Federalism and the Reform of the State

Jorge Javier Romero*

If one topic in today's political discussion has been a recurring theme in Mexican history, it is federalism. The formation of the nation has been crisscrossed by tension between Mexico's center and its regions in their struggle to define spheres

of power and the distribution of resources. From the nineteenth century on, the discussion has come up time and time again, usually at moments of redefinition of national equilibria.

The issue of centralism/federalism is first and foremost a political question. Throughout the history of Mexico as an independent country, constant tension between the centrifugal and centripetal forces expressed the struggle between regional political entrepreneurs 1 and those who wanted to base their power on national unity of greater scope. Nineteenth century centralists and federalists both attempted to find formulas that would allow them to master the enormous diversity of individual intermediations existent in a rural society where exclusive rights

had prevailed for centuries. The construction of a national state with certain cohesion required hitting on a political for-

mula capable of subjecting the different expressions of a complex society to a single authority and a homogeneous legal system. Some believed that the solution would be found in the unifying state modeled after the Bourbons;² others looked to

the U.S. constitutional model. In the end, neither one nor the other got the upper hand. While state unity was achieved solely under the unifying hand of a caudillo, or strongman, it was also only possible thanks to the existence of pacts and compromises with private groups and their agents, the local political entrepreneurs. The most evident expression of this compromise —its inverted mirror image— was an expressly federal constitution, but a political dynamic that in reality revolved around the centralization under an authoritarian president.

The postrevolutionary government, with corrections and additions, reproduced the compromise formula of the *Porfiriato* (the 30-year regime of Porfirio Díaz).³ Stability was attained only once a political

pact had been achieved between the different regional operators and those who had managed to occupy the never-more-appropriately-named national political center. Once again, the result was a complex system of mechanisms for the central power —embodied in the presidency— to keep local politi-

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^{*} Professor-researcher at the Politics and Culture Department of the Autonomous Metropolitan University, Xochimilco campus.

cians in line. Finally, what was born as a pact among local *caudillos* ended up becoming the formula whereby governors were designated from the center.

But local politics never disappeared. Just like during the *Porfiriato*, and even more intensely, the local political classes used elections to test the changes in the balance of forces in each state and to try to advance their particular interests under the existing rules of the game.

The fact is that both local politics and local political entrepreneurs exist, and they have used formal federal institutions to stay in circulation. Even though since the Cárdenas administration in the 1930s the center began to decide who would be state governor, the local dimension of politics was very important for including political personnel in the network of subjection to regime discipline. Thus, not everything

has been centralist, since the federal structure of the state played an important role in the more general stabilization of the system as a whole.

But equilibrium depended on the the central power's ability to discipline the local political classes. This was possible thanks to the fact that the final results of the political process could be controlled from the Ministry of the Interior. Therefore local policy-making was always subordinate to the general outlines drawn at the center.

The spread of federal administrative agencies completed the control mechanisms of what has euphemistically been called "The Federation." The central government controlled the country by control-

ling income,⁴ one of the most important mechanisms for maintaining discipline in the closed, motley coalition that came to power after the Revolution. As a result, the states and municipalities ended up with practically no source of income of their own and their very survival depended on political loyalty to the governor or the president.

From the mid-1970s on, national political leaders have made different attempts to initiate programs that would tend

to increase local government participation in some areas of politics traditionally dominated by the center, particularly after the 1985 Mexico City earthquake made it clear that centralization was going to end up suffocating us. From then on, the discussion about how to break the centripetal inertia that has concentrated much of the country's vitality in the capital has gone from the idea of administrative decentralization to the rediscovery that Mexico is formally a federal republic and that it is within that structure that one of the main evils of our eventful development can be reversed. The 1985 earthquake briefly became the symbol of the evils of extreme centralism and reminded everyone of the presidential promise to foster the decentralization of national life.

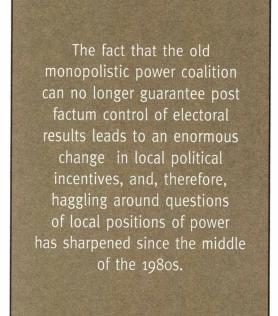
The problem of the inefficiencies of centralism was then attacked bureaucratically, with a monopolistic political regime

in mind. It was thought that it was enough to decentralize federal agencies and transfer a few of them to local government, without changing the system of jurisdictions among what has —again very graphically— been called levels of government.⁵ But decentralization is not federalization.

Today, once again a moment of new definitions, a series of economic and political factors (stagnation of the economy, uneven development, government overload, growth of the federal bureaucracy, a new role for political parties), lead the centralism that has characterized Mexico to be questioned more and more from different fronts: political parties, academia, business-

men, the public in general. The need dictated by reality to decentralize and in this way approximate the federal model delineated by the Constitution has been part of the nationwide debate for both political and economic reasons.

The problem we are faced with today is that local political classes do exist. They always have, but the center can no longer keep them in line, basically because the monopolistic way in which the coalition in power operated for 60 years has been



shattered. Therefore, formal relationships must be rebuilt between national and local powers. The fact that the old monopolistic power coalition can no longer guarantee post factum control of electoral results⁶ leads to an enormous change in local political incentives, and, therefore, haggling around questions of local positions of power has sharpened since the middle of the 1980s.

As often happens with fashionable issues in Mexico, it was the president who got everyone talking about "the new federalism" at the beginning of his administration. However, as anyone could have predicted, all the content was taken out of this very serious topic, which requires real, profound solutions, since it is one of the main remaining unresolved items in our history: the debt to national diversity and heterogeneity, the central axis, in short, of the issue of federalism.

In the meeting to discuss the question in Guadalajara in March 1995, organized by a broad spectrum of academic institutions, including several from abroad, President Zedillo seemed to open a Pandora's box full of political demands dormant for decades in different states around the country. On that occasion, the president himself said,

Centralism is the seed of authoritarian and arrogant verticalism that clashes with the unfolding of democracy and public participation [and that] blocks the balanced evolution of the country's different regions by concentrating resources and wealth, opportunities and initia-

tives, decisions and stimuli. Today in Mexico, centralism is oppressive and retrograde, socially insensitive and inefficient.⁷

While the president's analysis seemed to be the beginning of an authentic political determination to change existing inertia, the truth is that since then the question began to take on the rhetorical tone that often accompanies grand presidential statements under each administration, and little by little the issue was relegated to the back burner as other topics which seemed more important, or at least more urgent, surfaced. In the best of cases, the measures adopted did not even surpass the already outmoded decentralizing vision, and never went to the heart of the matter: federalism is necessary because the country is diverse and unequal and different solutions are required for specific problems. It was never fully accepted that federalism means, above all, the ability of the states to use their resources freely to meet the specific challenges that they all come up against in the course of their development.

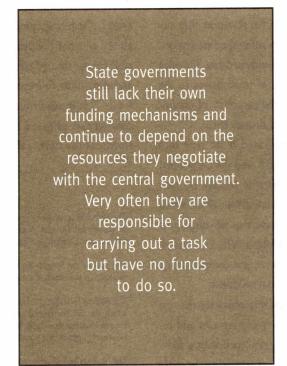
In the time since the president's speech in Guadalajara more than three years ago, the political process has made it clear that it is not enough to decentralize, but that what is needed is a new framework of relations between the central and regional powers. The pluralism that increases with almost every new election⁸ makes

it clear that the pyramid-shaped power relations that existed for years in Mexican politics have been swept away. Today, more and more frequently, the governor or the mayor owe their posts to the public and not to a superior, and therefore the main pressure for changing the relationship emanates from politics itself.

But the problem has yet another dimension. For many years, the prevailing criteria was the concentration of prerogatives in the central power with the express purpose of turning the federal government into the driving force of development. That is why the federal bureaucracy expanded so much that it ended up drowning

local initiative since resources and policy design depended exclusively on the center. Local power structures thus were reduced to little more than mechanisms for politicians' staying in circulation or rules to discipline the local political classes through the distribution of state revenues.

Today it is clear that decentralization conceived as a bureaucratic procedure has failed and that true federalization of national political life is what is required, which in our time



means the exact opposite of what it did 40 years ago. However, the current government has not dared to attack the question of the federal jurisdictional framework head on, particularly in fiscal matters, where the key to the question lies. In the last analysis, the issue has been thrown into that jumbled bin of political negotiations labeled with the highfalutin name of Reform of the State.

The state governments, by contrast, lack the imagination and the capability to take on the question responsibly. This is because, while it is true in theory that the state governments could much more effectively do enormous amounts of what until now has been done by the center, in reality what we discover is local public administrations much more fraught with partisanship and less technically able to assume new responsibilities.

Education and health are beginning to come under state jurisdiction, but state governments still lack their own funding mechanisms and continue to depend on the resources they negotiate with the central government; very often they are responsible for carrying out a task but have no funds to do so. The idea is not, then, to simply transfer a series of prerogatives to the states, but also to make sure they have the capability of obtaining the resources that will allow them to finance them.

But the issue becomes more complicated if we take into account the nation's enormous diversity and heterogeneity, which implies the states' differing capacities to take on new jurisdictional responsibilities and collect taxes. Not all the states will be able to assume all the prerogatives that up until now have been withheld from them. This is why an effective central government must continue to exist, to serve as a compensatory, redistributive mechanism of inter-regional solidarity.

However, this necessity faces formidable obstacles that go beyond the simple determination to carry out reforms and require a complex process of elaboration, combined with a technical design rooted in accumulated political experience, in order to overcome the enormous difficulties embodied in the process.

In the first place, the prevailing notion that tends to deal with federalism in terms of attributions and sovereignties to the exclusion of important aspects of the economic and administrative situation of local governments must be overcome. In the second place, the decentralizing schemes implemented up until now have been promoted from the center with little or no participation by the bodies at which they have been directed.

In the third place, the attempts to decentralize have become general homogeneous lines of action, that do not take into account the diversity and heterogeneity of the states in which they must be applied. In the fourth place, these attempts have met with a series of obstacles born of centralism itself: the absence of physical, institutional and human infrastructure, in short, a vacuum of capabilities. Finally, the opposition of the old local power structures must be taken into account: far from being interested in an authentic process of decentralization, they actively strive to preserve their privileges obtained under the centralist regime.

In addition to all of this, we must consider the fact that a patrimonial idea of what is public persists at the state level and undoubtedly will hinder any attempt to build an authentic federal regimen. Democratization of local politics will contribute to lessening the problem, but every state urgently needs to advance in the construction of professional public administrations with criteria for hiring, promotions and tenure based on technical ability and not political considerations. This will make it possible for the desired efficiency of real federalism to become fact and contribute to improving the lives of flesh and blood Mexicans. This is not a minor matter, and it gives us an idea of the colossal task of going beyond rhetoric to carry out a genuine reform of the state.

NOTES

¹ The author uses the term "political entrepreneur" in the sense of political operator, as coined by Douglas North in his book *Institutional Change and Economic Performance* (Cambridge: Cambridge University Press, 1990).[Translator's Note.]

² The state of the Spanish Bourbons was extremely centralized and concentrated all decisions in the hands of a single man, the monarch. [Editor's Note.]

³ The Porfirio Díaz dictatorship (1871-1911) was characterized by a power formula in which the dictator named governors after negotiating with local political forces. Formal elections were held, but they functioned as a legitimizing mechanism and were never open to real political competition. [Editor's Note.]

⁴ That is, taxes and all other revenues accruing to public coffers. [Editor's Note.]

⁵ In Mexico, political power is distributed on three levels, according to the country's political geography. Each of three levels —federal, state and municipal— supposedly has its own functions and attributions. [Editor's Note.]

⁶The author is referring to the electoral fraud in favor of the PRI, repeatedly denounced by the opposition at least until 1988.

⁷ Stenographic version of the president's speech, distributed at the conference (March 1995).

⁸ One example of this is that, today, seven states and almost 400 municipalities, among them almost half the state capitals, are governed by the opposition. [Editor's Note.]