

Urban society has become more complex, confounding clear lines of class cleavage. For both reasons, socioeconomic and political elites nowadays face a lower threat of systemic transformation and can therefore accept democracy. Second, institutional changes – especially the left’s inclusion in the party system – have moderated political conflict and forestalled polarization. And the strengthening of presidential prerogatives, particularly via extensive decree powers, has allowed chief executives to respond quickly and flexibly to crises and has lowered the danger of executive–legislative deadlock in Brazil’s presidential system. Third, appreciation for democracy seems to have increased among elites. This value change may possibly prevent important political forces from single-mindedly pursuing their interests and risking dangerous conflict. At the mass level, however, democratic commitment remains weak. Finally, communism’s fall and the progress of market reform have boosted democracy’s sustainability by deradicalizing the left, reassuring the right, and thus leading to political convergence at the elite and mass level. The first three factors had a significant, yet limited impact by reducing the risk of a democratic breakdown; international developments were more decisive by precluding this danger and making the civilian regime highly stable. Whereas during the first decade of the New Republic important actors still worried about the survival of democracy, these concerns evaporated after the mid-1990s. In contemporary Brazil, democracy really is “the only game in town.” Nothing demonstrates this process of democratic consolidation better than the undisturbed assumption of government power by Luiz Inácio Lula da Silva in 2002–03, whose prospective victory in 1989 could still have shaken the new civilian regime.

By stressing a variety of factors, this chapter proposes a complex explanation that combines elements of heterogeneous theories, hopefully in a systematic way. Social–structural arguments clarify the interests of political actors; political–institutional arguments elucidate the instruments and strategies that these actors use to pursue their interests; and cultural arguments analyze the normative constraints on the pursuit of these interests with those instruments and strategies. Finally, international developments affect the other three sets of factors.

While such a “catholic” approach may be anathema to purists, it embodies a notion of causality that is much more realistic for the political world, where several types of factors interact and the boundaries between domestic and international developments have become ever more porous. For instance, institutionalism – perhaps the predominant approach in contemporary political science – is obviously incomplete because it fails to elucidate the origin of actor preferences (“culture”) and the underlying reasons for the institutional parameters of individuals’ interaction (“structure”). Only explanations that take different kinds of factors into account can therefore be theoretically convincing (Lichbach 2003) and methodologically useful for unraveling the “multiple conjunctural causation” (Ragin 1987) that prevails in the political world.

The Demise of Mexico’s One-Party Dominant Regime

Elite Choices and the Masses in the Establishment of Democracy

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The Mexican Partido Revolucionario Institucional (PRI; Institutional Revolutionary Party) was one of the most resilient autocrats in the world, holding office uninterrupted for seventy years. Unlike single parties in most of Africa and the former Soviet bloc, the PRI stayed in power without constitutionally banning opposition parties or employing systematic repression. If we were to take Przeworski’s dictum that “democracy is a system in which parties lose elections” (1991: 10), Mexico can unquestionably not be classified as democratic until 2000, when the PRI lost the presidency. Thus, from the onset of the democratization wave that swept the Latin American region starting in 1980, it took Mexico more than twenty years to democratize.

Why was the PRI so resilient? What accounts for its ultimate demise? In this chapter, I emphasize three sources of the PRI’s capacity to survive: (a) the party’s relative immunity to elite splitting; (b) the authoritarian nature of electoral institutions; and (c) the party’s massive electoral support. I then explore how each of these pillars of the PRI regime was transformed, eventually leading to the establishment of democracy.

The chapter starts by placing the Mexican transition in comparative perspective. The democratization dynamics of one-party-dominant systems is different from other regime transitions. In transitions from military regimes and personal dictators, the main challenge the opposition faces is the threat of coercion. In transitions from one-party-dominant regimes, the opposition’s main challenge is not coercion because opposition to the government is tolerated, as long as it takes established electoral means of contestation. The goal of the opposition is to defeat the party associated with the authoritarian past through the ballot box. Defeating the ruling party is extremely hard. The electoral arena is biased for two reasons. First, there are significant incumbency advantages, of which the most important is the ruling party’s unilateral control of the state apparatus

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and the vast sources of patronage it can employ to deter voters from embracing the opposition camp. Second, the ruling party controls both the legislature and electoral institutions so that it can draft laws to raise the costs of entry to the opposition or, if need be, manipulate the voter registration, election procedures, and even the outcome of the elections.

The democratization of one-party-dominant autocracies requires, on the one hand, that voters defect to the opposition and, on the other, that the incumbent relinquishes its control of the electoral process so that some form of rule of law can emerge in the realm of elections. The granting of independence to the Federal Electoral Institute (Instituto Federal Electoral; IFE) through the 1994 electoral reform was a turning point in the Mexican democratization process because the PRI credibly tied its hands not to commit electoral fraud. What led the incumbent autocrat to renegotiate the existing rules of the game, relinquishing its control of the electoral process and delegating it to an independent electoral body? Through the use of a simple game theoretic model, the second section of this chapter answers this question. The model highlights why this form of political delegation was inconceivable when the opposition could not mount a serious challenge to the regime. Voters represented the main bargaining chips of the opposition to challenge the existing rules of the game. The last section of the chapter thus discusses how it was that voters ultimately defected from the ruling party. I end with a conclusion.

WHEN WAS DEMOCRACY ESTABLISHED?

Mexico became democratic sometime between the 1988 presidential election, when the PRI committed massive electoral fraud, and the 2000 presidential race. The PRI probably won the 1988 race, but massive fraud constitutes prima facie evidence that the incumbent was not ready to yield power peacefully (Przeworski et al. 2000). Moreover, back in 1988, only the Partido Acción Nacional (PAN; National Action Party) accepted the elections; the Cardenistas, who unified most of the left-wing opposition to the PRI into an electoral front, the so-called Democratic Front, did not. The balance of forces in society and the existing rules of the game changed between those two elections such that the PRI could no longer modify *ex post facto* the outcome of the electoral game, and *both* opposition parties chose to accept the existing electoral game as legitimate.¹ During those twelve years, the country crossed the threshold separating authoritarianism and democracy.

Unlike most transitions in Latin America, no one can provide a definite answer as to when exactly the Mexican one came about, however. The process of transition from one-party-dominant autocracies differs in significant ways

¹ I rely on Przeworski's (1991) definition of democracy as a system of *institutionalized uncertainty* where there are "ex ante uncertainty" (some positive probability that the incumbent will lose) and "ex post irreversibility" (outcomes of the elections are irreversible).

from the process of transition from military regimes and personal dictators.² The threshold that defines the passage from authoritarianism to democracy is easy to establish when the incumbent autocrat is the army or an individual dictator: Democracy is established when the army withdraws into the barracks or the dictator steps down, a founding election takes place, and the incumbent peacefully yields power to the opposition.

Transitions from one-party-dominant systems unravel in the electoral arena, where the party associated with the authoritarian past competes as a legitimate player and must be defeated through the ballot box. As elections become more competitive, the major political players tend to renegotiate the existing rules of the game so as to reflect the new balance of forces. A distinctive trait of this type of transition is that democratization might take place even without alternation of power in office. It is thus hard to establish the precise moment when democratization actually occurs.

The PRI unquestionably won the 1991 and 1994 federal elections. According to most political observers, the 1991 and 1994 elections were also relatively clean. In the 1994 presidential race, there were no significant allegations of fraud by the major contenders. Despite the transparency of the 1994 election, we do not know if the PRI would have peacefully stepped down from office had it actually lost. In 1997, the PRI lost the majority in the powerful Lower Chamber of Deputies for the first time and accepted its defeat. We do not know how this party would have behaved if the presidency had also been at stake in 1997 – although three years later, the PRI did yield power peacefully to the opposition's presidential candidate, Vicente Fox, suggesting that Mexico must have become a democracy sometime after 1988 and before 2000.

To avoid misclassifying a one-party-dominant authoritarian system as democratic, Przeworski et al. (2000) contend that one-party-dominant systems such as those existing in different historical moments in Taiwan, Malaysia, Mexico, and Botswana, to name a few, should be classified as authoritarian unless the incumbent actually loses and peacefully yields power. As the authors themselves recognize, the so-called alternation rule presents a problem, which is misclassifying a democratic system as authoritarian.³ An additional drawback of this rule is that once an incumbent loses and accepts defeat, the authors classify the country as democratic for the whole period that the incumbent was in control of the government. However, because Mexico was autocratic during most of the years that the PRI ruled, it is not reasonable to count it as a democracy retroactively. We need additional criteria to be able to date the birth of democracy in Mexico.

There are other criteria that might help distinguish one-party-dominant autocracies from democracies. First, elections must be competitive such that there

² For the best existing cross-sectional empirical analysis of the different democratization dynamics of these regimes see Geddes (1999a). Karl and Schmitter (1991) discuss different "modes of transition" that are not necessarily related to regime type.

³ The alternation rule creates some problems. For instance, if the authors had written their book ten years earlier, Japan and Italy both would have been classified as authoritarian.

is a real possibility that the incumbent might lose. Mexican scholars have employed a rule of thumb of winning with less than 65 percent of the vote to distinguish between “hegemony,” where only one effective party exists and has a probability of winning, and “dominance,” where elections are competitive despite having a major electoral force.⁴ The threshold is obviously arbitrary, but it is useful in that it distinguishes among dramatically different party system configurations. For instance, the Mexican party system of the early 1970s differs from the party configuration of the late 1980s. In the seventies, the PRI won the overwhelming majority of races with more than 90 percent of the vote; it controlled virtually all the seats in the Lower Chamber of Deputies and 100 percent of the Senate; and no single governorship belonged to the opposition. Although still the dominant electoral force at the end of the eighties, in 1988 the PRI had lost the crucial supermajority (two thirds) of seats in the Lower Chamber needed to modify the constitution unilaterally; it had also, by 1989, lost two governorships, Chihuahua and Baja California; and over a third of elective offices in the country were won or lost by a small margin. The party system configuration of the late eighties was unquestionably competitive, although the PRI was still the dominant player.

Second, the opposition must accept electoral institutions as legitimate. As this chapter will make explicit, it was not until the 1994 and 1996 electoral reforms that all the major opposition contenders accepted the basic rules of the game as legitimate. The 1994 electoral reform established true independence for the IFE, and the 1996 reform made the playing field more level, as campaign financing and access to the mass media by opposition parties were dramatically increased. This criterion might help distinguish types of dominant party systems. Systems where there are exceptional allegations about the legitimacy of the basic rules of the game (e.g., Mexico until the early 1990s) should be classified as authoritarian in contrast to systems where the major contenders agree about the existing rules of the game and the electoral process itself (e.g., Italy or Japan).

Institutional compromises at the elite level thus played a crucial role in Mexico’s democratization. However, as will become apparent in this chapter, they are not the ultimate cause of democracy. Electoral reforms were endogenous, the parties’ strategic response to the changing balance of forces in society.

THE UNRAVELING OF THE ELITE-LEVEL COOPERATIVE EQUILIBRIUM

The PRI was quite successful at keeping its numerous factions united. Barbara Geddes (1999a: 11) attributes the resiliency of hegemonic party regimes to their relative immunity to elite splitting. In her view, what keeps a hegemonic coalition united is that everyone is better off if factions remain united despite

⁴ Przeworski et al. (2000: 28) argue that a threshold of no more than two thirds of the vote screens out from the democracies similar countries as when they employ the strict criterion of an incumbent actually having lost power and yielded office.

ideological differences. The 1988 split within the PRI signals that something major in the system had changed that no longer allowed the hegemonic party to sustain the cooperative elite-level equilibrium. Why are hegemonic parties capable of solving elite divisions most of the time, and what triggers party splits? The literature does not provide clear answers.

The origins of the internal coordination of the governing coalition in Mexico can be traced to President Plutarco Elias Calles (1924–28). Calles came up with the idea of creating a political party that would draw into a single organization all of Mexico’s then-relevant powerful revolutionary leaders, local bosses, and existing political parties, mostly regional ones. The then National Revolutionary Party (Partido Nacional Revolucionario; PNR), which was eventually transformed into the PRI, was crafted as an institutional solution to long years of political violence (Garrido 1982). The party soon became the most important national party organization. Lázaro Cárdenas (1934–40) extended the range of the party by incorporating interest groups into hierarchical organizations tied to the party, organizing workers into the National Confederation of Workers (Confederación de Trabajadores Mexicanos; CTM) and peasants into the National Confederation of Peasants (Confederación Nacional Campesina; CNC). He managed to obtain the loyalty of these groups by, among others things, providing them with direct material incentives.⁵

The PRI’s relative immunity to elite splitting did not stem from ideological homogeneity. The party constituted an ideologically heterogeneous governing coalition.⁶ Major splits did occur before the party consolidated its hegemony. The most important were by Juan Andreu Almazán in 1940, Ezequiel Padilla in 1946, and Miguel Henríquez Guzmán in 1952. Almazán headed the opposition against the PNR’s nominee, Manuel Avila Camacho, in 1940. Almazán had support from some sectors in the army and from those who opposed the party’s tilt toward the left during the Cárdenas years (Medina 1978). He obtained close to 6 percent of the vote. Padilla was nominated by the PDM (Partido Democrático Mexicano or Mexican Democratic Party). He had belonged to the ruling party, holding an important cabinet position during Avila Camacho’s presidency. He obtained 19 percent of the vote. Henríquez Guzmán organized a strong opposition against the ruling party. He claimed to represent the “real” principles of the Mexican revolution, which according to him and his supporters, had been betrayed during Alemán’s presidency. Henríquez Guzmán was at first supported by Lázaro Cárdenas himself. However, when Alemán named

⁵ To peasants, Cárdenas gave land, dramatically increasing the number of hectares distributed through land reform, and to workers, he gave labor union rights and social security.

⁶ Analysts traditionally distinguished two major wings in the PRI: (1) the left-wing, which like President Lázaro Cárdenas (1934–40) stressed income redistribution, land reform, and the party’s commitment to social justice, and (2) the right-wing, which like President Miguel Alemán (1946–52) stressed the government’s commitment to industrialization and state-led capitalist development (Hansen 1971: 110). Economic policies in Mexico tended to swing in a “pendular” fashion, from more rightist policies to more leftist ones and back again, from one presidential term to the other (Levy and Szekeley 1987).

Ruiz Cortinez as the presidential nominee, Lázaro Cárdenas publicly supported the PRI. Henríquez Guzmán nonetheless continued his campaign through the Frente Popular Mexicano. After the PRI won the presidency, these politicians came back to the party and were offered positions in the state. Henríquez Guzmán obtained 16 percent of the vote (Bruhn 1997).

After these elite-splitting episodes, the PRI made it even harder for independent candidates to compete in elections through subsequent electoral reforms. In 1946, the first major electoral reform, which according to Molinar (1991) marks the beginnings of the hegemonic era of the PRI, modified the electoral rules, prohibiting regional parties from competing in federal elections. The law required a legal registration to compete in elections. To obtain this registration, the parties had to form national organizations (which were required to possess 30,000 members in the whole country, and at least 1,000 members in no fewer than two thirds of the states) (Medina 1978). The new law also centralized the organizing, monitoring, and certifying of the electoral process in the federal government (Molinar 1991). After the split by Henríquez Guzmán, the laws were further modified to increase the requirements for obtaining a legal registration. The new laws of 1954 required at least 2,500 members in two thirds of the Mexican states and a total of 75,000 members in the entire country (Medina 1978: 28; Molinar 1991: 36).

After these electoral reforms, only the PRI, PAN, Partido Auténtico de la Revolución Mexicana (PARM; Authentic Party of the Mexican Revolution), and Partido Popular Socialista (PPS; Popular Socialist Party) survived as registered parties until 1979, when a new law allowed more parties to enter the electoral arena largely owing to the establishment of a mixed electoral system consisting of the original single-member districts, which entailed high barriers to entry, and multimember districts that significantly lowered entry costs (Díaz-Cayeros and Magaloni 2001).

Despite the heterogeneity of preferences, politicians had strong incentives to compete under a single-party label for three reasons (see Magaloni 1997: ch. 1). First, after the PRI established itself as a hegemonic party, it became the single most *efficient* path through which ambitious politicians could attain office. The opposition offered no real chance to office seekers.⁷ Second, by offering a large number of attractive positions to its members, the PRI could make a political career available to a multitude of politicians. The rule of no consecutive reelection for all elective offices in the country,⁸ plus the growth of state bureaucracies, allowed the party to distribute a sufficiently large number of attractive positions. Indeed, the Mexican PRI has been characterized by

⁷ Those who cared more for office than for ideology invariably joined the PRI. During the years of party hegemony, those who joined the opposition did so knowing that they had no real chance of attaining office. Thus, this decision can only be understood as a product of intense ideological predispositions.

⁸ Mexico instituted no-consecutive reelection for deputy, senator, municipal president, governor, and state legislature in 1933. Reelection of the president was not allowed, even when not consecutive, after the drafting of the 1917 Constitution, although this provision was temporarily modified to allow for Obregón's reelection in 1928. He was assassinated during the campaign.

constant elite circulation in a wide range of elective and nonelective offices (Smith 1979; Camp 1995). Third, the party offered those politicians who could reach political office or attain a bureaucratic position significant opportunities to further their own private economic goals (including corruption) while in office, thus making even short political careers attractive to most politicians.

The elite-level cooperative equilibrium seems to crucially depend on the interaction between elites and masses. A simple ambition theoretical framework, which draws on Cox (1997), helps explain why this is the case. Consider a politician who must decide whether to “cue” for the party’s nomination or to join the opposition camp. The expected utility of joining the hegemonic party is given by multiplying the probability of winning under such party’s label, P_I , by the likelihood of obtaining the party’s nomination, N_I , times the utility of winning as a member of the hegemonic party, W_I , minus the costs incurred in running a campaign under the incumbent’s label, C_I . The utility of winning as a member of the hegemonic party can be thought of as power plus the side-payments a politician receives in office (e.g., opportunities for corruption). Thus, the expected utility of running under the hegemonic party’s label is defined as

$$E(U_I) = P_I N_I (W_I) - C_I$$

The expected utility of splitting or exiting is given by multiplying the probability of winning under an opposition party’s label, P_o , by the probability of obtaining such party’s nomination (or forming a successful ad hoc partisan organization), N_o , times the utility of winning as a member of the opposition, W_o , minus the costs incurred in campaigning under such party’s label, C_o . The utility of winning as a member of the opposition relative to as a member of the hegemonic party can be thought of as power plus the policy utility that a politician receives for winning under the banner of a party whose policy proposals are closer to the politician’s.⁹

$$E(U_o) = P_o N_o (W_o) - C_o$$

In this simple choice theoretic framework, splits are more likely when (1) the relative value of winning as a member of the opposition increases (e.g., when a politician has policy preferences that are dramatically different from those of the hegemonic party); (2) the relative value of winning as a member of the hegemonic party decreases (e.g., when the size of the pie to be distributed in the form of corruption decreases); (3) the probability of obtaining the hegemonic party’s nomination decreases; (4) the politician can obtain nomination from another party or form his or her own ad hoc partisan organization; (5) the probability of winning under an opposition’s party label’s increases; and (6) the costs of campaigning as a member of the opposition decrease.

Using this framework, we can now analyze why the Cardenistas split when they did. Ideological considerations played a major role in the Cardenista splinter of 1988 (the difference between W_I and W_o was large). As it is clear in Bruhn’s

⁹ To simplify, the framework assumes no repetition of the decision problem. For a formalization of the repetitive decision problem, see Cox (1997).

(1997) account of the emergence of the Partido de la Revolución Democrática (PRD; Party of the Democratic Revolution), Cárdenas and his allies strongly disagreed with Miguel de la Madrid's economic policies. They strongly opposed the government's reduction of spending under the IMF stabilization package and the government's decision to continue to pay the foreign debt, and they were against trade liberalization and the privatization of state-owned enterprises. The Cardenistas instead still believed in the viability of import substitution industrialization and the need to maintain a strong, active, and nationalistic state.

However, Cuauhtémoc Cárdenas and the group of politicians that left the PRI with him in 1988 did not splinter from the ruling party for ideological differences only. Belonging to a radically different political group than the market-oriented technocrats that controlled the presidency, these politicians saw slim prospects of furthering successful political careers within the party (for them the likelihood of obtaining the party's nomination, N_I , was very slim). As Bruhn's study (1997) documents, the Cardenistas explicitly complained about a strong sense of exclusion during the De la Madrid presidency, arguing that the first circle of power was increasingly controlled by a small group of technocrats, which left the politicians, particularly those favoring another economic ideology, completely outside. Before splitting, the Cardenistas attempted to "democratize" the PRI – above all, they opposed the *dedazo* or having the incumbent president select his own successor and play a central role in the selection of gubernatorial, senatorial, and congressional candidates. When they realized their efforts had failed, they opted to exit the PRI. The split took place at the party assembly in March 1987, a couple of years after they had formed the Corriente Democrática to attempt to democratize the PRI's nomination procedures.

How could Cuauhtémoc Cárdenas overcome the barriers to running outside the PRI that were placed in the path of any of the party's potential defectors? Recall that the PRI had purposely created laws that made it very hard for politicians to form new parties. Cárdenas did not form a new political party prior to the 1988 presidential elections, however. Some preexisting political parties endorsed him (thus he could obtain an opposition party's nomination, N_o , at no cost). The first party to support his candidacy was the PARM, which is somehow paradoxical given that this old state-run party, together with the PPS and the Frente Cardenista de Reconstrucción Nacional (FCRN; Cardenista Front for National Reconstruction), were considered so-called *satellite* parties.¹⁰ Most preexisting left-wing parties also supported Cárdenas.

But the nomination procedures within the PRI had always been hierarchical, and there had always been ideological battles within the PRI. What changed in 1988? One of the most consequential variables in the choice theoretic framework discussed earlier is the probability of winning as a member

¹⁰ During the hegemonic era of the PRI, these parties had survived by fielding candidates for local elections and some senatorial, congressional, and gubernatorial races, but they always eventually came to support the PRI candidate for the presidential race.

of the hegemonic party, P_I , or as opposition, P_o . No matter how hierarchical nomination procedures are or how salient ideological divisions, if a politician is sufficiently ambitious, his dominant strategy seems to be not to split when there are no real chances of attaining office through other means. What was different in 1988, as we will see in the last section of the chapter, is the electoral discontent with the PRI. The anticipation of good electoral prospects is what ultimately provided Cárdenas and his allies the incentive to exit the party.

The 1988 presidential elections thus mark a turning point in Mexican politics. There is no doubt that massive electoral fraud was committed against Cárdenas, who claimed the victory. Whether electoral fraud was decisive in producing the PRI's victory in the presidential election is more debatable. It is impossible to know with precision what happened in those elections because the ballots were destroyed. One possibility, as Jorge Castañeda (2000) explains, is that the PRI employed electoral fraud to boost its electoral support above 50 percent so as to guarantee for itself a comfortable majority in the Electoral College of newly elected congressional members who were going to ratify their own election *and* the presidential election. Another possibility is that the electoral fraud was necessary for the PRI to retain the presidency.

The PRI managed to get away with electoral fraud because the opposition failed to present a unified front to challenge the official election results (Díaz-Cayeros and Magaloni 1995). The PAN seems to have cut an early deal with the incoming president, Carlos Salinas, a point to which I return later. The rest of the opposition parties that supported Cárdenas also refused to confront the results. As Bruhn (1997) documents, these parties were willing to defend their electoral victories in the Lower Chamber of Deputies, but they were not willing to defend Cárdenas's vote in the presidential race.

INSTITUTIONAL CHANGE

A central question of Mexico's transition is why the PRI agreed to renegotiate the existing rules of the game that had allowed it to commit fraud when needed. In particular, why did this party relinquish its control of the electoral process? The process of institutional reform¹¹ regarding organizing, monitoring, and sanctioning elections consisted of two distinctive stages presenting different types of logic. The first stage, from 1990 to 1993, consisted of piecemeal electoral reforms negotiated by a bipartisan coalition between the PRI and the PAN. The second stage, between 1994 and 1996, included the three main parties – PAN, PRD, and PRI. In this second stage, the PRI finally relinquished control of the electoral process. This section of the chapter focuses mainly on the second stage.

¹¹ Two sets of electoral rules are relevant for understanding the transition, rules for the translation of votes into seats, and rules regarding the organization and monitoring of elections. In Díaz-Cayeros and Magaloni (2001), we explore the process of institutional change with respect to the translation of votes into seats. Here I focus on the second set of rules.

First Stage of Institutional Reform

During the first stage, two electoral reforms were passed by the PAN and PRI, one in 1990 and the other in 1993. These came about as concessions given by Salinas to the PAN in exchange for its support in the Lower Chamber of Deputies of the president's economic agenda. Salinas needed the support of a party other than the PRI to carry out his economic agenda, which required the modification of the Constitution in fundamental ways (e.g., the privatization of the banking system and the restructuring of property rights in the countryside required constitutional changes). The natural congressional ally was the right-wing opposition party because it shared many of the goals of the market-oriented reforms.¹²

The PAN opted to support the presidential economic agenda in exchange for political reform. In the electoral reform of 1990, the PAN obtained the establishment of a federal Electoral Tribunal.¹³ The government, however, retained control of the electoral process. Although a separate Federal Electoral Institute was created, the government kept control of its board.¹⁴ The 1993 electoral reforms went a little bit farther: They finally eliminated the "self-certification" by the Electoral College, granting the Federal Electoral Institute authority to certify electoral results. In addition, within the Electoral Tribunal, a second legal body for appeals was created (*Sala de Segunda Instancia*), whose decisions could not be appealed or reversed by any other authority.¹⁵

¹² Since its founding, this party had opposed excessive state intervention in markets, the increasing concentration of key industries in the government's hands and the overregulation of private property.

¹³ An electoral tribunal existed before 1990, the *Tribunal de Lo Contencioso Electoral*. However, the decisions of this tribunal did not bind the Electoral College (composed of newly elected senators and deputies, who certified the election results). The Electoral Tribunal established in 1990 was very different. Its decisions could be modified but only by a two-thirds vote of the Electoral College. In addition, the electoral judges were also going to be elected by a two-thirds vote of the Lower Chamber of those candidates proposed by the president.

¹⁴ The board was composed of the Secretario de Gobernación (as its president); four members of Congress (two belonging to the largest party and two the second largest party), party representatives (whose number varied according to the percentage of votes received by each party) and six *Consejeros Magistrados*, whose impartiality was severely questioned as they were elected from a list proposed by the president and ratified by a two-thirds vote of the Lower Chamber.

¹⁵ The 1990 electoral reform did not modify the so-called governability clause, which gave the largest electoral party obtaining more than 35 percent of the vote an absolute majority of seats in the Lower Chamber, even if that party did not obtain the majority of the vote. In 1993, the electoral rule was changed. The new electoral rule for the translation of votes into seats in the Chamber of Deputies gave a more than proportional share of seats to the largest electoral party as long as it finished above some threshold with respect to the second largest party. The 1993 reform also changed the electoral rules for the composition of the Senate: Three senators were to be elected by plurality, and a fourth was to be given to the second largest party in the state. The rules for selecting the Senate largely benefited the PAN over the PRD. These rules for the selection of the Senate were later modified in the 1996 electoral reform, allocating the fourth senator by a form of proportional representation. On this occasion, the rule was meant to benefit the PRD (see Diaz-Cayeros and Magaloni 2001).

Salinas offered the PAN other side-payments in exchange for its acquiescence to the electoral fraud of 1988 and support for the regime. The president repeatedly intervened to force local PRI electoral machines to respect the PAN's electoral victories. On some occasions, the president even forced local PRI "elected" politicians to step down from office after the PAN contested the official results of the elections. This came to be known as the *concertaciones* – postelectoral bargains among the PAN's leadership and the president that implied transferring elective office to the PAN when obscure local election results gave the victory to the PRI.¹⁶

During the Salinas presidency, Cárdenas and his new party, the PRD, were ostracized and on occasion openly persecuted. Most instances of political violence related to elections involved local races contested by the PRD, and this party claims to have lost around 300 activists to political violence during those years. The PRD took an increasingly antisystemic stand against the regime, opposing both the legitimacy of Salinas's presidency and the direction of economic policy.

Second Stage of Institutional Reform: The Establishment of an Independent Federal Electoral Institute

In the second stage of institutional reform, which included the 1994 and 1996 electoral reforms, the PRI relinquished its control of the Federal Electoral Institute. This time, the three major political players participated in the reforms.

The creation of the independent Federal Electoral Institute can be traced to the 1994 reforms, which took place just before the 1994 presidential elections. The Zapatista uprising in January of that year triggered this round of political negotiations, and the PRD participated in them. The three parties came together in the so-called *Acuerdos de Barcelona* to announce their commitment to peaceful means to attain office, and the last electoral reform during the Salinas presidency came as a result. The most significant aspect of the reform was that six *Consejeros Ciudadanos*, or citizen councilors, were to be elected to the new board of the Federal Electoral Institute by a two-thirds vote in the Lower Chamber. Each of the major parties – PRI, PAN, and PRD – had the right to propose two councilors. These six citizens joined four members of Congress, two of whom belonged to the PRI and two to the opposition parties. The political parties could be represented on the board, but they lost the right to vote. The board's president was the Interior Minister (Secretario de Gobernación). With this new arrangement, the government lost control of the Federal Electoral Institute's board, and the six citizens controlled much of the 1994 electoral

¹⁶ The 1992 election in Guanajuato is an example of these *concertaciones*. Vicente Fox ran as the PAN's candidate. After the PAN almost paralyzed the state with postelectoral protests, the PRI's newly elected governor, Ramón Aguirre, had to step down from office. The agreement between the PAN and Salinas was to name as governor the PAN politician Medina Placencia, instead of Vicente Fox.

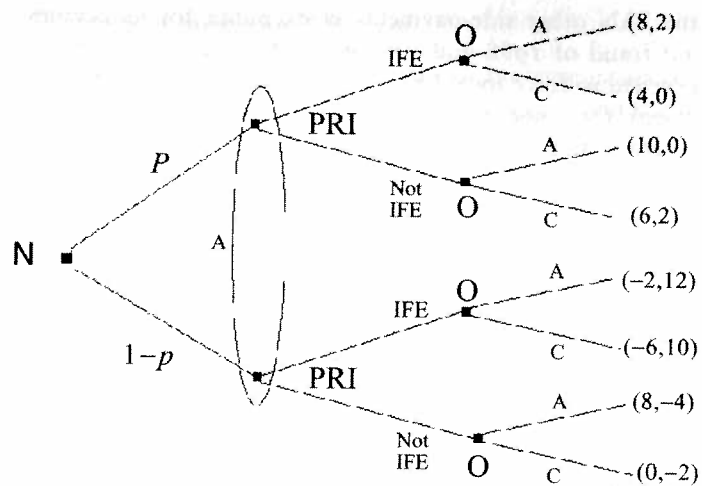


FIGURE 4.1. Extensive Form Game: The Creation of an Independent Electoral Institute.

process (Malo and Pastor 1996).¹⁷ The 1994 electoral process was sufficiently transparent that the three main actors accepted the results with almost no complaint of electoral fraud.

What led the Salinas government to acquiesce to these reforms? Why was the PRD finally included in this last round of political negotiations, breaking Salinas's practice of dividing the opposition and isolating the PRD?

Figure 4.1 provides a game to answer these questions. For simplicity, the model assumes that there are only two players, the PRI and a united Opposition (O). The PRI has two available strategies: to create an independent Federal Electoral Institute (IFE) or to maintain the control of its board (not IFE). The opposition can then choose to contest the election results or not contest them. The opposition can contest the results through nonviolent means that seek to question the legitimacy of the electoral results such as massive demonstrations or hunger strikes. They can also contest through violent means. In this game Nature (N) decides the likelihood that the PRI will win (W) with probability p and the probability it will lose (L) the election with probability $1-p$. The PRI must make its choice of whether to create an independent IFE before the election takes place. Because the party can't anticipate with certainty the elections results, the game is one of imperfect information.¹⁸

¹⁷ In 1994, the voter registry was thoroughly revised and another set of registration cards, which included the voter's picture, signature, and thumbprint, were issued.

¹⁸ The extensive form representation of the game depicts Nature choosing first and the PRI as the only actor not knowing the likely results of the elections. This assumption about informational asymmetries is not necessary for obtaining the results. I chose this representation for didactic purposes only because it makes very clear the concept of "subgame perfection" and the variables that drive the results of the model. If both actors do not know for certain the results of the elections, the most accurate representation of the model is one in which the PRI chooses first,

The actors' preference orders derive from the following set of simple assumptions: The PRI prefers winning to losing and having a submissive electoral institute to an independent IFE. But its payoffs also depend on what the Opposition does. The PRI prefers the Opposition to accept the election results rather than contest them because this entails legitimacy costs. In the specific numeric representation of the game in Figure 4.1, winning gives the PRI a payoff of 10; creating the IFE costs the PRI 2; committing electoral fraud costs 2; and the Opposition's challenge costs 4.

The Opposition prefers winning to losing; it prefers an independent IFE; and it makes its decision to accept or contest contingent on the PRI's choice to create an independent IFE or not. If the PRI creates the independent IFE, the Opposition accepts the results because contesting them is costly when the PRI no longer controls the electoral process and cannot commit fraud. Who is going to follow the Opposition into the streets against an adverse electoral outcome if there is no reason to believe that the PRI stole the elections? If the IFE remains subservient to the PRI, the Opposition contests the election results because they can more credibly argue before their supporters that the ruling party manipulated the elections. In the specific numeric representation of the game in Figure 4.1, winning gives a payoff of 10; obtaining an independent IFE gives a payoff of 2; losing because of electoral fraud costs -4; and contesting when the independent IFE is in place costs -2, while contesting when the IFE is not independent provides a benefit of 2.

I derive the payoffs for the PRI and the Opposition over the eight possible outcomes of this game from these simple assumptions. The probability that the PRI will win is consequential for the solution of the game. Suppose that the PRI anticipates an electoral defeat with certainty so that the actors know the lower "subgame" is being played. Anticipating electoral loss, the PRI will *not* relinquish its control of the IFE and "tie its hands" because in doing so it will not be able to commit electoral fraud and steal the elections from a winning Opposition. Keeping the control of the IFE generates costs because the Opposition will contest the election results. The PRI would much rather keep the control of the IFE, commit electoral fraud, and have the opposition accept the results, which provides a payoff of (8, -4), than have the Opposition contest fraudulent results, (0, -2). The difference between these payoffs for the PRI reflects the costs to the ruling party of keeping power through electoral fraud, which entices the Opposition to contest the election results, seriously damaging the legitimacy of the regime.

However, the outcome of losing, not delegating, and having the Opposition contest the results, is better for the PRI than what would ensue if it relinquished its control of the IFE. By relinquishing control of the IFE, the PRI "ties its hands" not to commit fraud. Delegating to the IFE entices the winning Opposition to

Nature moves second, and the Opposition chooses to contest or not the election results without observing the actual results of the elections, but only if an independent IFE is in place or not. The results of this second game, which is available upon request, are exactly the same.

accept the results, but the PRI loses power, which gives a payoff to the players of $(-2, 12)$. This payoff is worse for the PRI than $(0, -2)$, the outcome of not delegating power to the IFE, committing fraud, and having the Opposition contest the results. Indeed, in the lower subgame, delegating control of the electoral process to an independent IFE is a dominated strategy: No matter what the Opposition does, the PRI is always better off not delegating when this party knows it will lose the elections for certain.

Now suppose the PRI knows it will win for certain so that the upper subgame is being played. The PRI prefers retaining control of the IFE to relinquishing it. However, the cost of doing so, as the game makes explicit, is that the Opposition will then choose to contest the election results despite the fact that the PRI won the elections cleanly, which gives a payoff to the players of $(6, 2)$. By contesting legitimate electoral results, the Opposition can question the legitimacy of the whole electoral process, and the PRI does not wish to run this risk if it knows it can win elections cleanly. The Opposition's threat to contest the election is credible because it is better for this player to contest when the PRI does not delegate to the IFE $(6, 2)$, than to accept the results despite not having an independent IFE $(10, 0)$. This is the PRI's most desirable outcome, namely win, not delegate, and get the Opposition to accept, but it is not attainable in equilibrium because without the IFE, the Opposition has a dominant strategy to contest the results.

It is this credible threat on the part of the Opposition that leads the PRI to delegate power to an independent IFE. By delegating power to the IFE, the PRI prevents the opposition from contesting the elections results *and* still keeps control of the government, which gives the players a payoff of $(8, 2)$. This payoff is better for the PRI than $(6, 2)$, the off-the-path payoff if the PRI does not delegate. And it is better because when an independent IFE exists, the Opposition faces no incentive to contest the election results despite having lost the election.

With the particular numeric payoff of the game proposed in Figure 4.1, the PRI chooses to delegate to an independent IFE when its probability of winning is larger than $1/2$. However, the game could easily be presented in a more general algebraic format, allowing us to derive *ceteris paribus* conditions as to when delegation to an independent IFE would be more or less likely. I concentrate on two conditions: the PRI's ex ante probabilistic assessments about its chances of winning and the costs to the PRI of having the Opposition contest election results. As it should be clear, when the ex ante probabilistic assessments about the PRI's chances of winning decrease, so will the probability that delegation to an independent IFE would take place. Facing a higher electoral threat, the PRI's incentive to "tie its hands" not to commit fraud by delegating power to the IFE decreases, as this would entail the risk of losing power.

A key additional consideration for the PRI is the expected costs of facing the Opposition's challenge. In the game, the PRI chooses to delegate to the IFE not because of some supposed democratic credentials. It does so because it anticipates that the Opposition will be able to mount a serious challenge, possibly

delegitimizing the whole electoral process. Now suppose that these costs drop from 4 to 1. Here, the PRI will not ever delegate power to an independent IFE, regardless of its chances of winning. If the costs to the PRI of having the opposition contest clean election results increase instead by 3 points, the likelihood of delegating will increase.

Thus, in the game, the PRI delegates to an independent IFE because, on the one hand, it calculates that its chances of winning elections cleanly are good and, on the other, because the opposition can mount a credible challenge to the PRI if it were to refuse to delegate power to an independent IFE. The game thus makes explicit why significant electoral reform in Mexico depended on having increasingly stronger opposition parties and why it was inconceivable in earlier years.

Returning to Mexico's real-life politics, we are now in a position to understand why Salinas decided to create an independent IFE several months before the 1994 elections. First consider the ex ante probability of winning the elections. Salinas was confident of the PRI's electoral strength. As I will discuss in the next section, by the 1991 midterm elections, the PRI had recovered most of the vote that had gone to Cárdenas in 1988. The ruling party had also managed to halt the advances of the PRD at the local level partly thanks to the National Solidarity Program (Programa Nacional de Solidaridad; PRONASOL), a poverty relief scheme that allowed the PRI to reshuffle its base of support from a corporatist to an increasingly territorial one. Furthermore, Salinas had managed to amass considerable support for the market-oriented reforms, privatization and NAFTA, in part because of the reforms themselves and in part because of the manner in which the president had employed the media to publicize them (Villarreal 1999). The president's approval ratings were astounding – at the beginning of the election year, close to 80 percent of respondents thought the president was doing a great job handling the economy. These early polls fueled the widespread belief that the PRI would win the coming presidential elections. Only the PRDistas had the unrealistic expectation that Cárdenas had a real chance of winning, a point to which I return later (Zinser 1994).

Now consider the anticipated costs of not delegating power to the IFE. With the Zapatista uprising of January 1994, political violence exploded in the country, and at that moment the government had limited information regarding the mass spread of the movement. One of the first demands of the movement was clean elections. Salinas needed to neutralize the Zapatistas with a nationwide political opening, one that included the PRD in particular. As Castañeda (1995: 95) makes explicit, there was a real risk of political explosion: "The dangers of fraud, postelectoral protests, and a second round were not the same before and after Chiapas. After January 1, weapons were involved – and the example of what could be accomplished with them."

There was a real question as to whether the PRDistas were going to join the Zapatistas in creating a united front against the regime, participate in the electoral process, and call the legitimacy of the elections into question after the fact. The creation of an independent IFE was a way to bring the PRDistas into

the electoral contest, give them a legitimate chance, and, above all, commit them to the process. The independence of the IFE increased the costs to Cárdenas of claiming fraud after the fact. Who was going to believe him, and follow him into the streets, if the PRI was not in control of the process? The PRI thus accepted creating the IFE, expecting to be able to win a clean election.

The PRI was indeed able to win the 1994 elections, and there were no major allegations of fraud. The election year turned out to be more complicated than expected, however. The PRI's presidential candidate, Luis Donaldo Colosio, was assassinated in March, and two months after the election, the general secretary of the PRI was also assassinated. The peso crisis of 1994 erupted a few months after the elections, and with it the history of the PRI was altered, as it paved the way to the ruling party's losses of 1997 and 2000.

A possible objection to this model is that the PRI might falsely appear to be too shortsighted, delegating power to an independent IFE in 1994 without anticipating the possible costs of doing so in the near future.¹⁹ Yet, experts and investors, let alone the PRI, did not predict the peso crisis. At the end of the Salinas presidency, expectations were extremely optimistic about the future of the Mexican economy among the international financial community. It was believed that the Salinas reforms had laid a solid foundation for future economic recovery and prosperity, and, at that time, the party anticipated profiting from these reforms for years to come.

The independent IFE was thus established in 1994, and it would become impossible to reverse it afterward. Any reform to the IFE required a constitutional reform, and the PRI no longer controlled the necessary majority to implement such a reform unilaterally.²⁰ The 1996 electoral reforms only fine-tuned this independence by, among other changes, granting the IFE the power to monitor and sanction campaign expenditures. Other very significant aspects of the 1996 electoral reforms were to level campaign financing and media access and to incorporate the Federal Electoral Tribunal into the judicial branch of government and allow for judicial review of electoral laws (Magaloni 2003; Magaloni and Sánchez 2001).

THE LOSS OF MASS SUPPORT AND THE EMERGENCE OF THE OPPOSITION

As important as electoral fraud was for the PRI's survival in 1988 and in many local elections, it is clear that fraud alone is insufficient to explain the party's hegemony. During the years of party hegemony, the PRI won the elections with

¹⁹ The game could easily be drawn as a repetitive game to account for longer-term considerations.

²⁰ Beyond constitutional restrictions, the reason why the independence of the IFE could not be reversed after 1996 can be appreciated in the model. The costs of reversing the independence of the IFE once created could be visualized as a change in the PRI's payoff of not creating an independent IFE and getting the Opposition to contest the results. As demonstrated earlier, when these costs increase, so do the incentives to delegate.

substantial support, often more than 90 percent of the vote. The PRI did steal elections from the opposition but electoral fraud was more often carried out to boost the electoral support of the ruling party. The party increased barriers to entry that prevented some parties from emerging and slowed down the consolidation of the opposition. Nonetheless, as became clear in the 1988 presidential elections, barriers to entry were not infinite. When true discontent among the population emerged, it got translated into the party system. A central pillar to the PRI's hegemony, I argue, was mass support for the regime, and the process of democratization is deeply intertwined with the deterioration of the party's electoral base.

My analysis of voting patterns in Mexico highlights the following empirical correlations: (1) The PRI's electoral support begins to fall after the onset of the debt crisis, which for Mexico marks the beginning of more than twenty years of economic stagnation. (2) However, considering the depth and length of the recession, the deterioration of the PRI's base of support was gradual and protracted. (3) Modernization is a strong predictor of voter support for the opposition, yet development was not what ultimately brought democracy about: All the economic conditions had been ripe for democracy to emerge since the mid-1960s, but the authoritarian system survived for years despite the country's comparative wealth. (4) Democratization in Mexico must be understood in the context of Mexico's federalism, and the PRI's strategic use of the central government and its fiscal resources to punish localities that defected to the opposition. In doing so, the Mexican government could retard the establishment of democracy. (5) The liberalization of trade and the internationalization of the Mexican economy played a powerful role in enabling localities to defect to the opposition, both to the PAN and the PRD. (6) The 1994 peso crisis produced a "tipping phenomena": namely, localities began to defect from the PRI en masse after that date.

Economic Performance

From 1929 until 1982, the PRI was quite successful at generating political stability and economic growth. The party emerged as a compromise among warlords and revolutionary leaders to put an end to a long period of political violence. The compromise was successful, and for more than seventy years, political elites in Mexico settled their disagreements through the regime's institutional channels, seldom recurring to violence.

The PRI also produced economic growth. Before the PNR was founded in 1929, the economy was in dismal shape, which can be partly attributed to internal political instability. The economy began to grow after 1933, soon after Mexican politicians organized the party to put an end to violence. From 1933 until 1981, the Mexican economy had positive growth rates (an average of 6 percent a year).

The populist episode of the 1970s destroyed macroeconomic stability, and, despite the oil boom of the late seventies, the economy collapsed. Since 1982,

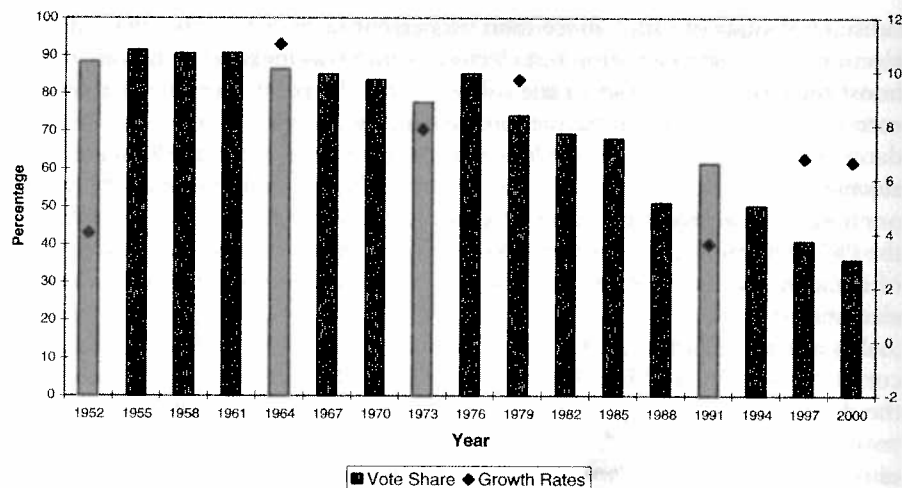


FIGURE 4.2. PRI's National Vote Share and Election Year Growth Rate, 1952–2000. Sources: Growth rates are from the Estadísticas Históricas de México (1993) and IFE.

Mexico experienced two economic recessions, first between 1982 and 1988 as a result of the debt crisis, and the second in 1995 and 1996 as a result of the devaluation of the peso. Both crises produced high inflation rates, devaluation, and a sharp decline in real wages and industrial production. Overall, from 1982 to 1997, the real minimum wage and the average industrial wages lost approximately 75 and 35 of their values, respectively.²¹ Long-term growth collapsed during the eighties and nineties: From 1982 until 1989, the economy grew on average by 0.51 percent a year, and the average growth rate of the following decade was only 2.9 percent.²²

Figure 4.2 graphs the vote for the PRI in federal elections from 1952 until 2000. Two general trends should be underscored. First, there is a secular decline in the vote for the PRI. The PRI's vote falls with the passing of time, with the exception of two elections: 1976, when the opposition did not even file a presidential candidate, and the midterm election in 1991, when Salinas managed to recover most of the vote that had gone to Cárdenas in the 1988 elections, an issue to which I return later. Second, the secular decline appears to accelerate after the debt crisis of 1982, and this pattern is even clearer in the local elections.

Closer analysis of the data reveals that voting trends are not strongly correlated with economic growth, however. Figure 4.2 also reports the election year growth rate. Although the correlation between annual election year growth rates and the vote is positive, it is quite low (0.23). The PRI received surprising support in the worst years of the recession of the eighties, namely 1982 and 1985, which seems to indicate that voters were not reacting in accordance

²¹ These figures are from Banco de Mexico (www.banxico.org)

²² Own calculations from data from INEGI's web page.

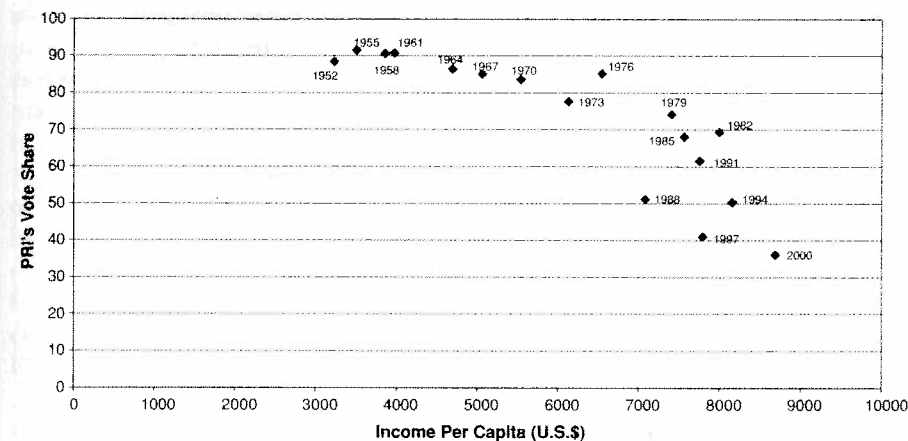


FIGURE 4.3. Effects of Modernization on National Vote Trends. Sources: Income per capita comes from Heston, Summers, and Aten (2002). Electoral data is from Presidencia de la República (1993) and IFE.

with the economic voting model. Limitations to this model also become apparent in 1997 and 2000, when the PRI was punished at the polls despite the relatively high growth rates of those two years (Magaloni and Poiré 2004b). Thus, while the economic collapse accelerated the decline at which the PRI was losing votes, the decline was too slow considering the depth and length of the economic recession.²³

Modernization and Poverty

Development is a powerful predictor of the PRI's gradual loss of mass support. Can economic development also account for Mexico's democratization? Figure 4.3 shows a scatter plot of vote trends and income per capita in dollars from the Penn World Table. Economic development and national vote trends are highly intertwined (the correlation is -0.84).

Two rival interpretations can be given to the data. The first is that economic development is what ultimately brought democracy about, which would be consistent with endogenous modernization theory (Lipset 1959; Przeworski et al. 2000). Yet by comparative standards, the PRI survived for too many years after the country had reached the income threshold of \$4,115, when according to Przeworski et al. (2000: 91), the probability of being democratic is above 0.50. If modernization theory is to have some predictive power, "there must be

²³ The literature on Mexican voting behavior has provided several accounts as to why the economic voting model confronts anomalies in the Mexican case. The seminal work is Domínguez and McCann (1995). See also Domínguez and Lawson (2004), Domínguez and Poiré (1999), and Magaloni (1997, 1999).

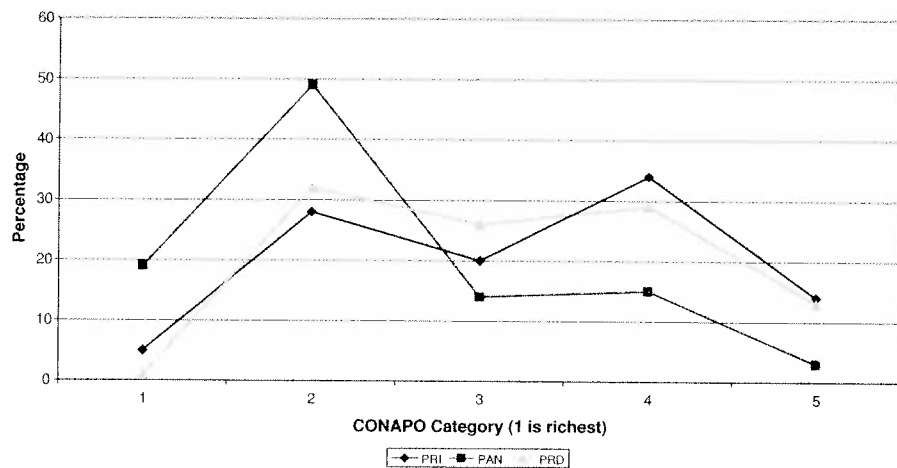


FIGURE 4.4. Municipal Governments by Deprivation Conapo Index, 1986–1999. Sources: Electoral data base of CIDAC and Consejo Nacional de Población (1990).

some level of income at which one can be relatively sure that the country will throw off its dictatorship” (Przeworski et al. 2000: 97).

The second interpretation of the data is that establishing democracy in Mexico was relatively more costly. All the economic conditions had been ripe for democracy to emerge since 1964, when the threshold was surpassed, but the authoritarian system survived for years despite the country’s wealth by comparative standards.²⁴

The PRI’s long-lasting hegemony was solidly cemented on poverty and underdevelopment. As study after study has shown, modernization and urbanization were correlated with a loss of support for the PRI (Ames 1970; Klesner 1996; Molinar 1991). Between 1940 and 1980, the Mexican economy did grow, but development was highly unequal and unbalanced. The PRI kept the support of the poorest localities and the prosperous and wealthiest regions defected to the opposition, most notably to the PAN (Magaloni 2000).

Figure 4.4 reports the levels of development of the municipalities governed by the PRI, the PAN, and the PRD between 1986 and 1999. Development is measured by the Conapo deprivation index.²⁵ The index groups localities

²⁴ In fact, by 1964 the country had reached the threshold above which, according to the results in Przeworski et al., the probability of democratic collapse is close to zero. Even the apparent high empirical correlation between development and democracy should be taken with caution. Przeworski et al. (2000: 97) suggest the following reason as to why this correlation might be spurious: Suppose that by the simple passing of time a regime faced each year some positive probability of dying for reasons not related to development. Thus, we might erroneously attribute the regime’s collapse to development, when what really happened is that it dies because of the passing of time, including the accumulation of some random hazards.

²⁵ There are more than 2,400 municipalities in Mexico. The Conapo index, produced by the Mexican government, is a measure that reflects the level of deprivation per municipality. It

into five categories, from the wealthiest to the poorest. The wealthiest localities include, for example, Mexico City and many of the state capitals of the richer states in the north. The poorest localities are small, highly isolated and marginalized rural municipalities scattered around the country, many of them in the south.²⁶

The PAN tended to win in the exact opposite type of localities from those of the PRI. Close to 70 percent of PAN’s municipal governments were elected in localities classified by the Conapo index as the richest (1) and second richest (2). By contrast, only 33 percent of the PRI’s municipalities were found in these categories. Less than 20 percent of PAN-governed municipalities were classified as poorest (5) or second poorest (4), whereas close to 50 percent of PRI-governed municipalities were from among these categories. An interesting pattern is that PRI- and PRD-governed municipalities, at least in this respect, were practically identical.

The PRD competed for the traditional base of support of the PRI, and to establish itself, it profited largely from ruling party splits, an issue to which I return later. Its original local base grew from the state of Michoacán, where Cárdenas had once been governor as a member of the PRI. During the Salinas presidency, the PRD managed to build some base of support in the southern states of Oaxaca, Guerrero, and Morelos and also to attract the support of the urban poor, state employees, students, and left-wing intellectuals. The PRD confronted colossal challenges. After the 1988 elections, Salinas created a government poverty relief program, PRONASOL, to recover the vote that had benefited Cárdenas in 1988 (Molinar and Weldon 1994; Magaloni, Diaz-Cayeros, and Estevez, forthcoming). The PRD had a hard time building its base largely as a consequence of this program (Bruhn 1997). During the administration of Ernesto Zedillo (1995–2000), the PRD’s growth at the local level was more significant, and it largely came from ruling party splits.

By contrast, modernization can partly account for the gradual growth of the PAN at the local level. In 1980, the party governed only seven municipalities. By 1998, this party controlled 278 municipalities that comprised more than 30 percent of the population of Mexico (see Figure 4.5).²⁷ The expansion of the PAN significantly accelerated after the 1994 peso crisis. Whereas the party in 1994 governed only two state capitals, by 1998 it controlled twelve out of the thirty-two state capitals in the country.²⁸ The PAN was particularly strong in the North and in el Bajío.

is composed by a set of indicators such as percentage of employed population living under the minimum wage, illiteracy, housing with access to sewage, electricity, drinking water, and population living in rural localities.

²⁶ The data come from the municipal government political database compiled by Jacqueline Martínez at CIDAC.

²⁷ The data come from the municipal government political database compiled by Magaloni, Diaz-Cayeros, and Estevez. Electoral data are from Jacqueline Martínez at CIDAC.

²⁸ The data come from the municipal government political database compiled by Magaloni, Diaz-Cayeros, and Estevez. Electoral data are from Jacqueline Martínez at CIDAC.

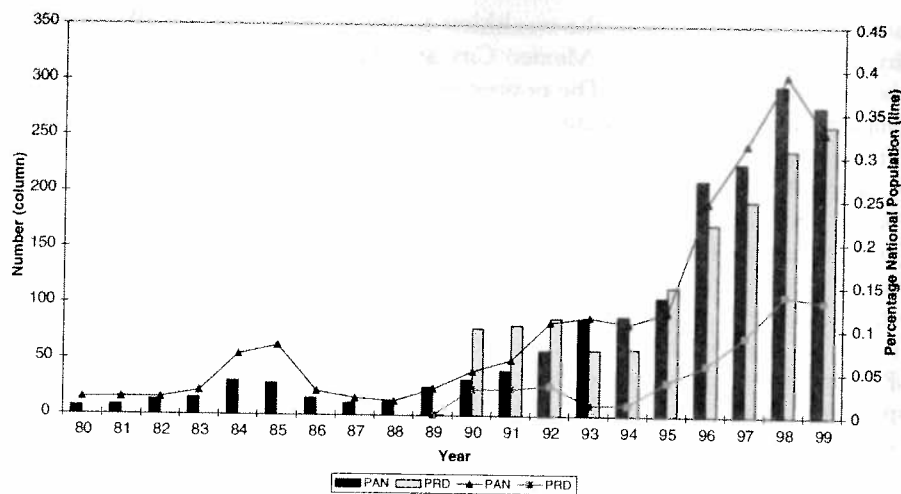


FIGURE 4.5. Opposition Municipalities, 1980-1999. Source: Electoral database of CIDAC.

The Liberalization of Trade

The internationalization of the Mexican economy played a significant role in the expansion of the opposition. Over the past two decades, Mexico's economy has become increasingly integrated with that of the United States. Many localities in Northern Mexico and el Bajío now possess vibrant economies with deep connections to the United States. Other poorer localities in the south have also developed extremely strong connections to the United States, mainly through intensive labor migration and the cash remittances migrant workers send to their families back home. In less than fifteen years, Mexico's economy experienced a dramatic transformation, and today it is the largest exporter of manufactured goods in Latin America.

The liberalization of trade has meant that the central government has increasingly lost control of the local economies. With import substitution industrialization (ISI) policies, local economies were geared toward the center, where markets for their goods and inputs concentrated. Policies such as multiple exchange rates, tariffs, permits, subsidized credit, strict regulations on foreign direct investment, and the transfer of technology all meant that producers had to court the central government. It is not surprising that the overwhelming majority of industry was concentrated in a single city, Mexico City, where the federal government operates.

Support for the opposition at the local level disproportionately came from localities that were more internationalized (Diaz-Cayeros, Magaloni, and Weingast 2002). The PAN, in particular, grew stronger in the northern and el Bajío localities, or those with higher levels trade with the United States. Support for the PRD, by contrast, disproportionately came from poorer localities that experienced more labor migration to the United States and that received

higher remittances as a consequence (Diaz-Cayeros, Magaloni, and Weingast 2002). For these localities, the economic crisis of the 1980s and the subsequent implementation of orthodox stabilization during that decade intensified labor migration to the United States. In the worst years of the recession, labor migration might have alleviated social tension by giving the poor a possibility of exiting the country. Over time, however, labor migration worked against the PRI because remittances liberated communities from their dependence on the government. Indeed, remittances by migrant workers became a major source of capital for their communities back home, and the implication was that the livelihoods of these poorer, though internationalized localities, no longer were exclusively dependent on the PRI's patronage, which eventually gave them an alternative to defect to the opposition.

Why did the PRI adopt a policy, trade liberalization, that eventually contributed to its ultimate demise? As in other developing countries, trade liberalization came about because the old development model failed. ISI depended on continuous imports of intermediate and capital goods, which were financed first with agricultural exports and, when these dried up, with trade deficits. During the decade of the 1970s, intensive international borrowing, soft budget constraints, and oil exports allowed the government to sustain these policies for over a decade, despite huge inefficiencies. The debt crisis of the 1980s forced governments to alter existing policies.

The Tipping Phenomenon of the Post-1994 Peso Crisis

Figure 4.5 reports the municipalities won by the PAN and PRD in the course of these two decades. It took years for the opposition to achieve a national reach. Part of the reason why the opposition's electoral expansion at the local level was so slow is related to the centralization of fiscal resources (Diaz-Cayeros, Magaloni, and Weingast 2002). The PRI used its control of the national government to deploy these resources for political gain, strategically withdrawing funds from localities that were conquered by the opposition. In doing so, the national PRI was able to deter voters from defecting to the opposition. With few resources at their disposal, opposition parties were not very successful at governing localities. Voters were reluctant to support the opposition, and when they did, these parties had low reelection rates (Diaz-Cayeros, Magaloni, and Weingast 2002).

Note that the expansion of the opposition, and in particular the PAN, significantly accelerated after the 1994 peso crisis, a bust comparable to the downturn of the 1930s. In 1995 alone, GDP dropped by almost 7 percent, industrial wages declined by more than 30 percent in just two years, and the currency was devalued, overall, by around 250 percent. Between 1995 and 1997, the PRI lost three more gubernatorial races (Guanajuato, Jalisco, and Baja California) to the PAN as well as the majority of the vote in the deputy and/or municipal elections of Aguascalientes, Durango, Puebla, Sinaloa, Yucatán, Estado de México, Coahuila, and Morelos. The PAN won most of the important

cities in which elections were held, including the capital cities of Jalisco, Baja California, Yucatán, Michoacán, Oaxaca, Chiapas, Puebla, Aguascalientes, Coahuila, Sinaloa, and Morelos.

The economic collapse also contributed to the growth of the PRD. The biggest prize for the PRD was Mexico City, which it won in 1997 after elections for governor were introduced for the first time. But the source of PRD's growth during the Zedillo administration is primarily related to PRI splits. Despite having no significant presence in the state of Zacatecas, the PRD won the gubernatorial election of 1998 when it supported Ricardo Monreal, who had split from the PRI when it denied him the nomination. Similarly, in Baja California Sur, when Cota lost the PRI's primary election, he joined the PRD and won the 1999 gubernatorial race. The PRD also won the gubernatorial elections of Tlaxcala and Nayarit. In those cases, a former PRLista was not only backed by the PRD but also by a coalition of all the state-level opposition parties.

Returning to the framework presented in the first section of this chapter, the PRI became so susceptible to party splits during the Zedillo administration because voters were willing to support whichever candidate ran under a non-PRI label.²⁹ The economic collapse created the necessary conditions for the mass public to be willing to vote against the PRI, something that occurred in one election after the other. And also consistent with this theoretical framework, the PRD was the main beneficiary of these splits, first, because this party was closer on the ideological spectrum to the PRI³⁰ and, second, because the PRD lacked local party organizations in many of the states. In the absence of local party organizations, disgruntled PRI politicians who joined the PRD did not have to compete with local opposition candidates for the nomination, as they would have needed to if they had decided to join the PAN.³¹

The defeat of the PRI in the midterm 1997 elections and later in the 2000 presidential race must be understood in the context of a series of precipitating events. The first was the economic collapse of 1995–96. Although short-lived, the crisis betrayed the public's expectations that the Salinas reforms had finally managed to put an end to economic misery and laid a solid foundation for future economic recovery. Instead of being perceived as the party that could best manage the economy, the PRI was seen as a major source of the country's economic difficulties (Magaloni and Poiré 2004b). A second contributing factor was the numerous and consecutive defeats at the local level, which created reasonable expectations among the public that the PRI could be defeated, generating a tipping phenomenon that enabled voters to coordinate against the ruling party. Third, the 1996 campaign finance and media access reforms also played a role (Lawson 1999). More access to the mass media allowed the opposition to disseminate information among the public, which contributed to

reducing voter uncertainty about the opposition alternatives and enabled voters to coordinate. Fourth, strategic coordination among opposition voters played an important role in the PRI's defeat of 2000, as they were willing to set their ideological differences apart to cast a vote for the PAN candidate, who was most likely to defeat the PRI (Magaloni and Poiré 2004a).

FINAL REMARKS

In transitions from one-party-dominant systems, the opposition's main challenge is to defeat the party associated with the authoritarian past through the *ballot box*. The electoral arena is significantly skewed against opposition parties for two reasons: First, the incumbent party controls the existing electoral institutions so that it can draft laws to raise the costs of entry to the opposition or, if need be, manipulate the outcome of the elections. Second, the party associated with the authoritarian past enjoys significant incumbency advantages, the most important being its unilateral control of the state apparatus and its vast sources of patronage available to buy off mass support.

Thus, a central question is under what conditions one-party authoritarian incumbents relinquish their control of the electoral process, credibly delegating it to an independent electoral body. To understand democratization in one-party-dominant regimes, one needs to provide a theory of *endogenous* institutional change. The main contribution of the model presented in this chapter is to show that the creation of democratic institutions, most notably the independent IFE, ultimately depended on strategic choices made by the incumbent in response to its anticipation of electoral fortunes, and the expected reaction by opposition forces to the choice of retaining unilateral control of the elections, versus tying its hands not to commit fraud by delegating.

I have argued that the PRI chose to delegate independence to the IFE's board because it held a reasonable a priori expectation that it could win future elections and it wanted to deter the opposition from contesting the legitimacy of the electoral process in the present. The outcome thus depended, on the one hand, on the expectation of winning and, on the other, on the anticipation by the PRI that the opposition would mount a serious challenge to the legitimacy of the whole electoral process if it were to refuse to delegate authority to an independent IFE. The Chiapas uprising of January 1994, as I have argued, was a precipitating event because it generated a serious risk that the PRD would join the guerrillas in contesting the legitimacy of the entire electoral process after the fact. The creation of an independent IFE was a way to bring the PRDistas into the electoral contest, to give them a real chance, and, above all, to commit them to the process. The independence of the IFE increased the costs to Cárdenas of claiming fraud after the fact. The PRI thus accepted creating the IFE in the expectation that it would be able to win a clean election.

The decision to delegate depended upon the ability of the opposition to mount a credible challenge to the legitimacy of the electoral process, something that was inconceivable in earlier years when the opposition was weak. The

²⁹ P_o was high because, thanks to the peso crisis, voters had signaled a clear disposition to vote against the PRI.

³⁰ The difference between W_I and W_o is larger for PRD than for PAN.

³¹ N_o is less costly for PRD than for PAN.

balance of forces in society dramatically changed, and the new set of rules ultimately came to reflect that change.

My argument does not imply that the IFE became, so to say, an enforcer of democracy. This would be a naïve view of the role of institutions in democracy. As Przeworski (1991) argues, institutions cannot enforce democracy. Democracy, to be stable, must be self-enforcing, meaning that all relevant political players must have an interest in abiding by the election results, even if they lose. The IFE was designed to prevent the PRI from committing electoral fraud, but it would have not been able to *force* the PRI to step down from office had this party refused to accept defeat peacefully. After all, many autocrats around the world have opted to shut down democratic institutions such as electoral bodies, parliaments, and the like when the uncertain game of elections is adverse.

The PRI respected the 2000 defeat because it was in its interest to do so, partly because the IFE and other political players, including the media, opposition parties, and civil society, would have refused to accept an authoritarian imposition. In Przeworski's (1991) framework, by 2000 the costs of subverting the outcome of the elections were larger than the benefits of subverting. The cost of subverting were large because, on the one hand, the balance of forces in society had changed and, on the other, because, unlike 1988, this time the IFE had generated credible information that was available to all contenders about the actual results of the elections. With this information available to the public, it would have been too costly for the PRI to subvert the outcome of the 2000 elections. Common knowledge about the actual elections results served as a crucial social coordinating device, a focal point that would have united opposition parties and most of civil society against the PRI had it attempted to refuse to yield power to the PAN's winning candidate, Vicente Fox.

The IFE thus played a crucial role in Mexico's democratization. It was a pact among elites regarding their willingness to submit their struggles to the democratic process. And the IFE came to be because all political players, and mainly the PRI, regarded elections as their best channel to serve their goals. However, the independence of the IFE would have not been easy to conceive had the PRI anticipated the events that were to occur after 1994, including the peso crisis, which generated a tipping phenomenon against the ruling party in all subsequent local elections.

When the PRI granted independence to the IFE in 1994, this reform became irreversible because it required approval of the opposition since the ruling party no longer enjoyed the supermajority necessary for a constitutional change. Thus, through the 1994 electoral reforms, the PRI credibly "tied its hands" not to commit fraud because the opposition had become an effective veto player. Hence, institutions matter in the establishment of democracy as long as there are real political forces to back them up.

PART II

UNEXPECTED DEMOCRACIES IN UNLIKELY COUNTRIES

Bolivia, El Salvador, and Guatemala