is designed as a highly means-tested and conditional cash transfer program to alleviate poverty (Levy, 2006). The PACAM is not a poor relief program since it has never been argued as a program aimed uniquely at poverty reduction, but as a citizenship right linked to old age and not to income or employment. This does not mean that it doesn't have differentiated consequences at different income levels, but that its designed objective is not necessarily to give relief to those that are not participating in the labor market involuntarily. Since the PACAM is not means-tested, the beneficiaries of the pension might have other sources of income, other pensions, and even continue participating in the labor market³. In this sense the PACAM moves closer to the welfare state ideal type as measured by a relatively high degree of de-commodification in comparison to poor-relief programs since it provides some independence from the cash-nexus as created by market relations (Esping-Anderson, 1990).

³ Means-tested social policy defines the beneficiaries of the policy by the level or flow of income. If a policy is defined as non-means-tested, it denotes that benefits are given regardless of income.

The objective of this study is not to compare or evaluate poor-relief programs against an old-age pension program, but to understand the reasons for the creation of a universal social entitlement in Mexico City. This last clarification implies that the conditions and causes for the creation of poor-relief programs may be very different from the ones that result in welfare state benefits. The literature that studies social policy uses different causal explanations for these different types of policies, and argues that they have different social meanings, since one is seen as a solution for non-independent subjects, while the other is seen as a right to individual independence (Fraser, 1997). Therefore the analysis of the PACAM is more closely related to the literature that studies the welfare state than to the literature that studies poor-relief.

There are at least three broad theoretical approaches to the welfare state. The industrialization/modernization approach (Wilensky and Lebeaux: 1958), the class coalitions approach (Esping-Anderson: 1990) and the state-centered approach (Skocpol: 1995).

Industrialization as a cause of welfare policies

The industrialization/modernization perspective of social policy argues that the diverse social programs generated by government are part of a larger process of industrialization. In a highly mechanical logic the argument goes the following way: technological change

determined a new form of economic organization based on the rise of the factory that led to the industrial revolution. The needs of new industry displaced agricultural production as the major productive activity, which in turn formed a new labor force that concentrated in urban areas. The change from a low-density and low contact rural life, to a highly organized and specialized urban living where new associations are formed causes a change in values that generate new societal needs. Among these needs is the creation of social welfare, which takes care of those that are left behind as the old forms of social organization start to disappear. For instance this argument suggests that social welfare, in part, takes care of the needs that the traditional extended household used to take care of but that the nuclear family does not.

The main problem with this perspective is that it does not provide a micro-level framework to understand the differences in the creation of certain social welfare programs, or the role of political agents in the process of policy formation. This approach may be useful to identify some social patterns in Mexico City as part of the broad process of urbanization, and in contrast with rural areas that have less generous social welfare programs. However, it is hard to sustain the link between the industrial organization of labor and the PACAM in early 21st century Mexico City where 72.4% of workers participated in the tertiary sector, at least a third of the workers were part of the informal economy when the pension program was initiated, and there has been a steady decline in manufacturing in the city for the last three decades (OECD, 2004).

A similar and apparently more fruitful approach may be the one that describes

social policy, in particular poor relief, as part of the regulation of the labor market (Piven and Cloward, 1971). Although similar to the industrialization approach in the integration between the economy and policy formation, it diverges by not providing a linear pattern of social welfare development. The argument is that social policy is used politically when there is overall low economic performance and a need to control the civil unrest it causes. In this description social policy is connected to the ebbs and flows of the labor market, and its particular consequences in densely populated areas. Although it does provide a micro-level framework by incorporating the incentives provided by the market and state intervention, this approach fails to explain entitlements, by limiting its analysis to poor-relief, making it a feeble framework to study the establishment of a non-means-tested pension.

Class coalitions as the agent of welfare policies

The class coalition theory of the formation of welfare state policies intends in part to fill the void left by industrialization theory regarding agency and political interaction. This is done by presupposing the effects of economic modernization on the structure of society but adding the capacity of social classes to become political actors through institutions. In contrast with pure industrialization theory, the class coalition theory accounts for institutional arrangements that enable classes to act through representatives in the larger political system and mold the state to their economic interests. In this process the

archetypal welfare state is the Scandinavian one that allegedly was formed with the coalition of the growing working class represented by Social Democratic parties and the smaller landed class interests represented by farmer's parties, both having direct interests in protecting themselves from the instability of market forces (Przeworski, 1985). In more recent times, this alliance changed, as the structure of society kept on changing, by incorporating the growing middle class, and thus making the previously established welfare state policies politically stable. In contemporary welfare state theory the middle class plays a particularly important role since it tends to be the class actor with more flexibility. In the Social Democratic model the middle class is allied with the working class, but in the corporatist or liberal model of the welfare state, which have a lower level of de-commodification, it is allied with the conservative sectors of society as in Germany and France.

In the case of Mexico class based analysis is elusive because class as a structural category is scarcely used as a political identity nowadays⁴. It is not that it cannot be defined in material terms, level of income, purchasing power, and political interests, but that because of the characteristics of the hegemonic party regime that dominated most of the 20th century class identities were salient in a corporatist political system that is barely standing today. Although the most important limit to class based analysis is not the non-democratic political system of most the past century (the corporatist system had

4 This does not mean that there are no diverging political interests in relation to income level. But that mobilization that is only based on the dichotomy between poor and rich, is not based on the more static conditions of traditional class structures that include the material conditions of protection.

channels that permitted some form of class representation), but the highly competitive party democracy today that does not express itself through stable class-based structures, but through contingent economic, political, and territorial alliances.

Although it is beyond the scope of this study, the case of the PACAM in Mexico City may provide a limited opportunity to understand the impact of recent institutional changes in class identities. Mexico City played a particularly important role in the country's democratization during the 1990s. Since the 1997 federal elections, when the once dominant party, the PRI, had to govern without an absolute majority in Congress, and it lost the mayorship of Mexico City to the PRD, the interrelation between class and voting behavior has become an object of study (Moreno, 1999, 2003, 2004). However the basic class coalition analysis, as used by Esping-Anderson involves mostly the long-term development of the welfare state, and fails to recognize the short-term dynamic class and political coalition changes that may go in a different causal relation. The case may be that it is not that a class coalition produces the welfare state, but that welfare policies produce certain class and political coalitions.

For example, when the mayor that first implemented the PACAM, Andrés Manuel López Obrador (2000 - 2005) from the leftist PRD, was elected he won the election over the conservative PAN by only 4.5% of the vote. According to Moreno (1999), with information based on the 1997 elections, the PRD was identified with leftist policies, and at the same time voters with lower incomes were also identified on the left on “economic issues”. Although the information only pertains the national electorate and

is not a direct measure of class politics, some inferences might be useful. In the 2000 elections a higher proportion of those supporting the PRD came from the urban working class than the urban middle class, however by 2003 there was a higher proportion of supporters of the PRD that came from the urban middle class than the urban working class (Moreno, 2003). In 2004 the same pollster reported that in the run for the presidency López Obrador, still mayor of the Distrito Federal (DF), was the potential presidential candidate with the highest support among the middle class. His support from the urban middle class went from 21% in 2002 to 49% in 2004. This possible temporal change in the class coalitions that had preferences for a particular politician is not necessarily based in the social policy developed from his government. However, the information on electoral preferences according to class across time is relevant, since it points towards a particular direction of causality. It shows the possibility that it was not that a class coalition supported certain parties to achieve a particular set of policy objectives, but rather that a set of policies implemented by a government was used to build a class coalition in order to further the interests of the politicians linked to it.

The motivations of the state and its agents as a cause for welfare policy

The state-centered perspective offers an explanation that differs substantially from the two previously addressed. Its most important characteristic is that it does not rely at all

on a sequential causation based on technological and socioeconomic change, but on a combination of the interests of policy makers and the opportunities and constraints in the expansion of the state. This means that the state embodies the differentiated efforts of policy makers to expand their power, while generating itself a process of state formation that among other things includes social policy (Skocpol, 1995). This non-deterministic perspective is particularly useful for this study because its objective is to explain why was the PACAM established in Mexico City, which is not a nation-state but a local state. The aggregate data, normally used as part of industrialization theory or even class coalition theory, is data that covers nation-states and not local states. The migration generated by industrialization from rural to urban areas accounts for a change in needs which is something that can hardly be done for an area which is already urbanized and did not suddenly generate new “modern” needs in a couple of years. The same problem would happen to class coalition theory if it were to be wholly used in a single urban area inside a larger nation-state, the “red-green” coalition that is observed in the Scandinavian model, would not fit the pattern, even in its more contemporary version with an active working-class allied with the middle-classes in a city with fewer industrial workers everyday.

The socioeconomic process that other theories identify would have to explain policy changes not only in the Distrito Federal but also in the rest of the country. In contrast state-centered theory provides instruments that permit the analysis of past and contemporary institutions without presupposing certain nation-wide social patterns,

while permitting the analysis of contingent political motives. In Skocpol's (1995) study of American social policy, she focuses on four areas of state formation which are relevant to social provision: 1) the establishment of state and party organizations; 2) the effects of political institutions on the goals and capacities of social groups that become involved in policy making; 3) the fit between the goals and capacities of politically active groups and the historically changing points of access allowed by a nation's political institutions; and 4) the ways in which previously established social policies affect subsequent policies (Skocpol, 1995: 41).

These four areas of study are not inherently restricted to the nation-state since all of them are related to the particular context of analysis. State formation not only takes place at the national level but also should be understood as occurring at the local level where there are party organizations, political institutions and social groups that are involved in policy-making. This makes state-centered theory particularly useful to analyze the new role cities are playing at the international level, since it admits different patterns of development that are not predetermined by the national state. However to make the state-centered approach analogous at both the national level and at the local level, it is necessary to show the semi-autonomous formation of the local state vis-à-vis the national state. This is particularly important because modern state formation is not seen anymore as a contemporary process but as long-term process that took place sometime, in different places and times, between the Peace of Westphalia in the 17th century and the post-colonial states of the mid 20th century. In more recent times the

discussion about the state is more commonly associated with state capacity and authority, but not on its formation. As it will be argued further on, one of the things that have happened in Mexico City in the last decade is a process of state formation, at the local level, which includes the formulation of a particular set of social policies.

The political history of Mexico City as part of a larger nation-state is a complicated history which has been in various times, since the Spanish conquest, a source of conflict between the national (or colonial) government and the local authorities (Perló and Moya, 2003). The conflict is mostly spurred by the unparalleled economic and political power concentrated in the city versus the rest of the country throughout history. National authorities have frequently felt threatened by the possibility of losing control of the city's large population and resources. In the beginning of the 20th century, before the 1910 revolution the national government had direct control of the city's administration and government. The short-lived democratic government of Francisco Madero in 1912 returned autonomy to all the municipalities that integrated what is today known as the Distrito Federal (DF). Municipal autonomy in the DF only lasted a couple of decades. By the early nineteen-thirties the direct control of Mexico City by the national government was a fundamental part of the formation and establishment of the hegemonic party regime that lasted until the end of the century. A good part of the formation of the post-revolutionary national state was based on the capacity of the national leadership to control and define the city's political structures (Davis, 1994).

With the gradual demise of the hegemonic party regime in the 1980s and 1990s,

important steps were taken to reform the political and legal relationship between the city and the national government. The change in relationship was mainly due to national decentralization policies that were accelerated by the economic and fiscal crises of the eighties; its political consequences were clearly expressed in urban social movements, and an increase in mobilized opposition against the ruling party. Political reform started with the election of a restricted legislative body, which had attributions more similar to a city council than a local congress, in 1988. In 1993 a new process of reform took place where the opposition parties pushed for the constitution of a 32nd state that would give the city more autonomy vis-à-vis the national government. The proposal was rejected by the PRI, which still had a majority at the national level, but from the negotiation a bounded autonomy model was legislated in 1993 by increasing the legislative powers of the *Asamblea Legislativa del Distrito Federal* (ALDF) and giving limited fiscal autonomy to the city. A new reform was made in 1996 where the election of the mayor by direct universal voting was first established since 1928 (Marván, 2001). In 1997 the PRD's candidate Cuauhtemoc Cárdenas was elected with an overwhelming majority, and in 2000 the 16 *Delegaciones* (boroughs) elected each a *Delegado* that has almost analogous powers as the mayor of a municipality (although fiscal policy is determined at the city level). Since the election of the first legislative assembly many proposals to reform the legal statute of the Distrito Federal were made, most of them pushing towards more autonomy from the national state⁵. A last reform was made in 1999, which had the

5 The DF in practice is both a municipality and a state, the ALDF is not a city council but a state

objective of decentralizing some administrative and political powers to the neighborhood level, without much success (Davis and Alvarado, 2004). Again in 2002 there was an effort of political reform to give the Distrito Federal almost the same statute as other the other 31 states in the country which was blocked by the national congress (Minutti, 2002; HCD, 2003). Interestingly enough, the proposals to increase local state autonomy have been strongly supported, if not initiated, by the historical opposition parties, PRD and PAN, and the city government. The PRI, when in power, consistently opposed more autonomy to the local state because in the a highly centralized political system, the ability to ascertain political control in the rest of the country depended on many political alliances that could only be sustained if they had political consequences in the city.

To be sure, political reform and democratization are not the same thing as state formation. The first two may be necessary conditions for the second, but not a sufficient one. This caveat is relevant because the objective of this study is to explain why and how a universal non-contributory pension was established in Mexico City, drawing on insights from a state-centered perspective. Considering that the PACAM as such is only implemented in the Distrito Federal and its origin is pointed at the state, but not the national state, we need to understand why there is a process of local state formation in the city that did not take place in the past. The complexity of this process passes through the decentralization and democratization of Mexico in the last decades, and the special role Mexico City has recently played, for political parties, as a stepping-stone to attain

congress, and the Mayor's office is not wholly a governor's office but a Municipal President's office.

national state power.

Chapter II: Setting the stage for local state formation

The political process that has been taking place in Mexico City for the last two decades is more than a democratic political reform. Although broad national democratization is important in generating the legal resources that have increased local state autonomy, it has happened in the midst of two, strongly linked, larger phenomena: 1) the transformation of the nation-state in a period of economic globalization; and 2) decentralization and its impact on sub-national units. Globalization and decentralization are not important in themselves as if they were diffuse sources of change, but as concrete elements that set the stage for a historical outcome that had not taken place earlier in the 20th century: the political distinction between the Mexican nation-state and Mexico City's local state. These two processes also meant the demise of the dominant form of political organization during the hegemonic party regime through corporatism, and the reduction of the national party-state's control over the economic and administrative organization of society. In positive terms this meant the establishment of a competitive multi-party regime and the territorialization of politics as opposed to single party rule and state centralism exercised through a hierarchically-organized system of corporatism.

From the structural transformation of the nation-state to the reduction of state capacity

The transformation of the nation-state, from the structure that it had in the decades after WWII, is most strongly related to the change in its role in the economy. With the increase in international commerce, capital mobility, and migrant labor, nation-states have lost important sources of power to regulate economic activities. In turn these changes have had important consequences in the capacity of government to raise tax-revenues by the threat of capital flight, causing a reduction in the provision of services by government (Castells, 1997). This change in the relationship between the capacity of the state to direct the impact of capital and new privately oriented dynamics to define the location and concentration of economic management and development has also had an impact in the territorial structure of national economies. Some industrial centers have dwindled, while new service oriented agglomerations have grown (Sassen, 2001). The political consequence of this restructuring have also modified the previous pillars that sustained the nation-state's institutions since the organizations and groups that used to hold power have either diminished their influence or themselves drastically changed to adapt to the consequences of a new economic context.

A strongly oriented ideology towards the reliance on market mechanisms and an unfavorable conception of the state has been part of this transformation. The ideological aspect of the transformation of the nation-state is not simply an abstract or academic discussion; it implies that there have been consequences in the relative power between different groups and interests within national economies. Some groups organize and identify themselves against these changes, while others regain relevance as political agents

by gaining economic and political power from the restructuring process itself. Although the notion on “the end of the nation-state” has become popular, the transformation, as induced by economic globalization has not necessarily meant its disappearance but a change in its governmental priorities and relationships (Evans, 1997). Transnational corporations, new social movements, multilateral organizations, local governments and international financial institutions have become political actors in most national stages where they compete as representatives or locus of political influence with corporatist mediation structures and political parties. Not only do they compete in their capacity to influence each other, but also they have had to establish new and sometimes difficult relationships with national states.

The repercussions of this most recent globalization phenomenon in Latin American nation-states have been particularly strong because of the region's history of state formation. Since independence Latin American nation-states have been weak in their capacity to raise tax revenues, to monopolize force, and to act in a uniformly and legally oriented manner within their territories (Centeno, 2002). This has meant that governments have not been heavily dependent on generalized tax collection but on concentrated sources of income, either through, few but valuable commodities, and trade tariffs or the acquisition of debt in the international financial markets. This financial structure made the states in the region distinctly vulnerable to the economic crisis of the early 1980s when most of their international debts became almost unaffordable. The commercial liberalization process also reduced the ability of the government to promote the growth

and protection of certain industries through tariffs, while changing the potential sources of tax revenue. The debt crisis also forced many governments to accept strict economic policies that involved a change in their spending priorities, a reduction in the provision of services and social welfare, and a reduction in the size of bureaucracy. In toto it meant an important reduction in state capacity throughout the region (O'Donnell, 1993).

In Mexico, the crisis had a strong social component shaped by a generalized decrease in welfare related to inflation, unemployment, and devaluation. But most importantly it was a strong blow to the capacity of the national state to provide for public services, or at least be able to minimally cope with the worst consequences of the crisis. The administrative capacity, its ability to carry out its functions, was dramatically reduced by austerity budgets and large deficits that slimed national and local bureaucracies. In the two most important areas of social spending, education and health, there were generalized reductions. GDP growth was negative most of the eighties, draconian measures were taken to control budget deficits, inflation was hardly reined in by the end of the decade, and oil prices kept falling. Public sector expenditures fell from 22% of the GDP in 1982 to 15% of GDP in 1991 (Grindle, 1996: 53, 55). This meant that the per capita education spending and per capita health and social welfares pending were reduced almost in half in less than a decade. In the case of formal Social Security the consequences of these cuts were an important reduction relative to its previous growth rate. The two main providers of Social Security, IMSS (for workers of the private sector) and ISSSTE (for workers of the public sector) had 11 million beneficiaries in 1970, 32

million in 1981, and only 42 million in 1988. The ratio of doctors per member also reduced as well as the ratio of members per hospital bed (Cordera and González, 1991: 32, 34, 35). However these numbers do not portray the impact of the crisis on those that were not part of the formal health system. In 1987 only 52% of the population had access to formal Social Security, the rest had to rely on a less generous health service administered directly by the federal government. Indirectly these numbers also provide some information about pensions, which is a topic that will be addressed later on, because the population that had access to pensions were only among those that had access to Social Security services which used to be the only providers of mandatory old-age pensions.

In political terms the reduction of the capacity of the state to provide social welfare services had important consequences on the political structures that had sustained the regime most of the century. The formal beneficiaries of the social security system were those mostly linked to the corporatist forms of organization on which the post-revolutionary national party-state had historically relied. The worker's unions grouped in the Confederación de Trabajadores de México (CTM) had access through the system thanks a tripartite system of contributions composed from the salaries of the workers, the contributions of owners, and a subsidy provided by the government. The bureaucrat's unions were grouped in the Federación de Sindicatos de Trabajadores al Servicio del Estado (FSTSE) received social security services from the ISSSTE under a similar arrangement. The reduction in the capacity to incorporate new beneficiaries to these

services also implied a reduction in the capacity to organize workers through these traditional institutions. The other two organizations on which the hegemonic party regime was supported the Confederación Nacional de Organizaciones Populares (CNOP) and the Confederación Nacional Campesina (CNC) did not have direct access to Social Security resources since they were formed mostly by non-salaried workers, the self employed and informal workers. However they were fundamental in the distribution of benefits that could increase access to health services that were provided to those that remained outside worker's unions, even if they were also part of the PRI's centralized national state. The consequence of such arrangement has been a dual provision of welfare services, where those that do belong to some form of corporatist organization get a higher quality of provision through social security organizations and those that have to rely on a system that completely depends on the contingency of a yearly budget provided by the federal government.

In Mexico City this dualism in social welfare provision had been especially strong because of a high concentration of salaried workers in the metropolitan area up until the early 1980s (Ward, 1990). In 1985 an earthquake hit the city producing more than 20, 000 deaths. The federal government, which was dealing with the economic crisis, made evident its incapacity to deal with the collapse in city services. The 1985 earthquake is historically important for the city because it shows the cracks of a system that had been relatively effective and flexible at dealing with unexpected changes. Through these cracks in the corporatist system, urban social movements made themselves present by making

evident that forms of organization and provision of welfare, alternative to the ones provided by the regime, were available (Haber, 2005). The ongoing change in the organization of government and society, provided by the larger economic trends in the mid-80s, seemed unstoppable and particularly in Mexico City where large numbers of citizens became volunteers and activists in support of those the earthquake affected.

The PRI governments were conscious of the problems represented by the dual provision of social welfare and the new social actors that this dualism created. A decade earlier different approaches were tried to incorporate many of the excluded, mostly the poor to new programs that were developed as part of the poverty alleviation strategies through participatory food subsidy/development programs (Fox, 1993). The epitome of such program was the Programa Nacional de Solidaridad (PRONASOL) that operated during the 1988-1994 PRI government, and had mixed evaluations even if it was considered highly innovative. The authorities announced PRONASOL as a developmental and democratic program, although they also recognized that it was basically a poor-relief program with the mild difference of being directed towards communities instead of individuals. Critics of the programs, with some acknowledgement from supporters as well, rapidly recognized that more than a social welfare extension or reform, PRONASOL was a method for establishing new relationships between the state and society that did not go through the traditional corporatist structures while legitimizing the party in power. These reform efforts from state elites forced the CNOP, CTM and CNC to confront the reality of their diminished power while the state that they supported developed programs

that had as one of its objectives establishing new mechanisms of mediation between the state and citizens. PRONASOL was never seriously recognized as a democratizing program, but as a one that was strategically developed by a group of reformers inside the PRI interested in being able to control the ruling party under new economic and social circumstances while legitimizing a regime that was in the midst of deep structural transformation (Dresser, 1994). However such efforts proved ineffective when the whole political regime suffered a deep crisis with the Zapatista uprising in 1994, an increase in electoral competition the same year, and the undisputed presence of a parliamentary opposition in congress.

With the material demise of the corporatist form of organization, political reforms at the national level started to gain root with the gradual establishment of a multi-party system. A first impulse to the generalized reconstruction of the organization of state-society relations through parties instead of corporations came from municipalities and states in the north of the country where the PAN had its most important and disputed victories. A second impulse was the 1988 presidential election where the opposition, with the candidacy of Cuauhtémoc Cárdenas, for the first time had a real opportunity for an electoral victory after splintering off the ruling party elite. The accusations of generalized electoral fraud committed by the ruling party, evolved into the formation of a new political party, the PRD. The multi-party system that exists today in Mexico is based on these two electoral “successes” of the eighties, and on further developments, including electoral reforms that leveled the competition, which finally took the PRD to

power in the Distrito Federal in 1997 and the PAN at the national level in 2000. With the debilitation of the corporatist monopoly on power at all levels of government, now power is mostly exercised through party organizations that participate, hold power and organize with electoral competition in mind. The move from corporatist monopolies to party politics has changed the way citizens relate with government and how they access its services. However the story that permits the emergence of the local state is incomplete, because it is not only that the organization of mediation structures is no longer centralized through non-electoral institutions, but also that territoriality in politics has become important since politicians have to pursue a territorially defined electoral base to win votes. It is with this later development that Mexico City gained political relevance, not only as the host of the federal powers, but also as a host of its own political dynamics and its own electorate.

From decentralization to territorialization

The demise of corporatism and rise of political parties accounts for a change in the forms of organization of society and some social protection policies that were part of such forms of organization. But party competition also meant, in contrast with corporatist forms of organization, competition in the control of territories through a defined electorate to which the elected government is formally accountable. However for such territorialization to take hold, power had to be increasingly disputed through electoral

competition at the local level where ruling powers started to exist. This involved the devolution of administrative and political attributions to local governments, as well as some degree of economic decentralization.

In decentralization literature there is tendency to identify decentralization mostly with administrative efficacy and market forces. This is most likely the case because of Tiebout's influential theory of fiscal decentralization (Tiebout, 1956). Even some opponents to decentralization argue that decentralization was part of the ideological package that was initiated by the neoliberal reform agenda in the early eighties, because it has become part of the “structural reforms” espoused by international financial institution (Schurman, 1997; IADB, 1997). However the first important effort in Mexico to reduce the concentration of economic growth and industrialization in the metropolitan area of Mexico City took place in the early seventies as part of a state oriented effort to spread industrialization more evenly throughout the country. It was an interventionist policy by which it was decided that through subsidies and state sponsored investments other regions of the country could develop (Cabrero, 1998). This effort had to do with the convergence of economic policy and its political consequences in Mexico City.

The economic model with which the PRI had sustained economic growth for more than three decades was based on import substitution industrialization (ISI). These policies although effective in generating growth were the policies that ended up guaranteeing the centrality of Mexico City as the major locus of political and economic power, because the economic geography of such policy tends to locate industry close to

the largest inward-oriented markets in a country (Ward, 1990; Davis, 2002; Wong-González, 1992). Evidence of the economic centrality of Mexico City is provided by both its participation in the nation's GDP, which was more than a third, and the federal government's fiscal dependence on the city which contributed more than half of the country's tax revenue in 1960 (Aboites, 2003: 53). In contrast with ISI, export-oriented growth tends to locate industry in a more decentralized pattern since the reduction of transportation costs near borders or ports is a central part of export strategies. In Mexico the push towards export-oriented growth was related to the trade-imbalances that the country continuously suffered starting in the late sixties. However as an industrialization strategy export-oriented growth did not have rapid effects until it was accelerated by the 1982 debt-crisis that included the end of an economy mostly dominated by the revenues from oil exports and an overvalued currency, the opening up of the economy with the signature of the GATT, and the end of capital flows restrictions in 1989 (Gwynne, 1992).

Under these economic conditions the terms of trade changed dramatically and government recognized the need to change the political and administrative organization of the country. In reaction to the impact of the crisis on state finances the government of President Miguel de la Madrid announced an important set of decentralizing reforms that were mostly composed of administrative and political devolution to municipal and state governments. The economic change, and the first changes in the political organization of the country regarding the arenas of political dispute changed the relative strength of business groups with which the PRI regime had sustained its traditionally inclusive

alliances. ISI policies had not only made the city important in geographical terms, but they have given political power to the long-term alliance of workers and industrialists whose profits depended on this particular development strategy (Davis, 1994). With the economic restructuring that took place after the 1982 crisis, not only did the sources of dissatisfaction with the regime from its traditional allies increase, but the power of new actors, like those linked to export industries, commercial interests, and non-industrial workers raised in relative terms. These new interests were not located exclusively in Mexico City, but in other areas of the country, particularly in northern cities, and border towns. Thereby the political role of the city as the aggregation of all national political disputes started to erode leading to the recognition of other territories as political arenas of dispute. As mentioned earlier, the first state level electoral success took place in northern state that turned to the PAN a party traditionally identified with the middle-class and business interests that had been excluded from the broad priísta alliance.

Two sets of institutional reforms channeled the new economic patterns that international financial conditions imposed on the country. Electoral reforms that opened up party competition to left wing parties and recognized proportional representation at the municipal, state and national levels starting in 1977 established the base for multi-party competition. The other were the administrative and fiscal reforms that gave more fiscal autonomy to municipalities by establishing a clear responsibility on rising and administrating the property tax. The first set of reforms decisively created and moved political disputes regarding state and municipalities from the Distrito Federal to their

respective territories (Ochoa-Reza, 2004). This was a gradual process, but the pattern of construction of party politics at the local level follows a constant growth from the early eighties. In 1980 on average there were 1.3 effective parties at the municipal level throughout the country, and in 1998 there were on average 2.3 effective parties competing for mayoral and city council positions (Ochoa-Reza, 2004: 266). The most important aspect of this multiple arenas of dispute thesis of democratization is its implication on the strengthening of territorial based politics organized through multi-party competition in clearly defined geographic domains. Accompanied with the reforms to deconcentrate and decentralize administrative tasks and some fiscal responsibility the organizations that mediated between the citizens and the state increasingly were local level organizations linked to multi-party politics and not to a corporatist national structure. With the same relevance administrative tasks over infrastructure, security, non-social security health services and education were decentralized which meant that the contention over their control went down from the national level to the municipal and state level (González-Block, 1991).

National parties retained some control through various mechanisms, so that they would not completely succumb to micro-level territorial politics. Some controls were electoral in nature, like the continued prohibition for reelection at any level of government and the mostly centralized nomination procedure of parties. Others were informal like the control that state governors managed to make of funds legally directed to municipalities. And finally there continued to be some fiscal controls that the federal level congress

maintained over the distribution of resources through national budget appropriations (Cabrero, 1998; Díaz-Cayeros, 2004). This retention of control by national political parties meant that territorial competition, remained territorial but only as much as it could be expressed through national political parties. Therefore a process of territorial coalition building within parties, and the emergence of new local political bosses with the capacity to mobilize voters, on which national politicians depended, started to become a recurrent pattern as opposed to non-electoral mobilization traditionally used by corporatist organizations. The relationship between the territorial expansion of party competition and its consequences on further democratic reforms at the national level are scarcely studied. One reason for this omission might be that territorial multi-party competition was contained from Mexico City for almost another decade.

These structural and institutional changes in which most of the country partook although broadly similar, had a different impact on Mexico City. The reasons that spurred decentralization at first were linked to the economic troubles of the ISI model and the first economic crisis of the seventies. However the impact of the fiscal crisis that had been evaded with the petrolization of the economy took its toll when the oil prices dropped and the debt-crisis hit in 1982 the country's financial and fiscal system, which were highly concentrated in Mexico City. This implied an important reversal on the revenue and expenditures patterns that until then had been common in the relationship between the city and the rest of the country where it disproportionately contributed to the GDP and the to general tax revenues. Instead of the city being the motor that pulled the rest of the

country it had clearly become a burden with which the rest of the country had to deal. Between 1983 and 1988 tax transfers from the federal government to the city remained the highest proportionately in relation to what other states received at around 22% (Cabrero, 1993: 136). It was not until the early nineties that fiscal transfers reduced to 16.22% in 1993. At the same time the percentage of public investment made by the federal government dedicated to the Distrito Federal increased from 25.47% in 1983 to 33.62% in 1992 (140).

The political and economic effects of the crisis reinforced by the catastrophe of the 1985 earthquake had put the efforts for decentralization in Mexico City on hold. The national government was in a complicated situation where it needed to spend large amounts of money to control the discontent created by the collapse of services in the city while trying to devolve responsibilities to lower levels of government. This fiscal relationship did not change until the 1988 – 1994 government, when the heavily questioned President, Carlos Salinas, increased de facto autonomy to his appointed Mayor, Manuel Camacho, who in turn increased tax revenue in the city while federal transfers to the city were reduced (Raich, 2006). The dependence on local revenue started to link more strongly citizens with the local government. But this gradually increasing reliance on the capacity of the local government of collect taxes is only part of the story on the political territorialization of the city. Before the impulse given to decentralization the national government through the city government had tried on various occasions to establish administrative and political bodies that were closer to the citizens than the

bureaucracy that was directly related to the Mayor's office. However such efforts had always been trumped by national level political dynamics (Davis, 1994). The national government prioritized administrative efficacy and control over political reform by keeping the distinctive centralized administration over the Distrito Federal in contrast with the autonomy given to states and municipalities, until the 1987 reform that created the Asamblea de Representantes del Distrito Federal (ARDF).

The territorialization of the city seems to be more directly linked to the impulse urban social movements were given by the reduction in state capacity and the consequences of the earthquake. In Haber's detailed description of the Coordinadora Única de Damnificados (CUD) and the Asamblea de Barrios, both formed mostly by those that had lost their homes due to the earthquake, territorial dynamics define the objectives and methods of the urban organizations (Haber, 2006). They were not linked to the national political system, they were actually trying to break away from it by not participating in electoral processes and refusing to channel their demands through the traditional party-state structures like the CNOP, in contrast with the forms of organization used previously that relied either on the responses of individual bureaucrats or the PRI's organizations (Cornelius, 1975). When different groups of the CUD decided to participate in electoral politics they got involved in national politics in 1988, by supporting Cárdenas in his run for the presidency, purportedly leaving local politics in stand by. Nonetheless this also showed that the territorial dimension existed regardless of the democratic reforms that had taken place in the rest of the country's local governments.

In fact when the ARDF was first elected in 1988 a local multi-party system was rapidly formed and clearly surpassed the magnitude of local political competition that was slowly taking place in the rest of the country.

Using the same criterion as Ochoa-Reza, to define the number of effective parties at the city level, Table 1 shows the number of effective parties in the ALDF (or ARDF before 1994).

Table 1: Effective number of political parties in the ALDF

ALDF election, year	Effective Number of parties (N)
1988	5.91
1991	3.69
1994	3.49
1997	3.32
2000	3.73
2003	3.68
2006	3.03

Source: calculated by author from numbers compiled from IFE, IEDF, and Miron-Lince (2001).

In contrast to the rest of the country, democratic institutional mechanisms seemed to rapidly channel a previously organized society within the Distrito Federal. Also, the city's citizens were not complete strangers to the workings of democratic institutions, in

the early days of the PRI the city had played a major role in fueling the opposition, and in 1973 the PRI for the first time lost the majority of federal congress representatives to the PAN (Loaeza, 1995). The national average of effective parties in state congresses in 1988 was 1.83 barely representing a two-party system, whereas in the DF its “local congress” was established with 5.91 effective parties at a time when single party rule was diminishing at the national level but not in the same magnitude.⁶ In any case, the observed pattern is one of consolidation towards fewer effective parties, a phenomenon that will be addressed later, but this data shows that the multi-party system in Mexico City did not follow the gradual process that it did in other states. The importance of the early presence of a multi-party system lies in its role in defining the relationship between citizens and government, but also in its capacity to affect the institutions that politicians in the city used to further their interests. This means that the electoral logic of local political parties is strongly linked to the territorial impact of their actions including the type of policies that government designs to satisfy the demands of the population and engage it⁷.

When the election of the Delegados, in the 16 boroughs of the city was established for the first time in the year 2000 the city wide multi-party system was already in place with more than three effective parties. This means that the level of government that has

6 The number of effective parties formula is taken from Laakso and Taguepera (1979). In such formula if $N = 1$ only one party exists, if $N = 1.5$ there are 2 parties, and if $N = 2.5$ or higher it means that there is a multi-party system.

7 An early example at the national level of such territorialization of politics is the PRONASOL, as was mentioned earlier. Weldon and Molinar (1994) show how one of the main criteria for selecting communities as beneficiaries of the PRONASOL program was based on electoral/territorial discrimination.

many of the responsibilities regarding urban services, building permits, and some social services was also being disputed by various political parties, each with its own territorial constituency, as is shown in Table 2.

Table 2: Number of effective parties at the Delegaciones

Delegación election, year	Number of effective parties (N)
2000	3.64
2003	3.34
2006	2.79

Source: compiled by the author with data from IEDF.

Paradoxically, from such information, it can be concluded that the PRI was able to retain the hegemonic party system for a longer time in the rest of the country, through formally democratic institutions, but that in Mexico City below the formally undemocratic institutions society was already organized and expectant to participate in democratic institutions. Between 1982 and 1997 the only moment when the PRI showed further capability to control the city was between 1988 and 1994 when both Salinas and Camacho implemented territorial strategies for regaining support through PRONASOL and new patron-client relations that made Mayor Camacho famous for his effective

capacity to deal with non-PRI actors (Davis, 2002). This conclusion supports the idea that the authoritarian control that the PRI maintained throughout most of the 20th century was made possible and reinforced by the legal abolition of democratic representative institutions in the Distrito Federal in the 1930s. In short, what had made the PRI so successful in maintaining political control over the Distrito Federal earlier had been that it forced local power structures to replicate national power relations. This meant that, in essence, it had de-territorialized politics.

Only when the transformation of the national state and the economy changed the nation-state's power relations with local governments the city was able to acquire its own political -or local state- dynamics, which themselves were built on territorially circumscribed policies and demands. Therefore it should not be surprising that the timid political reform made by Cárdenas after being elected Mayor of Mexico City in 1997 through the passing of a “Citizen Participation Law”, among other things, further subdivided the election of representative authorities to a level lower than the Delegación called “Unidades Territoriales”. This implied the acknowledgement from the city's politicians that politics in Mexico City could only be democratic if they were organized territorially.

Political competition through parties and the territorial organization of political institutions in Mexico City show that at least two of the four areas of state formation relevant to social policy, that were previously highlighted, began to exist at the local level and not only at the national level: state and party organizations were established, and

social groups started to determine their goals according to these changes in institutional organization. The following chapters will show how as part of this same process the two other areas of policy and state formation previously mentioned were relevant in the establishment of the PACAM: the fit between groups' goals and historically determined opportunities, and the way previously established policies affected subsequent policies.

Chapter III: The formation of local state authority⁸

The previous chapter analyzed the impact of international economic conditions on the configuration of the Mexican nation-state and its fiscal and institutional capacity in relation to Mexico City. The establishment of a multi-party system at the local and at the national level changed the relationship between the state and society, and decentralization transferred political disputes from the national level to the local level by creating new spaces of political contention. In Mexico City this implied a change in the fiscal relationship between the city and the federal government, but also a change in its political relationship through the institutional openings made by various political reforms. This is the backdrop to a process of local state formation that further took place.

To analyze the formation of a local state in Mexico City, emphasis is made on the process of state formation, not only on the legal claims of the local state. The process of state formation is the actual mechanisms that the state uses in the quotidian exercise of power⁹. However the legal definition of the local state is useful since it guides the description of the process and limits its scope. Considering that any definition or

8 Methodology and the list of interviews are described in Appendices B and C.

9 This focus on the exercise of power is informed by Derek Sayer's discussion of the distinction between power and authority: "Max Weber once classically distinguished power from authority. He defined authority as legitimate power, and much discourse on hegemony echoes him on this. I want to make a deliberately provocative emphasis to the contrary. To a very considerable degree, in my view, it is the exercise of power pure and simple that itself authorizes and legitimates; and it does this less by the manipulation of beliefs than by defining the boundaries of the possible. Power enforces the terms on which things *must* be done at the most everyday level" (Sayer, 1994)

description of the local state has to presuppose that there is a larger claim to local sovereignty made by a national constitutional arrangement, the following definition of local state and local state autonomy developed by Gurr and King (1987) is useful:

First, the local state has the primary, formally constituted authority for the governance of the city population...[it is] the primary governing and coordinating entity at the level of the city. *Second*, it exercises jurisdiction over all people and activities within a geographically-bounded space – which may include only central cities...or larger metropolitan areas. *Third*, the local state's structure consists of both bureaucratic (career, technocratic, and appointive) and governmental (elective) offices, with the former substantially responsible to the latter. *Fourth*, the local state has the legal authority to collect some revenues from citizens within its jurisdiction and to make allocative decisions about the use of these and other resources (51).

This definition describes the legal claim of a local state, as is the case of the Distrito Federal, itself an instrument for the quotidian exercise of power by state actors. Accordingly, state actors increase the autonomy of the local state through the cumulative conflicts implied in government action. Local state autonomy has two dimensions: one, the autonomy with which it can “pursue its interests without being substantially constrained by local economic and social conditions” (Gurr and King, 1987: 57); two, the autonomy to “pursue its interests without substantial interference by the national state”(62). Autonomy is not a static achievement but a process created by innumerable conflicts. As will be argued later on, the establishment of the PACAM is an interesting case of such process because it managed to increase the autonomy of the local state in both dimensions through the conflicts generated by its political construction and administrative implementation.

The most basic characteristic of the process of state formation is the control of the

use of force in accordance with what is legally mandated. In Mexico City this is a long, complicated and hardly effective process of establishing the rule of law through the claim to the legitimate use of force by police institutions. Davis (2006) argues that the process of democratization in the city has not increased the capacity of the local government to implement the rule of law, but the contrary. More democratization has undermined the rule of law in relation to police forces; instead of strengthening it (Davis, 2006). However there are other aspects of the rule of law not related to police forces, in which the local state increased its capacity by legitimating political actions through political conflict. This does not mean that all political conflict is part of the process of state formation, but that some political conflicts have long-term consequences on the structure of the state.

Michael Mann's (1984) typology of state power, which distinguishes between the despotic and infrastructural power of the state helps distinguish the consequences of political conflicts. Despotic power is the “ability of state elites to take decisions without routine negotiation in civil society”, while infrastructural power is “the state's ability to actually implement decisions throughout its territories, no matter who takes the decision...it requires that states possess infrastructures penetrating universally throughout civil society” (Mann, 2002: 2). Although Mann does not consider social policy itself as part of the mechanisms with which infrastructural power is built -a centrally coordinated division of labor, standardized measures, literacy and transportation- the techniques implied are inexorably intertwined in universalistic social policies.

Forasmuch as state theory only addresses the process of state formation

indirectly, particularly regarding local states, with the elements discussed above, the following definition will be used: local state formation is the process by which the legal claim of autonomy of a sub-national territory within a nation-state is supported by the quotidian exercise of power, that in turn increases the infrastructural power of the local state. The increase in the infrastructural power of the local state also implies the increase in the relative autonomy of the local state in relation to both the national state, and locally organized power holders. Therefore authority and at least some administrative capacity have to exist so that the legal claim of the state is legitimized through the exercise of power, while distinguishing authority with a legal claim, from just powerful groups which may also exercise power but without the use of legal instruments.

In the case of the Distrito Federal this process has taken an almost linear form. The political reform of the mid-90s provided the legal instruments for the formation of the local state, then administrative capacities were setup after the political reform (many during the Cárdenas government 1997 - 2000) and as it will be described, in the first years of the 2000 – 2006 government authority was built through the exercise of power supported by increased sources of income for the local state, political conflict, and finally with an increase of infrastructural power with the establishment of the PACAM.

Since the research question motivating this study is “Why was a universal non-contributory old-age pension established in Mexico City?” local state formation is addressed because its useful to provide an answer to what is fundamentally an inquiry into social policy. So in terms of social policy, this definition of local state formation

takes into consideration two of the areas that were discussed in the first chapter regarding the state-centered analysis of social policy formation. 1) The fit between the goals and capacities of politically active groups and historically changing points of access allowed by the nation's political institutions; and 2) the ways in which previously established social policies affect subsequent policies (Skocpol, 1995).

In this chapter examples from the first two years of the DF government headed by Andrés Manuel López Obrador (2000 - 2006) will be narrated in the terms of local state formation defined previously. It starts with a description of the conflicts generated by some of the legal and political tools used by the GDF to impose its authority within the city's territory; and then a description of the conflicts generated by the effort of the GDF to increase the sources and available income for the city budget to increase its administrative capacities.

Exercising power from the Mayor's office

Andrés Manuel López Obrador (AMLO) was elected Mayor in the year 2000 in succession of Cuauhtémoc Cárdenas. The Cárdenas government arrived to power with 48% of the vote for Jefe de Gobierno (Mayor), followed by the PRI in second place with 25% of the vote in 1997. In the ALDF, the PRD had an absolute majority with 38 representatives, and the whole opposition only 28 representatives. Three years later the conditions were completely different. For López Obrador's election the PRD only got

.9% (plus 3.6% contributed by an alliance with smaller parties) of the vote more than the PAN candidate. In the ALDF the PRD lost its majority to the PAN-PVEM alliance, which acquired a relative majority of 25 representatives against the PRD's alliance with only 19 representatives out of 66. The reasons for the electoral collapse of the PRD are various, however two of them are mostly recognized as the main causes. The first one is the perception that the Cárdenas government had been ineffective, either because of its own limitations or the “sabotage” from the federal government; the second one, that the national electoral dynamic that pushed the PAN to power at the national level translated into an increase in votes for its candidates at the local level.

To be fair, the 1997 – 2000 government of Mexico City was the first government in the city elected as an outcome to the transition from the corporatist party-state organization, to the multi-party electoral competition political system. This means that the new local government had to set up many of the institutions of the local state that did not previously exist under a new pattern of organization. Considering the limitations in time and resources it can be understood that after three years in power there was little to show. Nonetheless, some of the basic infrastructural elements, particularly administrative ones, were crucial in setting the path for further political and administrative opportunities for implementing the PACAM.

The new Mayor, elected in the year 2000, shared the diagnostic of the Cárdenas government with those that accused it of ineffective. His main objective in office was to prove the effectiveness of his government to counter the negative perception left on the

population by the Cárdenas government. A former member of Lopez Obrador's cabinet says "the idea was that people would respond to 'good government'" (Interview A). This objective would not be easily achieved while having a minority in the ALDF, so he devised different mechanisms that let him pursue his government interests even if he did not have the support of a legislative coalition with a majority. A close advisor to López Obrador says "He asked me to look into the law, so that we could find a way to pass regulation without being stopped by the Asamblea" (Interview B).

The first day after taking office, December 6 2000, AMLO proclaimed the first "Bando Informativo #1" (informational city ordinance) in which he announced steps to establish new accountability mechanisms in the city's treasury¹⁰. The next day he announced "Bando Informativo #2" restricting housing and commercial constructions in the city to the four central Delegaciones (boroughs). One of the most famous bandos was "Bando Informativo #4" setting the "austerity" plan of the government in which the Mayor reduced the expenditures and salaries of top officials. Just the first month in office, in total, AMLO announced 17 bandos to the dismay of the opposition. The figure of "Bando de Policía y Buen Gobierno" in Mexico is normally used as a legal regulation emitted by a municipal President mostly relating to public safety and health. In Mexico City such figure does not legally exist, and the analogous attribution, in any case, is given to the ALDF. However because of the odd legal structure of the DF which in practice is

10 All "Bandos Informativos" can be found at <http://www.comsoc.df.gob.mx/noticias/bandos.html> Accessed May 2009.

both a municipality and a state (the ALDF is not a city council but a state congress, and the Mayor's office is not wholly a governor's office but a Municipal President's office) there wasn't any clarity on the legality of such instruments. It was in-between these legal contradictions that AMLO used the *bandos informativos* to publicize his political and legal authority.

By the end of December, leaders of the opposition announced that they would take the bandos to court, arguing that they were illegal because the Mayor was overriding the authority of the ALDF with them. At the same time, for almost every bando that was emitted there was a group that announced its opposition to it. The one that restricted constructions sparked the opposition of both developers and low-income housing organizations. The one to increase accountability provoked protests from the workers at the city's accounting and treasury offices. The one that restricted the construction of new gas stations in the central area of the city, for ecological reasons, incited gas station owners to announce their opposition to the Mayor. However in all cases, even before any rule was actually implemented, the Mayor's office became the center of negotiation and agreement between the city government and various social actors. By mid-2001 the Mayor had emitted seven more bandos regarding an ample range of topics from regulating large advertisements in the main roads of the city, to establishing July 6th as the official "Democracy Day"¹¹.

11 This was symbolically relevant for the PRD because the 1988 presidential election on that date. The 1988 election was the first contested election for the PRI in decades, and for many people the PRI only stayed in power through a generalized fraud against the Cárdenas, the opposition's presidential

The opposition got more exasperated with what they felt were illegal actions taken by the executive to reduce the power of the ALDF. The panista opposition, which is normally linked to most conservative business groups in the city, was the most vociferous opponent to the bandos inside the ALDF. Nonetheless outside the ALDF the strongest opponents of the bandos were the opponents of Bando #2, mostly NGOs, academics and some developers. They all argued that the problem of such restrictions on construction, was that not only that do they reduce the availability of housing in the city, but that they increase the cost of the housing in the central Delegaciones, and, though less, also in the rest of the city. For most developers, particularly mid-size firms, the constructions they were planning on the outskirts of the city had to be moved even further away to the bordering State of Mexico. Other developers, supported López Obrador because they saw the re-concentration of construction in the city as an opportunity for refurbishing old buildings, which went in conjunction with the larger plan of the Mayor to completely redevelop and repopulate the historical downtown “Centro”. The firms that supported the restrictions, had to be large enough to maintain a business directed to low-income housing in the State of Mexico, while developing a new business for high and mid-income housing in the central areas of the city.

A plan to renew the downtown area was announced as an alliance between the GDF and the businessman Carlos Slim who had real estate interests in the area. The Bando #2 made such alliance viable because it guaranteed that value of the land in the

candidate.

center of the city would rise¹². This alliance excluded the poorer people in the downtown who would not be able to afford housing, and also some middle-class areas, like Colonia del Valle where residents opposed the “boom” in construction. The political alliance implied in the Bando #2 was not historically new, a member of the Movimiento Urbano Popular (MUP) recalled in a public forum:

“the ex-regente Ernesto Uruchurtu did the same thing as López Obrador, limiting the growth of housing. That was how various municipalities like Nezahualcóyotl and Naucalpan [in the State of Mexico] were born”¹³.

The historical alliance, which sustained Uruchurtu in the Mayor’s post for more than a decade, was based on his efforts to control the territorial expansion of the city. For these reason, among others, he had been considered a center-right politician inside the PRI. After the fall of Uruchurtu in the 1960s the restrictions to the expansion of the city were lifted. Surprisingly, a politician from the PRD whose campaign motto was “The poor first” was now following the same policy. It seems that the GDF knew the political implications of forming this alliance because the “Bando Informativo #13” sought to regulate and guarantee the authority of the GDF to remove, by force if needed, any “unnecessary” blocking of streets by protesters.

When the bandos were finally taken to court, it was not done by one of the groups that could be considered part of the PAN's constituency like the residents of Colonia del Valle, but by a group of illegal taxi service providers strongly linked to the Frente Popular

12 “Obliga bando 2 a dejar el CH, dicen” (El Universal, 07/09/01)

13 “Arremeten expertos y ONG contra el Bando 2” (El Universal, 01/06/01)

Francisco Villa (FPFV), a radical housing organization that has historically supported the PRD. They opposed “Bando Informativo #9” because it limited the number of new permits for offering taxi services during three years. After two contradictory rulings by the courts, the Supreme Court took up the case. To the surprise of most opponents, the court ruled in favor of the bandos. The court ruling is interesting because it sheds some light on the opponent's understanding of the rule of law. The court decided that the bandos were not illegal because they were legally irrelevant as such.

The name “Bando Informativo” may have been misleading, by relating it nominally to the “Bando de Policía y Buen Gobierno”, but the content of the bandos did not institute new regulation, nor did it exert legal authority that did not already exist, it simply announced that regulation and legal authority that already existed would be exercised¹⁴. For instance in Bando Informativo #12 the substantive statement is “I have decided...to submit before your the proposal for the new Law for Citizen Participation of the Distrito Federal which I will immediately send to the Asamblea Legislativa¹⁵”. This means that the bandos were communication and political tools, not legal tools that the Mayor disposed to exercise power. The publicity of power agitated the opponents of the policies implicit in the bandos, the law became a real threat to their interests thus creating new political conflicts that one by one defined the limitations and capacities of the local state. In many cases the arguments given against the policies announced in the bandos had

14 Contradicción de tesis 44/2002-SS, Segunda Sala, Suprema Corte de Justicia de la Nación.

15 “Bando número 12: Iniciativa de Ley de Participación Ciudadana del Distrito Federal and la Asamblea Legislativa” (18/12/01).

nothing to do with the policies themselves but from the simple idea that the power and authority of the local state was becoming present¹⁶.

In a context where the rule of law is constantly undermined and those that have more factual power in protecting their interests seem to rule, publicity of the law is a real threat. The bandos announced policies in which the Mayor was not willing to negotiate the law, and at the same time helped him start building a governing coalition with various and sometimes contradictory interest groups. He may have agreed to negotiate in other matters considered less relevant, but most of the bandos increased the autonomy of the GDF in relation to local groups that held some form of political power, by publicly forming new coalitions. The most surprising element is that they achieved so, simply by reminding people that law and regulations exist, and at the same time defined the territorial scope of local government's authority. The bandos, made factually evident what was originally a legal claim and not necessarily a political fact: the city government controlled the regulation regarding politics and spatial distribution in the Distrito Federal.

Increasing autonomy through increased income

The fiscal structure of the Distrito Federal is relatively unique in comparison to the rest of the country. Because the political reform process was a process of negotiation between the interest of the PRI in keeping centralized control of the city, and the interest of the

16 "Instan a AMLO a omitir bandos" (El Universal 29/12/00)

opposition in expanding representative government, the city ended up with a regime that in many respects condenses in one, both a state-level government and a municipal government. As was argued earlier, Mayor López Obrador used politically such institutional fuzziness when emitting the bandos, but in fiscal matters this unique regime had even more important consequences.

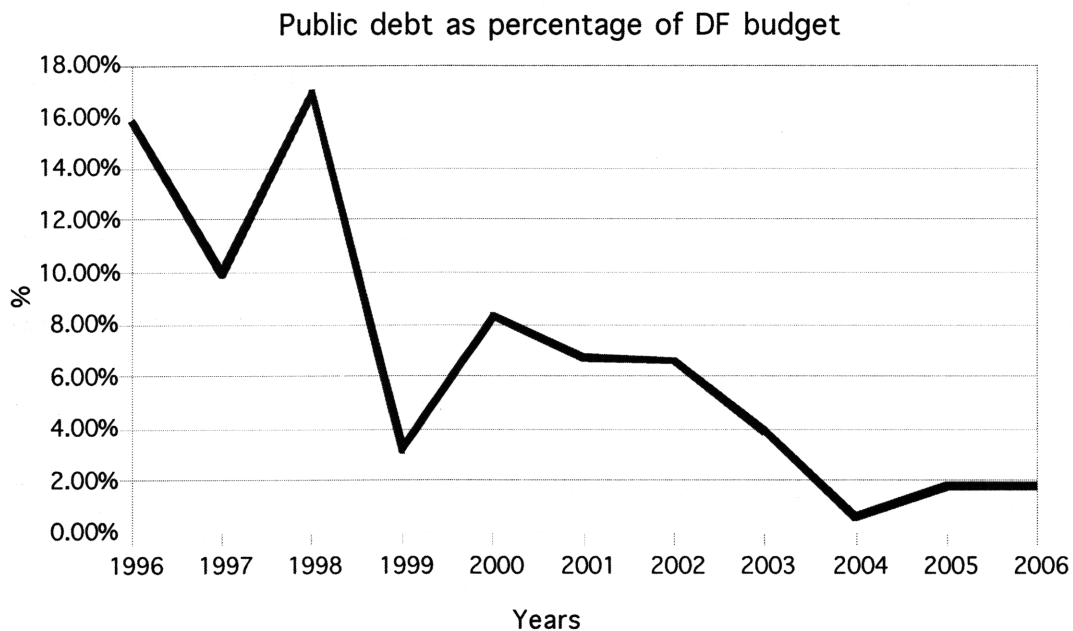
On the one hand, the DF has a higher capacity to collect local taxes. In contrast with other state-level governments, the authority to collect property taxes, *predial*, is not held by the Delegaciones (as is by Municipios), but by the central government (GDF). This gives the central city government an important source of revenue, which is added to the yearly tax on cars, *tenencia*, and the payroll tax, which all state governments can collect. This means that the decentralized fiscal authority that other states have at the state level, in Mexico City is highly centralized. On the other hand, because there was a real worry that the public debt of the DF could provoke macro-economic imbalances there is a cap set every year by the federal congress. This involves a process of political negotiation, where the GDF, as it makes its yearly budget proposal to the Asamblea, has to negotiate with the political parties at the federal level (Raich, 2006). This means that the sources of income for the local state depend on both the relationship with the national state and the GDF's local capacity to collect taxes.

The federal control on the debt was set since the 1993 political reform, with the agreement of all parties. However they did not expect that it would be used politically in the near future. For instance in the 1994-1997 period of government which was the period

with the last non-elected Mayor and with a PRI majority at the federal and at the local level, the federal congress allowed an important increase in the debt of the DF, to prepare for the 1997 elections. Once the opposition won and Cárdenas was elected Mayor the negotiations between the GDF and the federal congress complicated and the debt allowance was substantially reduced. Since then, the city government has continuously asked the federal government to take responsibility for the debt generated before the 1997 election. Both the PRI and the PAN, who had a legislative alliance at the federal level, but were in opposition at the local level, have continued to reduce the debt allowance from 1997 to date. This is the most evident intervention from the national state in the interest to reduce the relative autonomy of the local state. As an advisor to former Mayor Camacho in the 1993 political reform negotiations, put it:

“It resulted in a perverse arrangement, because first [the PRI] got irresponsibly in debt with a majority in Congress before 1997, but it turned into a tool in which 'I let you in, but then I don't let you consolidate as a [presidential] candidate'” (Interview B).

The political pattern in the debt of the Distrito Federal can be easily identified on Graph 1. Where, except for 1998 when the PRI government had still elaborated the budget, there has been a decline on the debt as percentage of the budget. This does not only mean that the amount of debt that the DF has been able to acquire has persistently reduced because of the intervention of the federal government, but that to increase spending the GDF has found other sources of income.



Graph 1: The author with data from the Secretaría de Finanzas del GDF

The first signs of the GDF's intention to increase the ability of the local government to expand available sources of income were formulated through “Bandos Informativos” #1 and #4. The first one established new accountability mechanisms for the city's treasury and the ability for citizens to pay all their taxes or services through any commercial bank. The fourth one became a political landmark of the administration, it announced a “republican austerity plan” which included a 15% reduction on all salaries

from top officials, the cancellations of posts for personal aides, a cut on mid-level administrative personnel and a particularly important cut of 50% on any budget expense directed to communication. The program was touted as populist and the opposition expected that it wouldn't imply an important reduction in bureaucratic spending, yet during the first year of government these cuts represented almost 20% of the total tax collected by the GDF¹⁷.

Notwithstanding, the opposition to López Obrador failed to recognize these administrative cuts as real sources of income with which spending could be redirected, but defined it just as a “populist strategy”. No doubt the austerity plan was a political strategy, but it was one whose success rested in actually justifying the redirection of a part of the city budget that implied a confrontation with other political interests. The leader of the PAN in the city at the time says “It was all a manipulation, these austerity criteria, it was a trick, the savings were 0...it was all fake, it was just a reassignment of the budget” (Interview C)¹⁸.

Accompanying this program was the announcement that the GDF would not propose an increase in taxes during the 2000 – 2006 administration. Fiscal policy would be based on the expansion of the tax base by reevaluating property and by establishing programs that would allow for long time debtors to pay their taxes without paying the

17 This number might be subject to dispute, sometimes it was announced as 2 billion pesos savings, and sometimes it was announced as 3.6 billion pesos in savings. Considering that the first number was the one the GDF announced for the first time, it might be taken as one less influenced by the political use of the austerity plan.

18 The financial reports of the GDF in the two first years of government do talk about administrative cuts, and a no hiring policy. Although the cuts and other expenditures may be subject of dispute (SFGDF, 2001, 2002)

penalties. These local strategies transmitted a message of commitment with using public monies in worthy government expenses and reducing tax evasion. However the gist of the GDF's initial financial strategy presupposed the “truncated” decentralization of which the city was subject in contrast to the rest of the country. It was not only that debt caps were used to control the finances of the city by the federal government, but also until the year 2000 the DF did not receive the same distribution of federal resources as did other states. The transfers that were dedicated to “strengthen” municipalities, FORTAMUN, were not given to the Delegaciones, the FAIS, which were transfers for social infrastructure also in municipalities were not assigned to the Delegaciones either, and the PAFAEF, which were transfers for state governments were not transferred to the DF.

The two largest funds, the FORTAMUN and FAIS are earmarked for municipalities as instruments to combat poverty, not for state governments. The funds obtained from them, except for the PAFAEF, which was earmarked to state governments that had large debts, would be managed by the Delegados and not by the GDF.

Considering this, the Mayor devised a strategy based on the territorial nature of the transfers, and made an alliance with the Delegados that came from the PAN, 6 out of 16, so that the Mayor, and the 16 Delegados from the city would go to the federal congress, where the PAN controlled the majority, and lobby to get the transfers from the annual federal budget. The argument used publicly by the GDF, the ALDF and the 16 Delegados, was that the DF had a “right” to those transfers just as any other state, and that it was unfair that the federal government was discriminating the DF. The strategy

proved successful and both the public debt allowance and the federal transfers were approved after intense negotiations. López Obrador had imposed a lot of pressure on the negotiation, by using the PAN's territorial interests in the city with the support of the Delegados, and the threat that the city would default on its debt payments. With this conflict, the local state managed to exist in the eyes of the national state through a display of force based on the geographic-boundedness of its political interests.

After the federal congress approved the budget, the discussion on the city's finances moved to the ALDF. There the PRD did not have a majority and since the Mayor had presented the budget almost 2 weeks earlier, the PRD tried to build an almost unanimous coalition by increasing the funds to the Delegaciones, but at the same time keeping the spending priorities set by the GDF's proposal. The negotiations were not easy and the PRI became the center of power because it served as the leverage with veto powers between the PAN and the PRD.

When the Mayor and the 16 Delegados had gone to the federal congress to lobby, the main argument given against providing the funds to the DF was that it was spending too much money on subsidies. In the final negotiations, in the ALDF, before the year's end, the PAN backed out of the agreement because the PRD and the PRI did not agree to reduce by 50 cents the subsidies to the subway system, Metro¹⁹. The PAN at the federal level would see the reduction of the Metro subsidy as a sign of good faith that the city

19 As it will be explained later, AMLO did not oppose the reduction in the subsidy in principle. He told the media "First we have to win the trust of the population, so that when it can be shown that we are doing our work we can ask them for their support in rising the price of the Metro". (Reforma, 31/12/2001).

was not making its finances completely dependent on federal transfers. Yet, the PRD and PRI did not agree. The budget, with few modifications from the one sent by the Mayor was approved by a majority conformed only by the PRI and the PRD. The panistas in protests left in the middle of the parliamentary session denouncing foul play.

Although the conflict did not seem to escalate between the ALDF opposition and the PRD government instantly, the negotiation of the first budget proposed in late 2000 shows a change in priorities to what the PRD called social spending (including subsidies which contained the first budget for the PACAM), which led to a highly conflictive relationship between the GDF and the federal government for the next 6 years. It was from these changes that the PAN insisted that social spending could not be based on the debt that had been approved by the federal congress but that it had to come from its own sources, the subsidies were deemed unfair to other states that had less income and less transfers. The congressmen from the PAN presented themselves as defenders of the rest of the states, versus the centralizing perspective of DF politicians. This is not surprising considering that the PAN's power base came from state governments in the north of the country, and part of the President Fox's campaign had been defined as a campaign identified with the people from "provincia", meaning residents of states outside Mexico City.

In a surprising interview to a major newspaper, 6 days after the approval of the federal and local budget and just 1 month after taking office, President Fox offered his perspective on various issues after a month in office. When asked about the states' debts,

his first reaction was to talk about Mexico City as the “state” with the worst debt problem. He blamed it on the Cárdenas government and insisted that it was unfair that the DF got so many resources from federal funding. In the interview Fox said:

“To me it is not fair that it is now said that those states that have debts shouldn't have to pay them...México City is the state with most debt and it shouldn't get a pardon. This year the city increased its debt 5 billion pesos...I think they should rather choose to charge for their Metro, charge for all their subsidies, make their budget more efficient instead of keep increasing their debt. It is following the same path that the country took for many years and led us to a situation we all lamented...It seems to me that the discussion in Congress wasn't very clear and that all elements should be on the table to see what is the situation between the DF and other states. One day Congress will have to look at this distribution again. And Congress will have to find which one is the fairest formula...”²⁰”

This perspective is not completely surprising considering that Fox had been Governor of the State of Guanajuato before running for President. State governors, particularly those the came from the ranks of the opposition, historically resented the permanent priority the DF had acquired during the PRI regime which they deemed as unfair. The problem was now that Fox was not a state Governor any more, and his interview hinted that the national government had intervened in the ALDF in an effort to block the Mayor's budget proposal. The President thought he was speaking for the rest of the country, and the Mayor had acted in representation of the interests of the local state with the support of all the political parties including the President's. In this sense the issue was not partisan, but territorial.

A couple of days after Fox's interview was published, Cárdenas answered back in his own interview accusing the President of being an “ignorant liar”, while explaining how

²⁰ “Entrevista / Vicente Fox” (Reforma 07/01/01).

the city's debt had been built up through the years. López Obrador supported Cárdenas, defended his budget, and made fun of the President's "loose tongue"²¹. This incident may look as something minor but before the interview given by Fox and before the panistas in the ALDF broke negotiations with the PRI and the PRD on the Metro subsidy, there is no indication of a conflictive relationship between the local and the national governments elected in 2000. As rhetorical as the conflict might seem to this point, the interview offered by Fox announced a continued threat to what the Mayor and even the PAN and PRI representatives had defended as the rightful financial resources of the city. The PAN in the city was in a particularly difficult position, they had city interests but they also had to side with the national government. The President of the local PAN who first announced that they would not vote in favor of the budget, Jose Luis Luege says, "For the PAN in the city, when we won the Presidency, things were very complicated, we were like the ham in a sandwich" (Interview C). From this point on, a public and almost permanent debate was established between the López Obrador and the Fox governments on almost every topic both through the panistas in the ALDF, but also directly between the President and the Mayor.

Considering the previous description of the threat posed by the intervention of the federal government on the finances of the local government, the GDF still needed to increase its

21 "Defiende AMLO endeudamiento" (Reforma 08/01/01), "Entrevista / Cuauhtémoc Cárdenas: Fox no conoce el DF" (Reforma 10/01/01).

own revenue, while keeping the campaign “promise” that there was no need to increase taxes. Yet, the GDF and PRD's story about not increasing taxes at all in the city was not wholly true; for instance in the budget proposal for 2002 a change on the calculation of the property tax was made.

After a year in government, two different calculations were approved, one calculation for the value of property that was used or inhabited by the owner, and another one, higher, if the property was used by someone else. This amounted to an increase in the taxes to landowners. The increase was not minor. It was known as the “factor 10” property tax because the total of the calculation made according to the price by which the property was rented, would then be multiplied ten times. The opposition to such increase in taxes from renters was rapidly mobilized. Business groups announced its opposition during the discussion of the budget, and when the new fiscal law was applied, they massively went to the court to suspend the application of the tax increase²². The court provided suspensions of the law after individual rulings were made through a legal instrument, called “amparos”. Among the entities that promoted these amparos were large banks and department stores.²³

The Supreme Court would end up ruling the “factor 10” calculation as illegal after more than 6 thousand amparos accumulated, reducing the GDF's tax revenues by 400 million pesos in 2008. Nevertheless, between 2001 and 2007 the “factor 10” property tax

22 “Exige COPARMEX cambio en tarifa” (Reforma 23/12/01)

23 “Ampara Tribunal Federal a arrendadores del DF” (Reforma 17/06/02).

was implemented with a strong opposition by those affected by it. The evidence of the sustained implementation is that every year each renter would have to get an individual suspension to avoid paying the tax, and many did. In practice the “factor 10” property tax seemed contradictory with the building restrictions that had increased the cost of housing in the city. It did not amount to rent control, but it certainly reduced the incentives for hiking up rents. For instance with the “factor 10” formula, an increase of 30% in the rent would translate into an increase of 75% in the market value of the property from which the actual tax would be calculated. So yes, nominally there was no tax increase, but in fact there was an important tax increase.

Although it seems like a contradiction, the alliance between López Obrador and landowners, in parallel with an alliance with renters was not something completely new. Mayor Uruchurtu during the 1950s followed a similar policy, which restricted construction, increased land value, but by the end of the decade generated enough pressure by middle class interests to set in rent controls (Davis, 1994). The difference with the “factor 10” property tax is that it increases tax revenues disproportionately, whereas rent control does not allow them to increase the rent and in practice might reduce property tax revenues. This contradiction might also show that the nature of the increase in taxes to landowners was also involved in the tension between the resources available from the federal government and the debt payments of the city. In the local alliances regarding construction the GDF mostly acted in favor of landowners, but the restrictions imposed by the federal government forced it to look for local sources of income.

Another method by which the GDF tried to improve its spending capacity was by reducing the subsidy to the subway system, Metro. As was discussed earlier this was a pressing issue, and both the opposition and the GDF favored it, except for the timing of implementation. Historically the subsidies to the Metro have represented an important proportion of the city's budget. In 2007 it still represented 5.8% of the total expenditures from the central government, which was more than 30% of the cost of the PACAM (SFGDF, 2007). The intention to reduce the subsidy of the Metro had been announced since the Cárdenas administration, which had increased it from 1.20 pesos to 1.50 pesos in 1997. The idea of an increase in the price of the metro ticket was discussed without much success in 1999, but by the end of the Cárdenas government, who had left office for the run for President, the price hike was completely canceled. After the PAN had lost the discussion in the approval of the 2001 budget in the ALDF in December 2000, a new proposal was made in early 2000 by the leader of the Metro union workers who was a Congressman in the ALDF opposition who saw it as a way to increase resources for the Metro system. The opposition tried to take the opportunity to push GDF again into a contradiction, knowing that it needed to reduce the subsidy but at the same time didn't want to look incongruous with his previous stance against price increases. After an impasse in mid-2001, AMLO himself floated the idea of increasing the price by 30%, from 1.50 pesos to 2.00 pesos. It implied making available for government spending in other areas, 720 million pesos equivalent to 1.1% of the budget.

The opposition rallied against it and the media transmitted a sentiment that the

PRD's traditional supporters were also against it, so the administration announced that a public vote would be taken through a telephone system. The opposition again found this strategy as a trap imposed by Mayor onto them, their calculation was that the AMLO would use the results of the consult in which there would be a resounding "NO" to increase the opposition against the ALDF in preparation for the 2002 budget discussion, and that then the ALDF would have to modify the budget to keep the Metro subsidy. A congressman from the PRI declared during a session "We are not going to fall into that trap. We have the impression that López Obrador wants to charge us the political cost of a measure that will hurt his electoral clientele", he was seconded by the congressman from the PAN, "They want to make us look like the bad guys in the movies, but it shouldn't be like that" while suggesting that spending cuts could be made in other programs²⁴.

What the opposition failed to realize was that the interest of the GDF was to increase their spending capacity by reducing operating costs. The telephone based vote took place by the end of the year and even if there was little participation, the proposal to increase the price of the Metro won by a substantial majority and AMLO rapidly announced that he would propose it to the Asamblea. The Secretary of Finance had declared in an interview earlier that year, "...this year we are contemplating the Metro fees, we've said, nobody will feel tricked by it, that subsidy is just too much".²⁵ Their interest in organizing the vote wasn't necessarily to confront the opposition, but to gain

24 "Cuestionan la consulta del Metro" (Reforma, 06/11/01).

25 "Entrevista/Carlos Urzua" (Reforma, 02/04/01).

control of the budget and redirect the expenditures of the GDF in order to increase its capacity to use it for social policy in such a way that it would be electoral costs for the opposition if they kept opposing the GDF's policy priorities. To do this the Mayor had to break with the groups that opposed the increase in the price, but at the same time he had to propose it himself so that the members of ALDF couldn't argue that they were the ones who should set new spending priorities because it had been their proposal since the previous year.

Paradoxically what happened in the long run with the intention of the national state to reduce the autonomy of the local state through the debt caps and reduced transfers was the opposite. It forced the local state to increase its autonomy versus local interest groups and versus the national state by increasing the available funds of the city²⁶. The lesson that the López Obrador government readily took from the experience of the Cárdenas government, and the negotiation from his first budget proposal was that the federal government would use the Distrito Federal's "truncated decentralization" as an instrument of control on its budget just like President Fox had threatened in January 2001. To escape such control the GDF had to generate more and new sources of income so that it could be spent in its defined priorities. Accompanied with the continuous publicity of the administrative and fiscal "success" of the GDF, the local government and its officers never failed to remind the public that the fiscal reform that President Fox was

26 On average between 2001 and 2006, tax incomes in the city, according to numbers from the Secretaría de Finanzas del DF, increase on average 8% every year.

trying to pass at the federal level was in large part unnecessary and announced its failure because its “spending priorities were wrong”. The conflict between the local state and the national state had been set by the intervention of the President in the local budget discussion. Yet the increase in revenues, both by transfers and increased tax collection, is only one of the political instruments that increased the autonomy of the DF.

The Mayor wrestled with the opposition and other groups, mostly regarding income and not expenditures, but acquiring more control over income and defining spending priorities was part of the same strategy. López Obrador gave a hint of this strategy and how it would be linked to spending in social policy to a reporter, when the first discussion over the Metro subsidy was taking place: “First we have to win the trust of the population, so that when it can be shown that we are doing our work we can ask them for their support in rising the price of the Metro” (Reforma, 31/12/2001).

The preceding examples show the efforts made to establish local state authority, the conflictive relationship with the national state, and the conflicts generated by the expansion of local state power through increased local sources of revenue. They also help map the process by which the local state is being formed in the Distrito Federal. In all cases the quotidian exercise of local state power is present, there is a tension created by the relative autonomy from “above and below”, and the distinction between the despotic and the infrastructural power of the state is made clearer. The last example, regarding the price of the tickets for the metro system is particularly illustrative. It shows how the same issue can be engaged through the despotic power of the state, deciding to rise the

price as a last minute proposal the day before the yearly budget is approved, or rising the price of the ticket after there has been some time and methods to generate more information and at least some public discussion. In the next chapter the same issues will be addressed, authority, autonomy and despotic and infrastructural power, but as part of what here is described as an important consequence of the development of welfare state policies.

Chapter IV: the non-contributory universal pension and local state formation

The establishment and implementation of the PACAM was a political process in the sense that it was a response to a plurality of competing and converging interests to the opportunities presented by the context. Its actual implementation was determined by the structure of opportunities that resulted from the different aspects of the structure of the Mexican state and the DF's local state that have been narrated throughout this study; the territorialization of politics, multi-party competition, and the efforts to build local state authority and increase local state capacity, including the conflicts surrounding each of these issues. In this chapter two things will be described: first the status of the political coalitions participating in local state institutions regarding the budget process when the PACAM was first implemented, and then the details of the actual policy formation including a limited description of pension reform in Mexico, some aspects of the previous policies concerning care for the aged in Mexico City, and the legal establishment of the PACAM as an entitlement.

The preparation for the last public “Informe the Gobierno” (a trimestral report) of the year in December 2001, informally institutionalized by AMLO had started almost a month earlier. Letters had been sent from the Mayor's office to all the beneficiaries of social programs inviting them to the central plaza of the city (where the Mayor's office is

located), the Zócalo, to listen to the report where it would be explained how the programs had been funded. The Mayor did not conceal the political objectives of event; it would take place on the first Sunday of December before the budget negotiations started in the ALDF. In the letter, and through the media, he said it clearly “we have to defend the city’s budget”.

The mobilization of budget “supporters” was massive. The PRD operatives throughout the city distributed propaganda, the party hired advertisements in the media, the illegal taxi services affiliated with the PRD suspended their service Sunday morning to transport supporters to the Zócalo. A day earlier the 1200 social workers that were in charge of distributing the old-age pension, visited the beneficiaries and asked them to go “defend the budget”. When the Mayor arrived on Sunday morning to deliver his speech. The media was stunned. 75000 people covered the surface of the Zócalo, a scene normally associated with the rallies in support of the PRI in the 1930s. The opposition had accused, days earlier, the GDF of forcing the beneficiaries of social programs to go to the Zócalo with threats that they would stop receiving their cash transfers. The press made an especial effort to look for evidence of this type of clientelism although there wasn't any reported in the strict sense.²⁷ The general impression was that the people that went to the Zócalo to listen to López Obrador's speech were either PRD supporters or the beneficiaries of the PACAM who did it out of a “sense of gratitude”. A couple of

²⁷ “Abarrotan el Zócalo los adultos mayores” (Reforma, 03/12/01), “Fustiga López Obrador a sus detractores de derecha” (La Jornada, 03/12/01), “Los ancianos fueron el grupo más numeroso en el Zócalo” (El Universal 03/12/01)

days later, politicians at the local and federal level, and opinion makers on both the left and the right, accused López Obrador of being a populist. But how and why did a Mayor, elected with just over a third of the vote the previous year rally so many people in the Zócalo?

The message of political strength sent by a government led political mobilization was directed to both, the opponents of the GDF inside the ALDF who had on various times throughout the year announced that the DF needed a fiscal reform and a reduction of subsidies; and at the federal government that in mid-2001 had announced a thorough fiscal reform which included cuts in the budget directed to state transfers.

The reduction in federal transfers meant the abolition of the PAFAEF and a reduction in the total transfers given to municipalities, both argued from the federal congress as necessary cuts linked to an economic recession. The fiscal reform at the federal level as proposed by Fox not only included a more “just” distribution of transfers among the states and the federal government, but it also included the rise in the VAT of 15% up from full exemption in medicine and food. The fiscal reform was not popular in the ranks of the opposition because both the PRI and the PRD had interests in getting more state funding since they had no control over the federal government, but controlled more than half of the states governments. In the dispute of the fiscal reform, AMLO had played his part as a strong critic to the President's proposal, up to the point of substituting part of the Liconsa milk subsidy that the federal government had reduced,

with money from the GDF²⁸. This time, the risk of a reduction in the debt allowance was even higher as various PAN congressmen had announced, since they could impose it through the President of the Congressional Commission for the Distrito Federal who was a member of the PAN²⁹. But the reduction in federal transfers in the DF, had an even deeper impact in the local governing coalition. It meant that the Delegaciones would receive less earmarked federal transfers, which they would probably try to compensate, both the PAN and the PRD, from resources that had been previously used by the GDF.

The previous year the GDF had increase the funding to the Delegaciones through federal transfers, giving the central government more leeway for spending directed from the Mayor's office. With the change in available resources, but the power to define the budget, the ALDF would press in favor spending in the Delegaciones instead of the central government. Months before the budget discussion started, both members from the PRD and the PAN asked for a local fiscal reform, which would increase taxes and reduce subsidies³⁰. This “bipartisan” call had to do with the actual composition of the PRD parliamentary group in the ALDF (Mirón Lince, 2001). Back before the 2000 election, López Obrador had started to form his cabinet without considering any quotas for the traditional political groups inside the PRD, also called “tribes”, but gave all the election

28 Liconsa is a federal program that gives subsidies for families in poor neighborhoods all around the country to buy milk at the Liconsa stores. The federal government decided to reduce the subsidy in 50 cents, and the GDF announced that in the DF they subsidy would be covered by the local government.

29 “Acusan de irresponsable a AMLO” (Reforma 04/12/01). According to Jorge Lara, head of the Commission he received the instruction of the leader of his party in Congress, Felipe Calderón, to look into the details of the DF's finances, and take the proposal of the PRI to reduce the debt allowance to 3 billion pesos.

30 “Proponen comenzar la reforma fiscal” (Reforma 14/08/01)

posts to them (Interview A). The “tribes” were the groups linked to territorial organizations that could actually mobilize people, and therefore had actual electoral strength themselves (Hilgers, 2005). At that moment, there were at least three strong tribes in the DF: *Nueva Izquierda* (NI), led by René Arce a leader in the Delegación Iztapalapa, *Corriente de Izquierda Democrática* (CID) headed by the leaders of a housing organization Dolores Padierna and René Bejarano, and the *Roscas*, a more loose organization around former Mayor Cárdenas and his one-year substitute Rosario Robles. Members from all tribes had posts in the ALDF, and also members of all of them had posts in Delegaciones. The *Roscas* controlled the state committee of the PRD, and named the parliamentary leader of the PRD in the ALDF. This political/territorial distribution in which AMLO did not have the control of the PRD parliamentary group himself or through his cabinet, meant that the opposition in the ALDF could gain new members if he did not satisfy the territorial demands of his own party.

The informal link between the ALDF and the Mayor ran through René Bejarano from the post of personal secretary to the Mayor, who was one of the heads of the CID, the tribe that had the majority inside the PRD's parliamentary group, making him a key piece in López Obrador's government. In the months previous to the negotiation of the budget some members of the PRD parliamentary group joined the opposition in the calls for a fiscal reform and a reduction in subsidies. Although the conflicts within the PRD were also linked to the internal election that was taking place a few months later, unexpectedly in the last few days of December the head of the PRD's parliamentary

group, Armando Quintero, linked to the *Roscas*, was removed from his post after losing an internal vote to the group lead by Bejarano³¹. The Mayor sent the message that he could maintain party discipline, but he also got his way with the opposition at both the local and the federal level. In contrast to the previous year, 2002's budget was approved by a unanimous vote, without increases in the budget of the Delegaciones (although most of them had a budget underspend) (SFGDF, 2001, 2002). By the same token the federal congress approved a debt cap of 5 billion pesos as had been solicited from the GDF's Secretary of Finance to the Congressional Commission for the Distrito Federal, headed by the PAN. How was the GDF again able to wrestle down not only the federal government, but also the opposition in the ALDF and the opposition inside its own party? If the alliance that supported the budget, was not where the legal power to approve the budget was, where was it?

The Universal Pension

On February 6, 2001 the “Pensión Universal Ciudadana” was first legally announced as a social program of the GDF, arguing that it was the first step to build the a basic rights of a welfare state³². Even in the language of the justification of the program one can identify its ideological origin in a book published by Asa Cristina Laurell, named Secretary of Health

31 “Evitar el rompimiento interno, desafío inmediato del PRD” (La Jornada 16/01/02).

32 “Programa de Apoyo Alimentario, Atención Médica y Medicamentos gratuitos para Adultos Mayores de 70 Años Residentes del Distrito Federal”. *Gaceta Oficial del Distrito Federal* 06/02/01.

of the DF by López Obrador, La Reforma Contra la Salud y la Seguridad Social (1997) (The reform against health and social security) published in 1997. The book builds the argument of how the “neoliberal project” to privatize all Social Security through a special reliance on the market and individualism had advanced in Mexico through the reformed approved in the federal congress by the PRI and PAN in 1995. The 1995 reform of the IMSS moved the pension system to one funded with tripartite contributions, a defined benefit scheme, and public administration, to one organized through individual accounts, a contribution based pension, and a private scheme of administration. In the international discussion on pension reform the stance to change from “solidarity” based systems to individual accounts was strongly promoted by the World Bank, and non-contributory pensions had been out of the discussion for a long time³³ (Blackburn, 2002). This means that in the international and national context, a position on the discussion about pension reform implies a conception of the role of the state in society.

In Mexico the new pension system took the form of what is known as AFORES (administrators of retirement funds), colloquially the same name is given to the private accounts into which individuals are forced to save. The main critique to the new system by Laurell was not only that it wouldn't raise the amount of the pension individuals would receive while increasing costs, but that it would not expand the coverage of the

33 Actually most “solidarity” based pension schemes originally started out as non-contributory schemes financed from general taxes. However once there was pressure to raise the level of the pensions, prefunding by workers was developed, as in the case of Britain and Sweden, establishing a two-tier system. A basic pension for all, and a contributory defined benefit pension for workers (Hecló, 1974). The Netherlands still has a non-contributory scheme, although proof of 25 years residency needs to be shown.

system towards universalization. Non-universalization in Mexico has historically been a problem, linked to the corporatist organization of the PRI regime during most of the 20th century. As was described in Chapter II, services provided by the government were defined by the affiliation individuals had to organization sponsored by the PRI and a formal employment condition, not by citizenship. Laurell's "alternative" proposal in her 1997 book starts off with the full extension of coverage through a universal basic pension at the national level paid off from general taxes, not contributions, as the fastest and easiest way to achieve universalization.

Supporters of the new pension system, thought something close universalization could be achieved through the privatized system. When it was instituted in 1997 there seemed to be an important increase in coverage going up all the way to 87% of the working force ten years later, seeming to reverse the traditional pattern of exclusion. However it has been shown that although there has been a consistent increase in the number of individual accounts, there is a small number of accounts to which people actually contribute, and there are indications that it is even less than in the previous system (Sinha and Yañez, 2008; Levy, 2008). Before the 1995 reform there were 12,000,000 contributors in the whole country, in 2001 when the PACAM started to be implemented in Mexico City, contributions had fallen almost by a million (Sinha and Yañez, 2008: 262). This information is consistent with the official announcement of the PACAM which established as the main reason for the urgent need for a non-conditional pension that only 40% of the population 70 years of age or older had a pension and that

the average income in that age group was equivalent to the minimum wage.

Considering this under provision of Social Security from the federal government, and the ever-growing informal labor market in the city it is hard to believe how the establishment of a universal pension had not been a more salient political issue. It seems that part of the problem was that there was no organized political agent that was interested in promoting a non-exclusionary system, since most of them depend on organizations based on exclusion.

The PAN and the PRI coalition with the support of the labor unions approved the 1995 reform in Congress. For the PAN and PRI pension individualization was an ideological and practical issue, that would rid the state from an unnecessary burden, and for the labor unions it would guarantee the privileges that they could give to their members. The match between a non-organized coalition interested in universal pensions and a city Mayor trying to break-off from traditionally established coalitions couldn't have been better. Particularly because it involved a larger conception of what the state is, its capacity, and the way it relates to society.

There is little information on the services provided for the old-age population in Mexico City before the Cárdenas government. Most of the services appear to have been provided by a combination of the residual responsibilities of federal institutions in the DF, and charity organizations (Robledo et al, 1996). When the members of the Cárdenas cabinet got into office in general they found that the infrastructure of the former DDF (the name was changed in the political reform to GDF in 1996) was in shambles (Interview D).

The offices were shared with the local leadership of the PRI, and public spaces were completely appropriated by private individuals or groups. All social policy of the DF was concentrated in a single office, which nominally dealt with health, education, sports and culture. Few instruments were available for implementing any type of policy, resources were scarce, and any intention to change the minutest condition of the status quo generated a conflict with small interest group that had appropriated public spaces.

There was a single and very clear policy decision made in the 1997 – 2000 government, which was that the realization of universal social rights, was not the responsibility of the local state, but of the national state (Jusidman, 2002)(Caro López, 2003) (Interview D). The whole conception of social policy in the Cárdenas administration was based on a few principles: participation, co-responsibility, and equity in diversity. It was as well defined in opposition to the “neoliberal” model, but also in opposition to the welfare state model (SESDES, 1998). It was true there were limits on infrastructure and budget, but decisions were made, and the priorities of the Cárdenas government were expressed in investment in programs for women, teenagers, and the indigenous population, but scarcely for the aged (Moreno, et al., 2002). Many of the difficulties in building a unitary social policy were that most of the programs for social assistance and public infrastructure were dependent on the Delegaciones not on the central government. A characteristic that throws light on the understanding members of the Cárdenas government had on politics and the city, is that many advisory councils were organized to consult policy decisions, composed of “specialists” and

“representative members” of society.

One important decision that was made was to follow through with the decentralization of health services from the federal government. Although the newly established Secretary of Health of the GDF also had many budget restrictions, it started a health education program for which it hired 3000 young women, whom were trained as health workers, and visited families in the poorest areas of the city to teach them basic health skills (Omaña Mendoza, 2006). This shows that there were some steps taken to build the administrative capacity of the local state by the GDF since Cárdenas government.

Right after being elected, but before taking office, López Obrador asked the Robles government (Cárdenas had left the mayorship for the Presidential campaign) to start organizing the universal pension program by giving a food package to the old, in low-income areas. His petition was refused (Interview D). But, once Laurell took office the resources necessary for implementing the universal pension were rapidly organized. The health workers that had been hired in the Cárdenas government were given the task to conduct polls in highly marginalized area. The actual organization of the program and its information gathering was based on another structure left by the previous government, the territorial subdivision of the city in Unidades Territoriales through the Citizen Participation Law. The Unidades Territoriales were originally designed as the locus of the participatory democracy the PRD pretended to build in the DF, but political contingency, and the resistance of ALDF including the PRD led them to an impasse since 1999.

Nonetheless as an organizing structure they worked for the new administration, and the intention was to administer all social programs from the Unidades Territoriales (UT), not only the pension. The administrative name for all social programs throughout the 2000 – 2006 government was known as Programa Integrado Territorial (Territorially integrated program) which included the old-age pension, a disability pension, a pension for single mothers, and the Liconsa subsidies among others all distributed through the defined territorial scheme (SDS, 2006).

In march 2001 the first ATM cards were given to beneficiaries through the health workers, in the UTs with the highest average poverty level according to an index made by the Secretary of Health. The objective the first year was to cover 200,000 people, or half of the population 70 or older with a monthly transfer of \$600, but the success was such, that they managed to issue another 50,000 ATM cards (SSGDF, 2001). Indications of the political success of the program were all around. The media published lengthy articles about it, criticisms were made, Delegados publicly solicited López Obrador to issue more ATM cards, and the PAN at the national level accused the Mayor of being a populist³⁴. Even if in the first year it did not achieve full coverage (it would achieve it in 2006), the pension suddenly was present in the life of almost everyone in Mexico City. Not only the people who directly received the pension were affected by it, but also their family members who were very conscious of the program. For many it was one of the few times the state, and particularly the local state made a strong presence in their private lives.

34 Carlos Medina Plasencia, “Aministrador de Sueños” (Reforma 23/11/01)

In the poorer families, where the aged are cared for with the monthly family budget the PACAM relieved them from transferring income money to their retired parents (Juárez, 2007). In middle-income families the PACAM was an unexpected surprise. Some turned it down, and some accepted it. In a society with high-income inequality, poverty and exclusionary social services, the idea of a materially universal social right was unheard of. Because of the territorial distribution of the program the main complaints made about it had to do with the arbitrary socioeconomic distribution implied in only issuing 50% of what full coverage would be. The demand for the pension was so high that letters were written to newspapers complaining that health workers were telling people that they would have to wait a full year to get their pension even if they were very poor, and someone with more money were already receiving it. An exchange in the “letters from the reader” area of the leftist newspaper La Jornada between Secretary Laurell and the artist Raquel Tibol (a supporter of AMLO), denotes the enthusiastic but contradictory sentiment generated by the particular conception of social entitlements implied in the PACAM:

Monday May 7th I rejected the monetary help cards for the aged that were destined for me and my husband Boris Rosen. We both consider that López Obrador's good plan, is being wrongly implemented, help should be destined for the elderly from the poor and miserable sectors of society, who need the money urgently, and not the ones from the middle class...(La Jornada, 08/06/01).

To which Laurell answered dryly the next day:

With all due respect, to Raquel Tibol, renowned artist...this program is conceived as a first step to the establishment of a universal citizenship pension, a social right...It is not, another poor-relief program, but a fundamental right in a welfare society...With the end of breaking with discretionary and corporatist practices and to reduce its

administrative cost, they were given to all the aged 70 years or older in the Unidades Territoriales... (La Jornada, 09/06/01).

Resistances to the universal and unconditional characteristics to the program also came from other local politicians that wanted to get a share of the very popular program. Congressmen and Delegados from all parties would send lists of the people they personally wanted to give the pension to, causing some frictions with the administrators of the program. The answer was always the same, “only individuals can solicit the PACAM” (Interview A; Interview F).

While researching this study, a beneficiary of the program was asked exactly how it worked. Her answers were consistent with the rules of the program as legally mandated. The health worker knocked on her door, asked if anyone 70 years of age or older lived in the house. Then the health worker asked a few more questions regarding health conditions. A couple of days later the health worker returned, confirmed the information previously given, and handed the agreement with the basic rules of the program, and a date when it would have to be picked up in a public meeting in one of the plazas in downtown, the Monumento a la Revolución. The language of the health worker was centered on social and individual rights. “At no moment did she ask for anything in exchange, although she was very insistent that it was a program developed by the local government” (Interview E).

The public issuance of the ATM card is one of the strongest criticisms to the program. The Mayor and members of the GDF would give political speeches to a crowd

of elderly in a plaza and remind them that this was a first step, taken by the city government, to the construction of a welfare society. The crowd would laud them. For Laurell the speeches were political, they intended to promote a particular vision of how welfare should be in the whole country, but they were also highly emotional because the elderly felt they were being recognized for a life's work (Interview, A)³⁵.

There is no doubt that the PACAM was a political strategy, and the GDF had no interest in concealing it. On the contrary, the material creation of a social entitlement was what made the strategy worthy from their perspective. Internal polls, made by the Mayor's office in mid-2001, acquired through access to information laws, shows that the Mayor had an interest in knowing what was the public opinion on the PACAM. A month after the first ATM cards were given out, a poll was made to measure the opinion of potential beneficiaries. 76% of the elderly that answered the poll approved the Mayor's job, 85% knew about the PACAM. Another poll conducted two months later, without discriminating by age, signaled the PACAM as the most famous social program from the GDF.

One last poll in September, once the opposition in the ALDF had announced that it would not keep on funding all the subsidies proposed by López Obrador, showed that the PACAM was the most popular social program among the general population. When people were asked if these types of programs should be financed with taxes, 86.7%

35 This information is consistent with the polls made by the Secretary of Health, to measure the beneficiaries' perception of the program (SSGDF, 2005).

answered yes. When they were asked in which social program they wanted to be included, the PACAM was the most frequent response. The September poll also asked questions that show that the social programs were part of an organizational strategy. A whole section was dedicated to Unidades Territoriales, which were not very well known to the majority, although many showed interest in knowing more. But the most revealing are the two last questions: “Do you agree with how the GDF is doing its job?; Do you agree with how the Delegación is doing its job?”. The GDF was more popular. In a poll published in November, a month before the rally in the Zócalo, the approval ratings of President Fox went from 62% in May, to 49% in November³⁶. While López Obrador's went from 55% to 65%. But most importantly the PRD was gaining ground in the city against the PAN. A year earlier the PRD had barely sustained the mayorship and lost its majority in the local congress, if elections took place the day of the November poll, 37% would have voted for the PRD, 18% for the PAN, and 12% for the PRI.

With the PACAM, the PRD government built a new governing coalition in the city. The Mayor was more popular than the President that had threatened to reduce the city's resources, more popular than the opposition in the local congress, and more popular than the Delegados from his own party. It is hard to imagine, with this information and opportunity structure, which would be the politician that would publicly vote against the budget that had built this new coalition through the provision of a universalistic social policy. The political mobilization and the unanimous approval of the

36 “Baja Fox, sube López Obrador” (*Reforma* 11/11/2001)

2002 city budget was the first expression of this coalition. In the 2003 mid-term elections this new coalition was more clearly expressed by the electoral results in which the PRD got 45% of the vote, (around 10% more than in the previous election), and an absolute majority in the ALDF with a total of 37 representatives, against 17 from the PAN, 5 from the PRI and 1 from a new left party México Posible (Larrosa and Guerra, 2005).

With an absolute majority in the ALDF the PRD approved the “Law that established the right to the alimentary pension for residents of the Distrito Federal seventy years of age and older” in November 2003 which among other things establishes universal and individual benefits bonded with the legal mandate to fund it with the city's budget ³⁷. The law had been discussed for various months that same year previous to its approval and the opposition, before the new composition of the ALDF in 2003, used its majority to block it. The PRI's opposition, the most vociferous one, reveals the nature of the deep political conflict that the creation of a universal entitlement implies as part of a conception about the state.

The PRI proposed an alternative program that would lower the age for access to 60 years of age, but it would be conditional to those that were deemed in need of the pension. Publicly members of the PRI omitted the second part of their proposal which has two important implications: the first one is that if it was set conditional to income level then it would be a poor-relief program not a welfare state policy; the second one is that the selection process of the beneficiaries might be either expensive to monitor, or

³⁷ *Gaceta Oficial del Distrito Federal 18/11/2003.*

ineffective if captured by clientelistic networks which by definition are exclusionary³⁸.

In local state formation terms, the difference between the establishment of a legal entitlement and a poor-relief program is important for various reasons. One, a universal entitlement reduces the discretionality of state authorities and informal political authorities, in this case the parties' territorial organizations. In turn establishing a clear link between the legal claim of the local state that creates an entitlement, and the citizens that receive the benefits instead of non-state representatives that compete with the state for resources and territorial control. So in this sense universal entitlements increase the infrastructural power of the state, the benefits are received regardless of who administers them. Two, by increasing the infrastructural capacity of the local state, there is also an increase in the local state's autonomy in relation to both competing holders of power, the national state and locally organized interest groups. Three, it also helps dissipate the well founded worry that such a policy, strongly promoted by the Mayor, would increase the despotic capacity of the state, since it seems to do the contrary: it legally ties an important part of the city's budget to an entitlement that is not subject to the government's discretion; and the continued existence of the program is related to a broad political and institutional coalition and not to a particular power holder.

Part of the increase in local state autonomy is not only defined in local terms but

38 After the success of the PACAM many Delegaciones in Mexico City, have set up "justice and equality" programs, and their own pension programs but restricted to those that the Delegación governments deem worthy based on their definition of need. Interestingly enough, these complementary programs exclude anyone 70 years of age or older and tend to be directed to those below that age. In the case of these programs in Delegación Cuauhtémoc (La Jornada 25/02/09), and in Delegación Iztapalapa (Hilgers, 2005) clientelism has been documented as a common practice among Delegación officials.

in national terms. The fiscal liabilities implied in social entitlements may prove to be a permanent token for negotiation for the local state, since part of its budget still needs to be approved by national institutions. Therefore, whenever the city's budget is at risk of being reduced by the federal congress it is likely that these liabilities will be discussed, and that the beneficiaries of the pension will defend it as a right regardless of other fiscal priorities of the national state.

During the process of local state formation in the Distrito Federal, this increase in infrastructural power through social policy is somewhat paradoxical, since it is the product of an apparent increase in despotic power fostered by administrative strengthening and political conflict. The efforts for increased autonomy mostly promoted by the governing coalition led to the use of political mobilization as a method for creating conflict and increasing the relative autonomy of one political actor over others. But the transformation of this conflict into a factually supported legal entitlement decreased the despotic power of the state and transformed it into infrastructural power. This change from despotic and infrastructural power fits with the explanation used for social policy formation.

This does not mean that the local state in the DF is fully formed or that its authority and capacity are not competed by other state and non-state actors. But it does show that political conflict, and particularly social policy play a fundamental role in local state formation. As for the much-needed explanation for social policy formation, the PACAM was established as part of the political opportunities that were identified by

local state actors to pursue their interests. As it was shown in the narration of the establishment of the PACAM, it was the short-term political interests of the PRD and the Mayor that increased the power of the state through social policy. There were important structural conditions that determined a particular policy outcome. The local state competed mostly against territorial organizations and the national state; within a democratic and representative framework, but it was also limited and enhanced by the previous social policies that already affected they city's residents.

Conclusion

Why was a non-contributory universal old-age pension established in Mexico City in the year 2003? Various parts of the answer to this question have been developed throughout this study. The PACAM in Mexico City was established because local state actors furthered their interests with it. However the complexity of the answer resides in both how these interests fit the opportunities presented by the political and institutional context, and on how certain structural conditions determined who were the political actor and the particular nature of the universal pension scheme. The implications of the determinants and of the pension scheme itself may go well beyond Mexico City's local politics and local state formation, pointing towards the broader transformation of the Mexican nation-state, and the interrelation cities have with international conditions.

The political and institutional opportunities available to political actors were determined by two distinct but reinforcing transformations of the Mexican nation-state that took place in the last decades of the 20th century. One transformation was the structural debilitation of the post-revolutionary state that had been built through corporatist organizations, and the other transformation was the slow but constant process of political and administrative decentralization. Both of these transformations received a strong impulse from larger economic changes at the national and international level. At the national level the change from import substitution industrialization to export oriented growth since the mid-70s started to change the internal pattern of economic development

that had been centered in Mexico City for most of the 20th century. At the international level the 1982 debt crisis, and the acceleration of Mexico's integration to the world economy, changed the availability of resources for the nation-state and its capacity to maintain the political structure on which it had strongly relied. In positive terms this meant the territorialization of political disputes and authority, and the creation of a multi-party electoral system, which implied a change in the organization of the institutions that mediate between society and the state.

The particular importance of such large-scale processes is that they not only determined the opportunities presented in the political and institutional process, but they also determined who were the political actors that played a role in the establishment of the PACAM and the political and administrative resources at their disposal for pursuing their interests. The creation of new political actors in Mexico, as a consequence of the transformation of the nation-state helps answer the second question with which this study started. Why wasn't the PACAM established earlier?

The answer to this second question may boil down to a counter-factual, but it is useful to understand the magnitude of the changes in the nation-state. Before the early 90s there was no legal claim of a local state in the Distrito Federal. Only after the political reforms that led to the construction of a representative government and then the direct election of the city's Mayor was there in legal terms a distinct claim to territorial sovereignty between a local state and a nation-state. When the first elected government, 1997 – 2000 took over the administration of the city, there were scarce administrative and

financial resources with which the state could visibly construct its authority. However some measures, particularly administrative ones, like the creation of a Secretary of Health among others, and the further decentralization of governing institutions had a long term effect on the capacities of the local state. Once minimal administrative and financial capacity had been built, the 2000 – 2006 government continued to build local state capacity with the public construction of authority through government action and political conflict, and then further increased the power of the local state by establishing a universalistic social policy, which had an almost direct impact on the majority of the population. The capacity of the local state in part was also determined by larger global trends that reduce the capacity of the national state but increase the capacity of global cities that concentrate capital flows by giving capital a territorial boundedness that reduces the threat of capital flight. While the local state was increasing its tax revenues, the national state was reducing its revenues instruments. So the PACAM was not established earlier because the local state and its interests have only gradually come into existence sometime between 1988 and 2003.

Other structural opportunities for establishing a non-contributory pension system may have existed earlier, but these opportunities did not fit the institutional setting which later would make the PACAM possible. For example the historical under provision of Social Security and pensions in Mexico could also have created an opportunity for a political actor earlier if there had been territorial political competition in Mexico. But there wasn't, the non-competitive election of government officials, centralization, and the

corporatist organization of society were incompatible with universalization, since their mechanisms to exert power were based on the political distinction between those that were part of (or affiliated to) the party-state institutional arrangement and those that were not. In contrast political competition and the reorganization of society based on territorial authorities, made political actors more dependent on the accumulation of anonymous supporters without an affiliation to particular state institutions. This means, that strategically, for large political and state actors that have to compete to get a majority of votes to gain or stay in power with large political coalitions, they have to establish permanent relationships that are not based on exclusion but that incorporate broad parts of society.

One of the striking aspects of the PACAM is that there were very few, if any, non-state actors that promoted such policy. Previous to the establishment of the pension, there were no NGOs that promoted, no indication that labor unions, or other organized interests groups apart from party politicians, were involved in a discussion about establishing a non-contributory pension. The only institution, which seemed to discuss a non-contributory universal pension, was the Consejo Nacional de Población (CONAPO) a government institution dedicated to demographic forecasts and studies (Ordorica, 1999). Therefore it is hard to say that the creation of the PACAM was a matter of organized political demand from civil society. The contrary seems to be true: government not society led the establishment of a universal pension in Mexico City, and the government that promoted it was a city government not a national government.

There is a seamless fit between universalization and territorial democratic political competition because direct election of government also presupposes universal entitlements (the right to vote). Before the establishment of the PACAM in Mexico City, there was scarcely any discussion on the universalization of social security benefits and pensions in Mexico. Even if most of what was written about the PACAM criticized its non-conditional and universal characteristics, universalization has started to advance in the national political discussion (Azuara, 2005; Scott, 2007; Yanes, 2007; Levy, 2008). This might be explained by the PACAM's permanent political success and the proposal made by López Obrador, while being presidential candidate in the 2006 election for establishing a nation-wide PACAM. Another indication of the change in the nature of social policy as determined by political and state institutions in Mexico is the establishment of the Seguro Médico para Una Nueva Generación (Medical Insurance for a New Generation) by the current President (and opponent of López Obrador), Felipe Calderón, which gives medical insurance entitlements to every Mexican child born after August 31st 2006³⁹.

In Mexico City the larger change in the relationship between the state and society was accompanied by a process of local state formation that was particular to the city's history, because the local state had been absorbed by the national state most of the 20th century. This process of local state formation, in the most important economic and political territory of the country, where the federal powers reside, almost forces the

³⁹ *Diario Oficial de la Federación 21/02/2007*

competition between the local and national state. Their overlapping sovereignty and their relative difference in state capacity is made evident by the permanent comparison involved in everyday life in the city. For this reason, the political control of Mexico City's government continues to be seen by politicians as a stepping-stone towards attaining national power. Although this has been historically the case it seems that the sequence to attain political power at the national level has changed direction. In the past the national state absorbed the city, because the control of the city guaranteed the control of national power, but now it seems that the local state may have the capacity to absorb the national state because of the political and economic resources available in the city and the prolonged debilitation of the national state. Considering the increase of capital mobility and the threat of capital flight that accompanies globalization the challenge imposed on the nation-state to increase its state capacity seems to augment in the opposite direction than the available resources for this global city to increase its capacity.

Local state formation in Mexico City may just be part of a transitional period on the broader transformation of the Mexican nation-state that is in a process of reconstruction through democratic institutions. The rise of Mexico City's former Mayor, López Obrador, to compete in the presidential election in 2006 and loose by .5% of the vote, may be a strong indication of this larger process. The polarization that marked the electoral process was rightly based on the sharp contrasts in the governing programs of the two leading presidential candidates. The PRD's electoral platform had a conception of the state and its role in society, strongly based on the program implemented in Mexico

City, and completely different from the one espoused by the PAN candidate.

These competing conceptions of the state are also indicated by the ideologically charged discussions of pension reform in Mexico in which a vision that diminishes the role of the state has been prevalent until today, but is strongly put into question by evidence of its failure in providing pensions for most of the population. In some sense we may be living through a process similar to the one that formed the Mexican nation-state in the 19th century, when national state power was built from political conflict among competing local governments and national elites over territorial control (Merino, 1998). The contrast between the decimononical state and the post-revolutionary state mostly pertains the non-territorial nature of the second one, since both lacked multi-party competition. The 21st century nation-state in Mexico may well be one that is formed by the conflicts between Mexico City's local state, the remains of the post-revolutionary nation-state, and new political actors that may also be going through a process of formation marked by both multi-party electoral competition, the renewed territorialization of politics, and the influence of unexpected changes in the global arena.

The international element affecting the future transformation of the Mexican nation-state is what makes the lessons from the experience in Mexico City relevant for other countries and other global cities. The changes in relative capacity between nation-states and local states make cities a more relevant global actor now than ever. The universal pension in Mexico City may just be the tip of an iceberg formed by other city level adaptations to international and national changes regarding social policy, the state

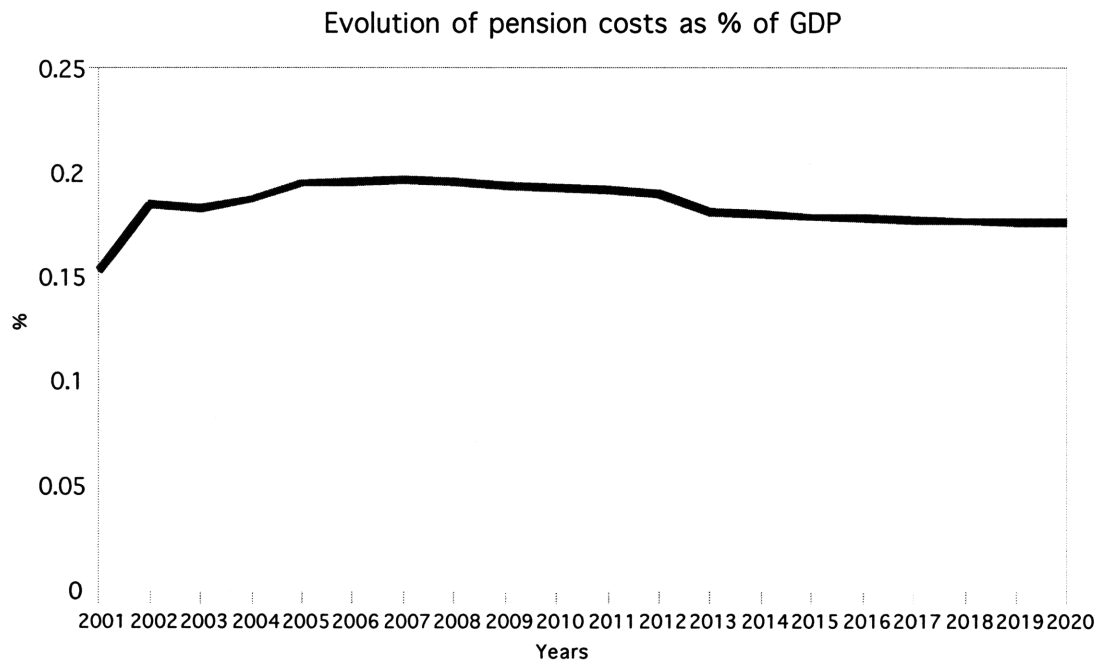
and citizenship.

Appendix A: A coarse calculation of costs

With the available data I elaborated some calculations to project the economic costs of the universal pension for the city. The variables taken into account were the following: total projected population in the city until 2020; 70 and older projected population; nominal GDP with a projected rate of growth of 8% a year, based on the last 6 years; an average inflation of 4% based on the last 6 years; and yearly rate of growth of the city budget of 10% based also on the last 6 years. In many ways these are optimistic assumptions. It is also important to say that these calculations do not take into account the dependency rate, that is the proportion of economically active population in relation to the population receiving a pension, and they do not go further than the year 2020 because there is little information to base the projections for both GDP and city budget growth further in time.

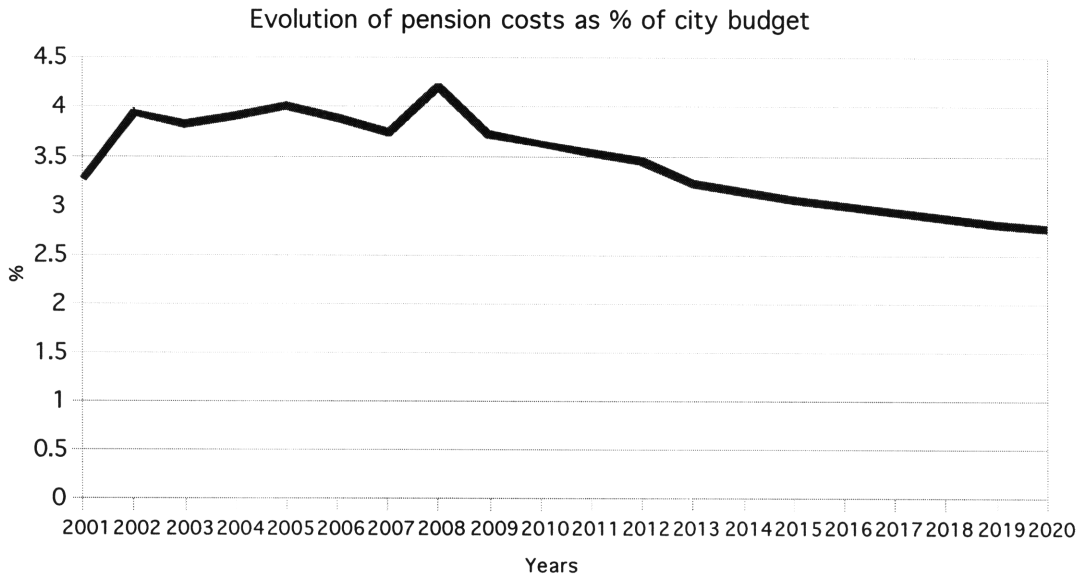
There are at least two important aspects that need to be analyzed to have a clearer idea if the universal pension is sustainable or not. The first thing we should ask is if it is economically sustainable in relation to the economic activity of the city. The second one is if it is financially sustainable in relation to the city's budget.

Graph 1 shows the percentage the pension costs in relation to the city's projected GDP until 2020.



Graph 1: the author with data from Secretaría de Salud del GDF, Secretaría de Finanzas del GDF, Consejo Nacional de Población (CONAPO), Instituto Nacional de Geografía y Estadística (INEGI), and Banco de México

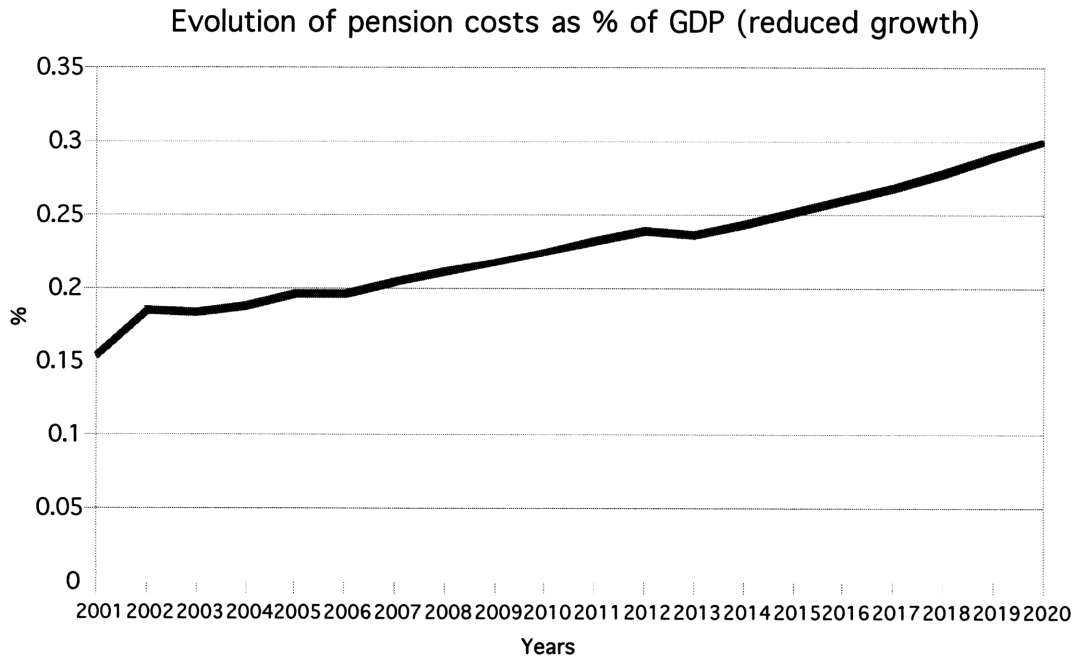
Graph 2 shows the percentage the pension cost represents for the city's budget.



Graph 2: the author with data from Secretaría de Salud del GDF, Secretaría de Finanzas del GDF, Consejo Nacional de Población (CONAPO), Instituto Nacional de Geografía y Estadística (INEGI), and Banco de México

As we can see from both graphs there is a reduction in time of both the economic and financial costs of the pension. This can be explained by the health of the city's finances, and by the economic growth of the city that has GDP per capita close to the GDP per capita of developed countries, at around 18.5 thousand dollars. Therefore in the interest of having a clearer view on the costs of the pension, further calculations were made assuming a reduction in the growth rate of both the budget and the city's GDP. If the inflation rate stayed the same, this would amount to a growth of 0% in the GDP in real terms.

Graph 3 shows the evolution of the pension costs in relation to the city's GDP assuming a reduction in the city's growth rate.



Graph 3: the author with data from Secretaría de Salud del GDF, Secretaría de Finanzas del GDF, Consejo Nacional de Población (CONAPO), Instituto Nacional de Geografía y Estadística (INEGI), and Banco de México

Graph 4 shows the evolution of the pension costs in relation to the city's budget assuming a reduction in the city's budget.



Graph 4: the author with data from Secretaría de Salud del GDF, Secretaría de Finanzas del GDF, Consejo Nacional de Población (CONAPO), Instituto Nacional de Geografía y Estadística (INEGI), and Banco de México

As we can see, in contrast with the previous graphs, these calculations with reduced growth rates and a reduced budget show increasing costs of the pension for the city. Considering the current economic crisis, and demographic long-term changes these second calculations seem more relevant.

Appendix B: Case-study methodology

The research for the case study of the events that lead to, and the actual establishment of the PACAM was conducted in the months August of 2008 and January 2009. Most of the information from the case study is based on interviews and data collection from various print sources.

All interviews, except one, were made taking into account the role the interviewee played as part of the policy process in Mexico City (see Appendix B). Some were public officials, others political party leaders, and one a beneficiary of the PACAM. Print sources were mostly Mexico City government financial reports from the Secretary of Finances, the city's legal publications, government reports of the PACAM from the Secretary of Health and of the Secretary of Social Development, polls conducted by the GDF obtained through access to information laws, and periodicals that were published at the time when the events that have been narrated took place.

The information with which the case study was built is framed in two larger theoretical frameworks. One theoretical framework focuses on a theory of social policy formation, based on Theda Skocpol's (1995) state-centered approach. The other theoretical framework focuses on state and state formation theory. Because local state formation is a topic with scarce literature, the framework was built from a combination of national state formation theories. The most important elements being Derek Sayer's (1994) "everyday forms of state formation", Ted Gurr's and Desmond King's (1987)

analysis of city-level states and local state autonomy, and Michael Mann's (1984) definition of modern state autonomy.

Appendix C: List of interviews

Interview A: Asa Cristina Laurell, SSGDF (Secretary of Health, GDF) Former Secretary (2000 – 2006). August 2008.

Interview B: Ignacio Marván. CIDE (Centro de Investigación y Docencia Económicas). Former Advisor to Mayors Manuel Camacho (1988 - 1994) and Andrés Manuel López Obrador (2000 - 2006). January 2009.

Interview C: Clara Jusidman. INCIDE Social (Iniciativa Ciudadana para el Desarrollo Social). Former Secretary of Health, Education and Social Development of the GDF (1997 – 2000). August 2008.

Interview D: José Luis Luege. PAN (Partido Acción Nacional) Former President of the PAN-DF's executive committee. January 2009.

Interview E. Antonia García López, 70+ citizen, beneficiary of the Pensión Alimentaria Ciudadana para Adultos Mayores. September 2008.

Interview F: Ariadne González, IAAM (Instituto para la Atención de los Adultos Mayores del Distrito Federal), Program Evaluation Deputy Director. August 2008.

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