

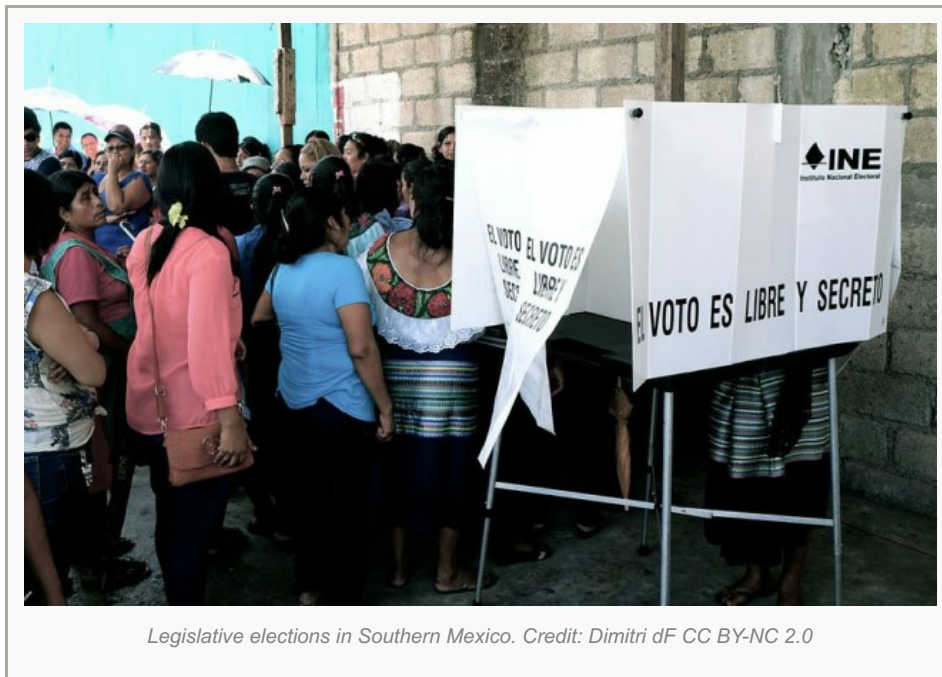
Failure to take into account existing institutions risks jeopardising the success of new reforms

democraticaudit.com/2015/11/10/failure-to-take-into-account-existing-institutions-risks-jeopardising-the-success-of-new-reforms/

By Democratic Audit UK

2015-11-10

Oliver D. Meza argues that greater attention needs to be given to existing institutional frameworks when planning reforms. Using Mexico as a case study, he highlights how attempts to improve local democracy through electoral reform have failed because the old institutional hierarchies have not been taken into account. Although well-meaning, the reforms have made decision-making costlier, less expeditious and more prone to gridlock or stalemate.



A seemingly obvious, yet frequently overlooked, recommendation when planning reforms is to examine the current institutional framework. Failure to do so results in good intentions translating into poor results. Furthermore, the public is getting tired of watching politicians implement unsound policies that cost money and effort, but which ultimately exacerbate problems. Of course there is no foolproof way to remedy this situation, but there are ways to mitigate negative collateral results. In this essay, I present the case of the recent reforms in Mexico undertaken by federal legislators to correct what was viewed as a local democracy problem. The policy intervention has proved its limitations, suggesting that new directions for reform should be considered.

Local governments work in rich institutional environments, involving various layers of the state. When decisions have to be made on policy matters, the political structure will often put great emphasis on local decision-making. It should be noted that there are important differences depending on the nature of the political system, for instance whether it is a centralised unitary or decentralised, federal, polycentric system. Local policy-making varies considerably between these two, especially at the mid-table where combined features coexist, such as a highly centralised federal system.

Mexico has an unusual form of federalism because it is more centralised than many unitary countries, suggesting weak local democracy, low levels of public participation and ultimately policy-making that is heavily influenced from above. For many political authorities, this warped structure has not gone unnoticed and there are longstanding efforts in place to correct these “abnormalities”. Legislators, for instance, have relied on reforming the democratic

institutions that control local elections. The “theory of change” behind this move is that local citizenry will be better represented and authorities would narrow the gap between themselves and citizens, resulting in better quality policy-making. Local government would eventually become more proficient at tailoring policies which were sensitive local needs. They would improve their governing capacity and thus be able to make decisions with less upper tier intervention.

Electoral reforms intended to solve the problem of governance

Fixing local problems by reforming electoral rules in this way is the most common approach by legislators in Mexico. Independent candidates are now allowed to run for local congress and local executive positions (mayors and governors). There have already been a few examples of independent candidates taking office this year ([El Bronco](#) in Monterrey or [Pedro Kumamoto](#) in Jalisco). By 2018 re-election will also be possible for local offices. This has been a major political battle. Re-election, in the minds of a large sector of the population is normally perceived as a dangerous feature of democracy that enabled Porfirio Diaz, a late 19th century dictator, to hold power for over 40 years. The situation has changed and is unlikely to be repeated especially among local mayors. However, let us take the scepticism as a precautionary sign of how these reforms can quickly reach their limits and thus underdeliver the promised benefits.

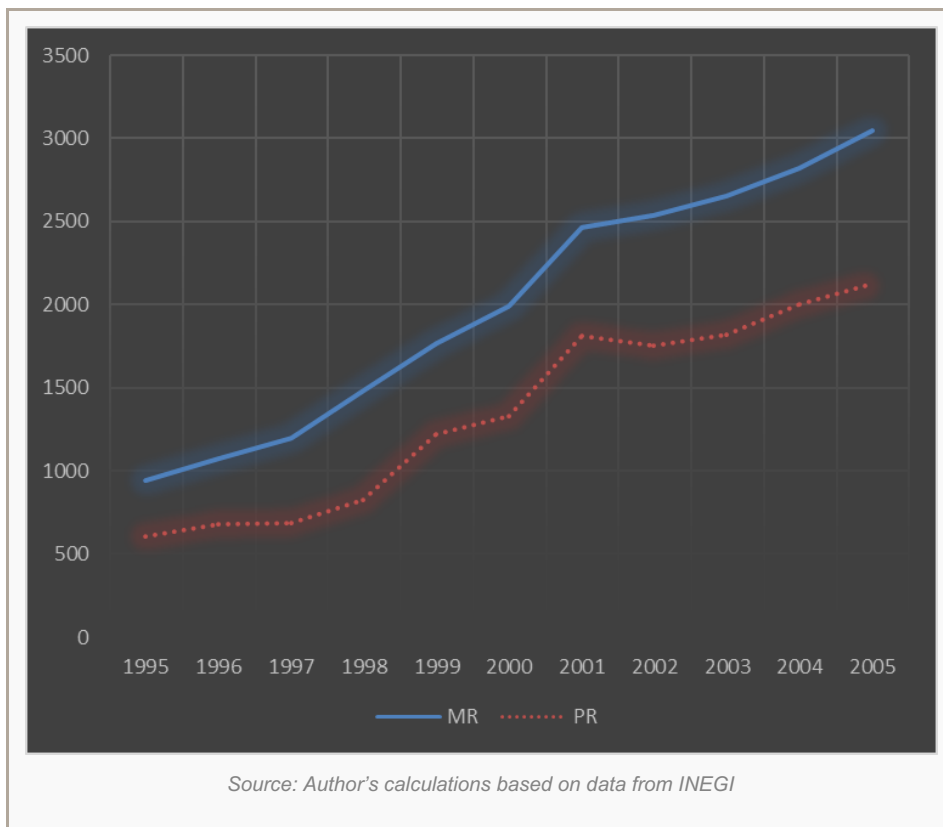
The problem with focusing on electoral reform to enhance local government capacity is that the *installed institutional framework* tends to be neglected. Rather than improving local decision-making -to have a more democratic policy cycle- the net effect is additional gridlocks or stalemate. This is the main argument I defend in a recent publication entitled [Why Does More Pluralism Reduce Expenditure? The Case of how Mexico’s Old Institutions Affect Waves of Democratic Reform](#). This is not because expenditure matters per se, but because the pattern behind its movements reveals a story of complexity and increasing difficulties in decision-making within the most important authoritative collegiate organ in Mexican municipalities: the Ayuntamiento.

Expenditure used as a proxy for local decision-making

The research is based on a natural experiment. The 1983 constitution allowed localities to use a PR formula. States modified their constitutions, producing two kinds of localities, some operating under PR and others using majority rule. A major decentralisation reform was subsequently enacted in 1999. Municipalities were then able to spend more but the electoral rule was able to account for variations in spending patterns between those using a PR versus an MR formula. That is the empirical aim of the study.

Figure 1 explores the difference in expenditure between local governments with majority rule and those with a proportional representation rule. As I mentioned before, expenditure is only important for seeing how greater political participation in the Ayuntamiento (Town Hall) affects decision-making. It makes it tougher, with greater associated transaction costs, and most importantly in the context of this discussion, it is not necessarily better for citizens . Figure 1 shows that PR municipalities spend less than MR municipalities over a period of 10 years. This period is key because significant changes occurred in the legal framework that make it easier to identify the effects of the type of electoral rule.

Figure 1. Total Government Expenditure (per capita) by type of electoral rule (Majority Rule vs. Proportional Representation)



There are a number of issues the strategy must resolve before assigning a causal effect to a particular variable. The paper attempts to resolve some of them. Contrary to what the literature suggests, PR municipalities spend noticeably less than those using an Majority Rule formula. This spending pattern is confirmed using total government expenditure and bureaucratic expenditure, but not when using public goods expenditure. In order to explain the latter, it is important to know more about local budgets. Budgets require the approval of the Ayuntamiento; the collegiate governing body. Total and bureaucratic expenditure is assigned by combining a mix of sources (own and transferred) while public goods, in this case, are mostly pre-assigned by earmarked federal transfers. The Ayuntamiento has a no leeway for making local changes in this last item. The effect of the electoral rule, in combination with other governing rules within the Ayuntamiento, is felt in the total and bureaucratic expenditure but not in the pre-assigned public goods expenditure. Why is this so?

There are limits to changing the *status quo* exclusively by reforming formal institutions

Before attempting to change the way the Ayuntamiento works, it is important to understand how it does so at present. In the study, I showed that Ayuntamientos in Mexico, despite being a collegiate body, are surprisingly hierarchical. Some scholars regard the Ayuntamiento as a small decision-making bodies where executives are at best *primus inter pares* (first among equals), but a subtle difference challenges this notion. Briefly, presidents have asymmetric powers with regards to other council members. They control commissions, they are the main agenda setters and gate-keepers. As a result they completely control the executive body, and are free to appoint general directors (or local ministers/secretariats) as they please. Council members, on the other hand, have little to no executive power; they only discuss and vote on local legislation. They are subject to presidents' agenda setting and gate-keeping arrangements. Their only power relies on informal pressure, and often illegal negotiations with the mayors. These practices are well documented, but highlight how the electoral reforms make decision-making costlier, less expeditious and more prone to gridlock or stalemate. This is an iterative game which, without the support of accompanying institutions, affects local government capacity.

So what can one expect when more parties enter the game? Better citizen representation, or a more expensive game? With only three years in power with no re-election and with national parties, this is current reality of decision-making in Mexican local government. Under these circumstances, more pluralism simply increases transaction

costs, so well-meaning reforms have failed to strengthen decentralised and responsive policy-making.

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