

CRITICAL JUNCTURES OR SLOW-MOVING PROCESSES? THE EFFECTS OF POLITICAL AND ECONOMIC TRANS- FORMATIONS ON THE MEXICAN PUBLIC SECTOR

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Resumen

Este texto ofrece una visión distinta de las explicaciones usuales del cambio en la gestión pública en México, las cuales se basan en el análisis de decisiones “trascendentales” y explicaciones de corto plazo. Contrario a ello, hay un esfuerzo explícito por explicar los cambios en el sector público en función de procesos de largo plazo en la economía política. En concreto, muestro cómo diferentes procesos de cambio han tenido lugar en el sector público mexicano en forma de adaptaciones graduales a los procesos de liberalización económica y de democratización, con episodios específicos de reforma. La hipótesis central es que los cambios en el tamaño y el alcance económico del sector público se explican por cambios en la estrategia económica del gobierno, en tanto que los cambios en la estructura y la selección de políticas de gestión pública se explican por el proceso de democratización política.

El objetivo general de esta investigación es mejorar nuestra comprensión de la dinámica del cambio institucional en las estructuras gubernamentales, al enfatizar la distinción entre reformas deliberadas y cambio incremental, y al ligar ambos procesos a transformaciones de mayor alcance en las esferas política y económica.

Palabras claves: Nuevo Institucionalismo, Reforma Administrativa, Democratización, Liberalización, Cambio Institucional, México.

Abstract

This paper argues against prevailing explanations of public management change in Mexico that rely on analysis of “momentous” decisions and short term explanations of reform. In contrast, there is an explicit attempt to explain changes in the public sector by long-term developments in the political economy. Specifically, I will show how different processes of change have taken place in the Mexican public sector as a gradual adaptation to the processes of economic liberalization and democratization, punctuated by specific reform efforts. The main hypothesis is that changes in the size and economic scope of the public sector are explained by changes in the government’s economic strategy, whereas the changes in structure and public management policy choices are better explained by the process of political democratization.

The overall objective of this research is to improve our understanding of the dynamics of institutional change in government structures, by emphasizing the distinction between deliberate reform and incremental change, and by linking both processes to broader developments in the political and economic spheres.

Keywords: new institutionalism, administrative reform, democratization, liberalization, institutional change, México.

1. Introduction

The transformations that have occurred in Mexico during the last two decades have significantly altered the political and economic conditions of the country. Mexico has moved from an economic model based on import substitution to an export oriented economy, and from an authoritarian system based on the dominance of one party to a multiparty competitive democracy. These transformations have triggered dramatic changes in other areas of the Mexican political economy, including the links between business and the state, the interaction between local, state and federal governments, patterns of political participation, and even international relations. In terms of public administration, these changes have had an enormous effect on the structure and operation of the public sector¹. Indeed, after more than two decades of transformations, the Mexican public sector is not only smaller, but also substantially different from that of 1982².

How can we account for these changes in the Mexican public administration? Scholarly work on comparative public administration tends to pay attention to focal events (mainly in the form of reform initiatives or authoritative decisions by central governments). Furthermore, as Pierson (2004) has explained in his critique of social science's bias towards short term explanations, analysts usually identify immediate causes of social events, rather than slow-moving and cumulative explanations for public policy outcomes. To counter both biases –towards 'momentous' decisions and short term explanations–, in this paper there is an explicit attempt to explain changes in the public sector by long-term developments in the political economy. Moreover, in accordance with recent works on institutional change (Thelen, 2004; Campbell, 2005), there is also an effort to understand change not only in terms of reform, but also in terms of evolution and adaptation. I will show how different processes of change have taken place in the Mexican public sector, with a gradual adaptation to these two big transformations, punctuated by specific reform effort that reinforce slow-moving trends.

In this paper, I will also argue against the common argument (especially among non-Mexican analysts) which ascribes many of the changes in the structure and functioning of the public sector to the North American Free Trade Agreement (NAFTA) and/or to the victory Vicente Fox

1 Understanding the extent to which the public sector has changed in the last two decades is relevant not only for the study of public administration, but also to the analysis of the political economy of Mexico. The public sector is significant to the political economy of any country both as a bureaucratic entity with interests and strategies, and as an economic agent with an impact (both positive and negative) on the national economy. Any attempt to understand events such as the debt and peso crises of 1982 and 1995 needs to take into account the role of the public sector as an economic entity. Similarly, the political changes that have occurred in the last twenty years cannot be explained without references to the public sector as a political actor (or, to be sure, a set of political actors within an institutional setting). Nevertheless, the public sector is not only a causal factor for developments in other arenas. It has also gone through a radical overhaul that calls for an explanation.

2 For the purposes of this paper, when referring to the Mexican public sector, I will deal exclusively with the Federal Public Administration. The state and municipal spheres have followed different, and increasingly autonomous, paths; see, for instance, Diaz Cayeros (1995); and Cabrero (2001).

in the presidential election of 2000, which ended seven decades of government by the same party. It is a widespread assumption to identify these two events (in 1994 and 2000, respectively) as causes, rather than the culmination of pre-existing trends (see, for instance, Meacham, 1999; Muller and Gutiérrez, 2005; Borins, 2002). Similarly, it is a common mistake to associate change in the public sector to “policy transfers” imposed from abroad, rather than to domestic pressures (Bissesar, 2002, Nickson, 2002; Nef 2003; McCourt and Minogue, 2001). By looking at the sequence in which changes in the Mexican public administration occurred, I will claim that most of them took place prior to those momentous events, and that they were a response to domestic pressures³.

However, a mere chronological account would be insufficient for explaining why and how the public sector has been transformed in the last two decades. Thus, this paper addresses the general question of why the Mexican public sector has experienced such a dramatic transformation in size, structures and policy management priorities. With that objective, in the first section there will be a panoramic outline of the sharp contrast between the structure of the federal public administration in 1982 and in 2006. This section will be followed by a brief review of theoretical works on institutional change and public management policy, which will provide the basis for the empirical analysis of two decades of change in the public sector. In order to explain why these changes have taken place, in the next sections, I will turn to the analysis of quantitative changes (indicators of public sector size), and qualitative transformations (in terms of structures, personnel and policy issues). My main hypothesis is that changes in the size and economic scope of the public sector are explained by the government’s economic strategy (during the 1980s, particularly after 1985), whereas the changes in structure and public management policy choices (Barzelay, 2001) are better explained by the process of political democratization. It is not my purpose to evaluate these changes and reforms in terms of what they have achieved⁴, or to detail the decision-making processes that lead to them⁵. The objective is to analyze the timing of these changes, and the factors that explain them. The overall objective of this research is to improve our understanding of the dynamics of institutional change in government structures, by emphasizing the distinction between deliberate reform and incremental change, and by linking both processes to broader developments in the political and economic spheres.

3 Another common mistake is to give credit for these changes to the New Public Management movement. For a critique of this position, see Cejudo (forthcoming).

4 The inherent difficulties in any kind of evaluation are discussed in Boyne (2003) and Boston (2001).

5 For an analysis of decision making processes of public management reform in Mexico see Cejudo (2003). Similarly, a case study of a failed attempt to reform the civil service can be found in Guerrero (2000).

2. A Striking Contrast

As a result of a long trend that may be traced to the end of the Mexican revolution (and that was reinforced under the administrations of Luis Echeverría [1970-76] and José López Portillo [1976-82]), the Mexican public sector in the early 1980s had significantly expanded its economic role and had centralized most of the governmental expenditure at the federal level. For instance, by the end of 1982 the total public sector expenditure accounted for 41% of GDP (Giugale *et al.*, 2000)⁶, and the government directly owned 1,115 public enterprises (including the recently nationalized banking system) (Rogosinzi, 1993). This year was also the zenith of a long process of centralization of resources: 90.7% of government expenditure was spent at the federal level, leaving less than ten percent for the state and municipal levels (Centro Nacional de Estudios Municipales, 1985). Finally, in a first indication of the unsustainability of the economic model (Grayson, 1994) and, above all, of the inadequate macroeconomic management (Lustig, 1988), the fiscal deficit for that year was 15.9% of GDP (Giugale *et al.*, 2000).

In clear contrast, the same indicators for 2006 show a significantly reduced federal public sector: government spending as percentage of GDP was 22.4% (one of the lowest among OECD member countries); the number of public enterprises was reduced to 173, and the proportion of government expenditure at the federal level was reduced in one third to 59.2 percent. Significantly, after being a source of economic pressures during the 1980s, public deficit for the last five years has been lower than 1 percent.

But there have also been notable qualitative changes in addition to these quantitative indicators. In response to a changing political environment, new priorities in public management have emerged. Whereas in the early 1980s the key issues in terms of public management policy choices were related to the functions of planning and control in the federal public administration, in the last years there has been a shift towards the policy areas of civil service and human resource management, and accountability and transparency. Similarly, the structure of the federal government has changed significantly: there are new ministries (for social policy and for environment policy), and old ones have been integrated to others (SPP to the Secretariat of Finance –*Hacienda*— and the General Comptrollership, after changes in 1994 and 2003, has become *Secretaría de la Función Pública*, with a much broader mandate that includes administrative development and human resource management). Finally, as it will be shown in the following sections, the impetus for concentration that dominated the public sector during the early 1980s has been eroded, and replaced by a new impulse towards decentralization.

6 This was, to be sure, an exceptional year, because the macroeconomic conditions were exceptional as well (Lustig, 1988). However, this year was the culmination of a trend, and the beginning of a policy reversal. Its exceptional character is what makes it more significant for the purposes of this paper.

Naturally, a description of contrasting data is not enough for explaining the process of dramatic transformation in the Mexican public sector. It is necessary to know what have been the causes behind those changes. Alternative explanations point to different directions: scholars with an interest on economic issues argue that changes in the public sector are better explained if we understand those changes as responses to the economic challenges of these two decades (Lustig, 1998; Pastor and Wise, 1999). Other scholars identify political explanations, such as institutional constraints (Pardo, 1992, 2003) or the interests of the political and bureaucratic elites (Heredia, 2002). However, as I will argue in the following sections, not all changes have responded to the same logic: changes on the size of the state and its economic role have been a reaction to economic pressures, and a policy-spillover of changes in economic policy; while changes in policy issues and administrative rules and routines are more a reaction to the process of democratization⁷.

3. Making Sense of Change

In his recent *Politics in Time*, Pierson (2004) argues that contemporary social scientists tend to focus on short time horizons when looking for effects and causes, despite the fact that many (if not most) social processes take a long time to unfold. He identifies three types of social processes that are “slow-moving”: cumulative effects (when change is continuous but gradual), threshold effects (when cumulative forces need to reach a critical level to unleash change), and causal chains (when instead of a direct relationship [xy], there is a sequence of causal relationships [abcde], which Pierson calls “multi-stage” causal processes). In all three cases, only with a long-term perspective will it be possible to understand the process of institutional change. Otherwise, a short-term focus will lead researchers to point out to the wrong causes, by choosing an explanatory variable just because it is close in time to the outcome under analysis.

From a different perspective, but with a shared interest in explaining institutional change, Kathleen Thelen, in various scholarly works (Thelen 2004; Thelen and Streeck, 2005), has repeatedly argued against explanations for institutional change that place too much attention to deliberate attempts for reform, over other processes of institutional change that do not require conscious efforts for change. From her point of view, most scholarly explanations of institutional change rely on accounts of “punctuated equilibrium” trajectories that start with a “critical juncture”.

7 There are other ways of looking at these processes of change. Standard political economy explanations of public sector change in Mexico tend to emphasize changes in the government elites, and argue that the increase in the relative power of “technocrats” vis-à-vis traditional politicians (Centeno, 1994; Thacker, 2000) and the arrival of a new political group after the 2000 election is what explains the decisions to reform the public sector (Heredia, 2002; Camp, 2002). This paper offers an alternative view, which does not necessarily rejects the importance of actors and their relative power, but that focuses on other units of analysis: the reform decisions and processes adaptation to changing environment.

From this perspective, institutions and policies enjoy long periods of stability, that are interrupted by exogenous shocks (whether by changes in the environment or by deliberate decision for reform) that lead to radical transformation⁸. However, she convincingly argues that institutions change not only through conscious reform efforts, but also through other processes, such as evolution or adaptation⁹. In other words, not all change is rapid and deliberate, and, conversely, lack of reform does not mean stability. The main lesson from this discussion is that, if scholars focus exclusively on deliberate reforms, they will be ignoring other sources of change, and, consequently, they will make causal arguments that will be biased towards explanations that look for momentous events and critical junctures, such as reforms or dramatic changes in the environment, rather than evolutionary processes that may be gradual.

Both scholarly biases –the excessive focus on the short term and the emphasis on deliberate reforms as sources of change– are endemic to the public administration literature. There is a tendency towards short term explanations that look for immediate causes (and, moreover, to causes that are easily identified) and a preference for explaining change as the result of deliberate reform decisions. These biases are, of course, not only a problem of methodological design (although this is, certainly, one of the reasons) but also a problem with the theories we use for explaining change. To put it simply: the academic community is better equipped for explaining stability and continuity than for explaining change (Peters and Pierre, 1998).

Indeed, scholarly work on comparative public administration tends to focus on the analysis of the immediate and direct causes and effects of deliberate reforms. A very different source of change –the adaptation to an evolving environment– is usually downplayed, among other reasons because it is more difficult to grasp analytically. Moreover, the causal mechanisms linking broader transformations in the political economy of one country to concrete changes in the structure and functioning of the public sector are not as evident as those that are the outcomes of government reforms. Still, recent scholarship on institutional explanations of public sector change has moved towards using *processes of change* instead of *reform* as unit of analysis. Specifically, as Barzelay and Gallego (2006) have explained, if the purpose is to explain change in the institutional rules and organizational routines of government-wide administrative practice (Barzelay's [2001] definition of public management policies), it is necessary to take into account three complementary explanations: "highly visible discrete public management policy choices; discrete choices that move public management policymaking from one partial equilibrium situation

8 For a similar account of change from a sociological perspective, see Clemens (1999).

9 This position is in clear conflict with what Cappocia and Kelemen (2006: 4) call a "dualist conception of political and institutional development, based on an alternation between moments of fluidity and rapid change and longer phases of relative stability and institutional reproduction [which] has a venerable pedigree in social sciences and political history".

to another; and, trajectories of low-visibility adaptations of public management policies” (Barzelay and Gallego, 2006: 542-3). Overall, this disciplinary turn in the study of public management involves a more sophisticated understanding of institutional change, which –as these authors emphasize– needs to be part of a dialogue with these broader debates in institutionalist theory.

Considering these contemporary discussions of institutional change, in the following pages there is an attempt to explain change in the Mexican public sector with a long term perspective and avoiding explanations that look for momentous events and, instead, identifies transformations that are gradual and slow-moving, but with dramatic effects.

4. Changes in the Public Sector in Response to the Economic Crisis

There are disagreements about to what extent the debt crisis in 1982 was a result of inherent flaws in the development model (Grayson, 1994), or of macroeconomic mismanagement (Lustig, 1998). What is clear is that the nationalization of the banking system, announced by the government in September 1982, became a final blow to the capacity of the Mexican state for dealing effectively with adverse economic conditions, not because of its financial costs, but because of the loss in business confidence. However, initial responses to the crisis were based on the assumption that the economic problems could be solved in the short run, with minor adjustments in the economic policy.

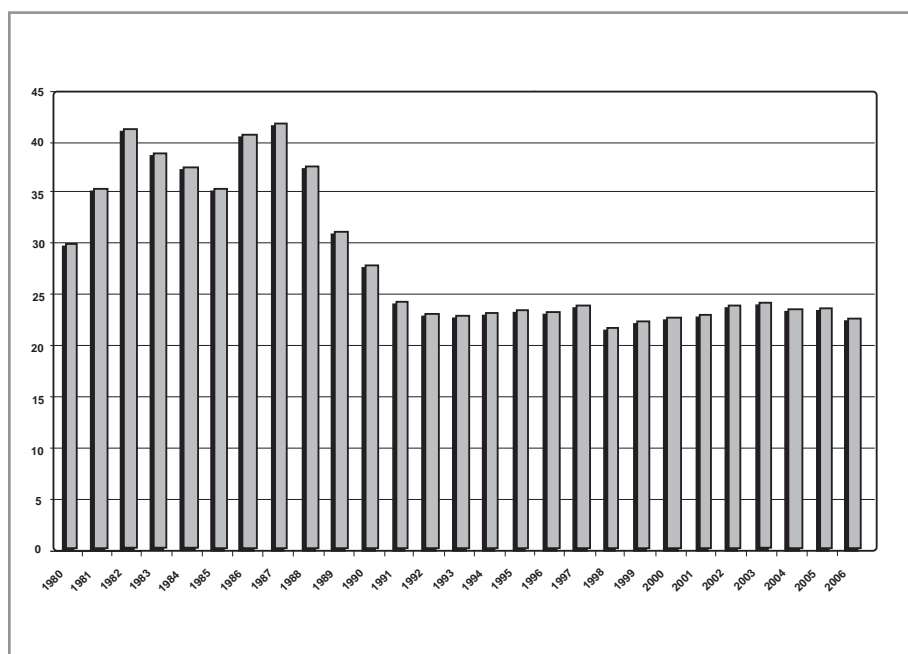
Still, as Lustig (1998: 111) suggests:

[...] the 1982 crisis brought to the forefront the discussion of the efficacy of the state in handling economic matters. The crisis and adjustment process provided an opportunity to streamline the bureaucracy, improve the public sector’s revenue-collection and expenditure mechanisms, and redefine the nature and extent of state participation in the economy. Fiscal policy, administrative reform, decentralization, divestiture of public enterprises, and the elimination or relaxation of ownership, price-setting, and trade restrictions (that is, deregulation) became the core ingredients of public sector reform.

Yet, it could be argued that it was only in 1985 that a policy reversal took place. After the failure of minor adjustments initiated in 1982, De la Madrid announced a comprehensive package of reforms that included privatization of some public enterprises, deregulation, and reduction on the size of the budget (Aguilar, 1994). It was not only a decrease in public investment (the traditional way of reducing the budget); in fact, most of the cuts affected current expenditure, and included layoffs of public officials. Even if these were rather small changes (compared to those achieved in the following decade) they were, indeed, a significant reversal to the trends in the previous decades, and they were the beginning of a dramatic transformation in the role of the public sector in the economy.

As shown in figure 1, the size of the public sector declined since 1982, but, in view of the fact that these initial measures were unsuccessful in overcoming the economic crisis, they required more drastic decisions from the government, particularly after 1988 (Cornelius, 1986). But the economic crisis is only part of the explanation. These changes in the public sector were not only the result of gradual adaptation of the bureaucracy to new environmental conditions, but also the consequence of discrete policy decisions in the economic policy arena, that –even if they were not deliberate *public management* policies– had a significant impact in the size of the public sector. These decisions were associated to the rise of a new political elite, mainly composed of economist, who had a different set of policy solutions that relied more on the power of the market than on state intervention (see Hernández, 1989; Centeno, 1994; Camp, 2002). By 1985, this team, headed by Carlos Salinas in the Secretariat of Programming and Budget, had already won several bureaucratic struggles with other ministries (mainly Hacienda), and had convinced the president of the “inevitability” of market-oriented reforms (see Torres, 1999).

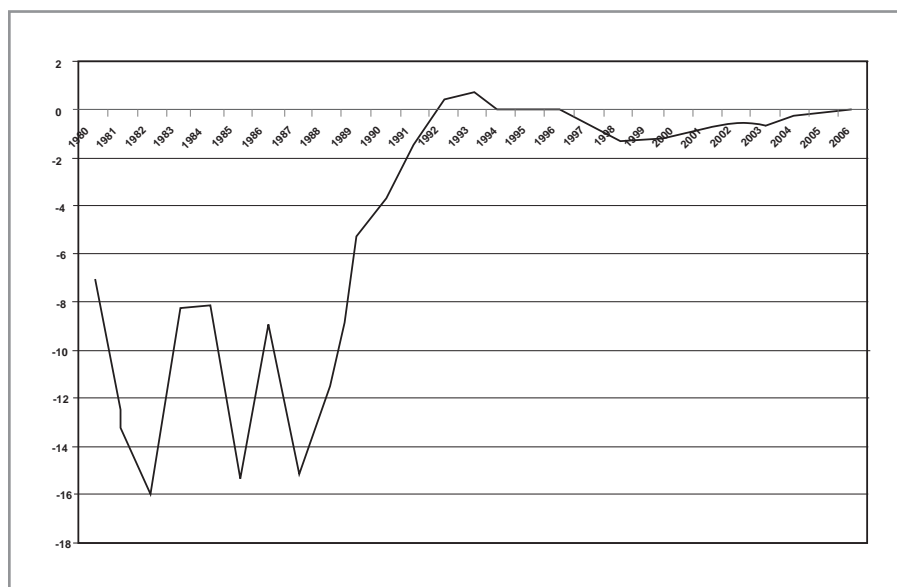
FIGURE 1: Total Public Sector Spending as percentage of GDP



Source: For 1980-1989: *Mexico. A Comprehensive Development Agenda for the New Era*. Edited by M. Giugale, O. Lafourcade, and V. Nguyen, World Bank, 2000. For 1990-2006: “Gasto público como porcentaje del PIB”, *Sexto Informe de Gobierno*. Presidency of Mexico, 2006. Information for 2006 is a preliminary figure.

As a direct result of this new set of priorities, in the second half of his administration, De la Madrid announced, under the label of *Redimensionamiento del Estado*, significant cuts in public employment, a reduction in the size of several government agencies, and the privatization of public enterprises. One of the results of this decision was the reduction in the public deficit, as shown in figure 2, and in the number of public enterprises, as shown in figure 3. At the end of the De la Madrid's term in office, he announced that the number of public employees had been reduced by one percent, and that 1,574 offices had been cancelled. This was the result not only of the initial measures of 1985, but also some further decisions taken as a response to the 1987 rising in inflation rates and problems in the stock exchange.

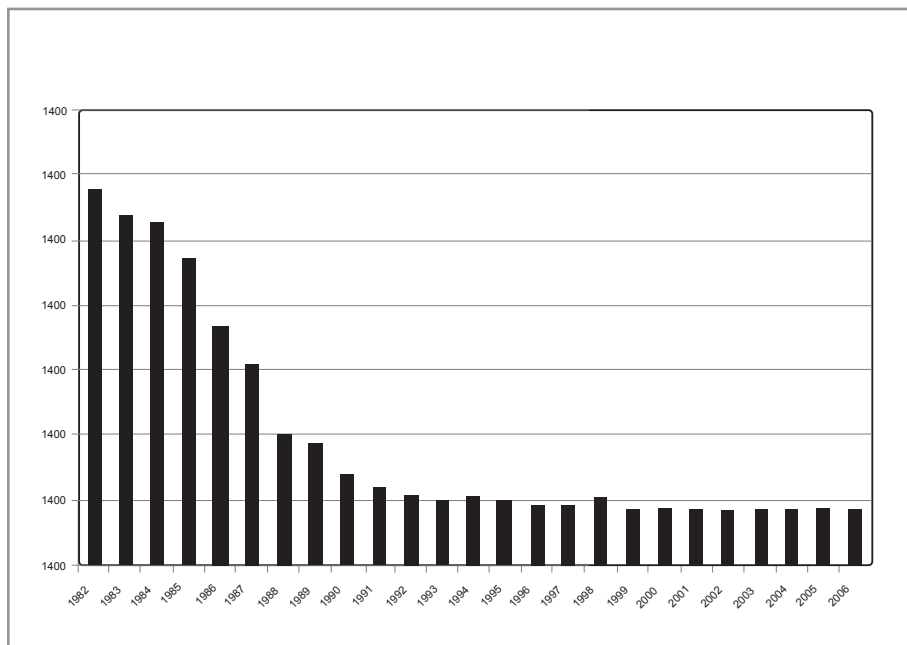
FIGURE 2: Overall deficit as percentage of GDP



Sources: For 1980-2000: *Mexico. A Comprehensive Development Agenda for the New Era* Edited by M. Giugale, O. Lafourcade, and V. Nguyen, World Bank, 2000. For 2001-2006: "Balance público y balance económico primario como porcentajes del PIB", *Sexto Informe de Gobierno*, Presidency of Mexico, 2006. Information for 2006 is a preliminary figure.

These measures were reinforced by the government's commitments as part of the Pact of Economic Solidarity signed with labor and business organizations aimed at controlling inflation: "In January 1988, as part of the so-called Pact of Economic Solidarity, the government signed an 'Austerity Deal' which included the reduction of current expenditure, and the lay-off of 13,000 non-unionised public servants, and the initiation of a early retirement programme for unionised workers" (Aguilar, 1994: 156-157).

FIGURE 3: Number of public enterprises



Sources: For years 1982-1989: J. Rogozinski and F. Casas Guzmán (1993), "El proceso de desincorporación en México", in *La administración pública contemporánea en México* Mexico City: SECOGEF-FCE. For 1990-2006: "Desincorporación y creación de entidades paraestatales", *Sexto Informe de Gobierno*. Presidency of Mexico, 2006.

Thus, we can argue that a combination of economic pressures that demanded solutions and the rise of a team of young technocrats willing to provide their own set of solutions is what explains these initial changes in the public sector. The following administration, under Carlos Salinas de Gortari, followed the same track, but with a more radical transformation in mind. Privatization efforts were not longer reduced to small and unimportant assets, but turned to telecommunications, banks, and other sectors previously defined as 'strategic' (Serrano and Boulmer-Thomas, 1996; Méndez, 1994)¹⁰. Similarly, the Salinas administration managed to achieve a balanced budget, through tax reforms and privatizations.

Hence, when Salinas decided to initiate negotiations for a Free-Trade Agreement with the United States, most of the changes in the size and economic profile of public sector had already

¹⁰ It must be mentioned that even those enterprises that remained in the public sector have undertaken significant administrative and financial restructuring (Lustig, 1998: 112).

taken place. The processes initiated during the 1980s achieved most of its results by the early 1990s. The economic constraints posed by the economic crisis, and the neo-liberal agenda pushed by the new technocratic elite had already transformed the public sector before NAFTA was negotiated. First, as a consequence of the privatization and downsizing processes initiated during the De la Madrid administration, the Mexican public sector was no longer a major participant in the economy (at least not as important as it used to be in the 1970s). And, second, as a result of a significant re-structuring of public finances, the public sector was no longer a source of instability in the economy. Figures 1, 2 and 3 show that, by 1991, most of the characteristics of today's public sector (in terms of size and economic importance) were already defined by previous changes. In any case, NAFTA reinforced certain patterns of coalitions between some members of the government's financial team and big businesses (Thacker, 2000), but, again, this was the consolidation of a trend initiated years before, rather than a new development. The significance of NAFTA lies, instead, in its function as a mechanism to lock in these market reforms and increase the costs of their reversal.

These initial transformations were not only aimed at reducing the size and scope of government. The decision to disappear the Secretariat of Programming and Budget and return many of its functions to *Hacienda*, and the constitutional reform to grant autonomy to the Central Bank were the confirmation that the most important changes to the public sector were already done, since planning stopped being a key governmental activity (because of the state's diminished role in the economy) (Torres, 1999) and the autonomy of the central bank was an attempt to make a credible commitment to the economic reforms enacted in those years (Ortiz, 1994). Furthermore, it was an indication that these reforms would not be subject to a reversal (at least in the short and medium terms). That is why major events such as the passing of NAFTA, the political turmoil of 1994 (from the Zapatista uprising to the assassinations of Luis Donaldo Colosio, PRI candidate to the Presidency, and José Francisco Ruiz Massieu, Secretary General of the same party), the peso crisis of 1995, the congressional elections of 1997, or Fox's victory in 2000 did not alter significantly the patterns already established by previous decisions on the size and economic profile of public sector.

Thus, from a theoretical perspective, we may argue that changes in the size and economic role of the public sector were the consequence of two distinct, although clearly intertwined, processes: deliberate reform decisions (mainly in economic policy) that had an spillover effect on public sector rules and routines, and the gradual adaptation to changes in the environment, specifically as a result of adverse economic conditions. Yet, as mentioned in the introduction to this paper, these changes are not the only ones that have occurred in the public sector in the last decades. Even if its relative size has remained with small changes since the early 1990s, the public sector has not been immune to the political events of the last years. The next section deals with this second source of transformations.

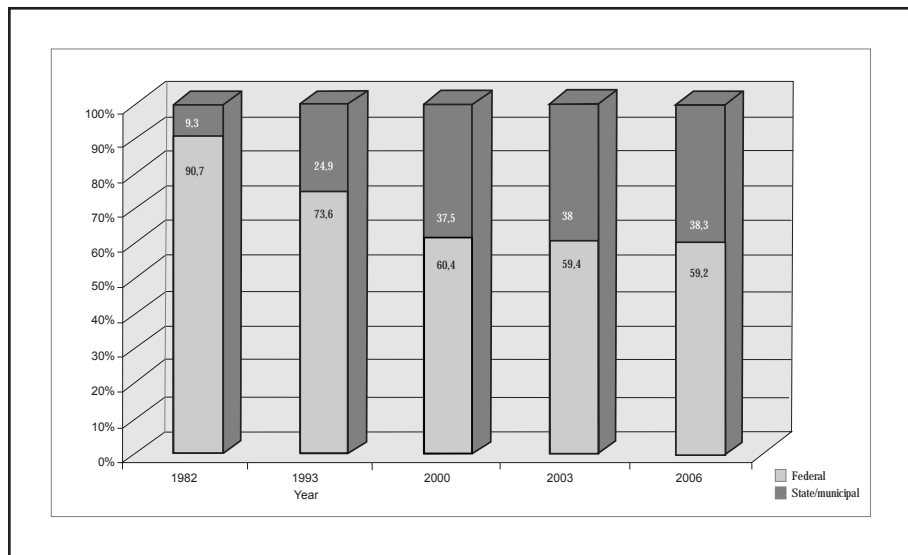
5. Changes in the Public Sector in Response to Democratization

Alongside the economic revolution underwent during the 1980s and 1990s, a second shift was taking place in the political arena. The hegemony of the ruling *Partido Revolucionario Institucional* was being challenged on several fronts (Loaeza, 1994; Dresser, 1998; Díaz Cayeros and Magaloni, 2001). Slowly but continuously, opposition parties gained ground at the local and state level, as well as in the Legislative branch (Lujambio, 1995). In the 1997 elections, the PRI lost the absolute majority in the Lower Chamber and the government of Mexico City, and in 2000 it lost the Presidency after 70 years in power. This process of democratization, fueled to a large extent by public discontent with economic policy and corruption allegations, took place within an evolving institutional framework regulating the electoral competition (Schedler, 2000; Merino, 2003), as defined by the electoral reforms of the early 1990s, and, particularly, of 1996.

The immediate result of this process was that the government's capacity to unilaterally dictate policy without opposition was being severely reduced. Not surprisingly, the public sector faced several transformations in response to these changing conditions. It also had to react to new public demands, and, consequently, new issues had to be addressed. Although the economy continued to be a prominent issue in the agenda (especially during the peso crisis), the public sector had to respond to the challenges of increasing pressure for decentralization, for transparency and for an improvement in public management. Even if Salinas managed to limit these demands during his administration, it proved to be more difficult for Ernesto Zedillo. Similarly, the Vicente Fox administration no longer had the unchallenged authority and discretion enjoyed by the old PRI governments, and had to give way to (and in some cases actively encourage) new public management policies that were initiated outside the Executive branch.

The arena in which democratization posed initial challenges to the structure and functioning of the federal public sector was in the allocation of resources across levels of government. As discussed above, 1982 marked an all-time high in federal expenditure as percent of total government expenditure. But this trend was reversed by the De la Madrid administration, which started an important, if limited, decentralization (originated with a constitutional reform in 1983 that granted greater autonomy to local governments). More importantly, after the first gubernatorial race won by an opposition party (Baja California by the National Action Party in 1988), there were increasing calls for a reallocation of fiscal resources (Díaz Cayeros, 1995). This has resulted in new rules for the distribution of government's money, which has reduced its concentration at the federal level (see figure 4).

FIGURE 4: Distribution of government expenditure across levels of government



Sources: For 1982: Centro Nacional de Estudios Municipales, *El desafío municipal* Mexico City: Secretaría de Gobernación, 1985. For other years: "Estructura del gasto primario", *Sexto Informe de Gobierno* Presidency of Mexico, 2006. Figures refer to percentage of public resources spent by the federal government or transferred to state and municipal governments.

In the same way, the government initiated a process of decentralization of different areas (education under Salinas, health and environmental management under Zedillo, and, in a more limited way, cultural and social policy under Fox). This process has led not only to more resources transferred to the states, but also to a reallocation of public personnel (mainly from the health and education sectors) that are now assigned to the state governments. Municipalities have also increased their resources and capacity (although the poorest of them have actually gained little). A new constitutional reform was enacted in 1999 giving them greater autonomy. Moreover, the fact that electoral competition is now the rule in most of the municipalities has posed new pressures on local governments, and created new calls for decentralization (Ibarra, Somoano and Ortega, 2006). Furthermore, the concentration of 1982 has given way to a more fragmented system, not only because of decentralization towards the state and local government, but also within the federal government (and, of course, by the increased power of the Congress and the Judiciary, as well as autonomous institutions such as the Central Bank, the Federal Electoral Institute, or the National Commission for Human Rights)¹¹.

11 This has occurred despite an initial, and failed, attempt by the Fox administration of creating coordinating agencies in the Office of the President. Most of them have already been dismantled.

A second way in which the process of democratization affected the public sector was in the introduction of new pressures for transparency and improvement in the delivery of public services. New issues (environmental policy, for example) gained increased recognition by the government, which created a new ministry (*Secretaría del Medio Ambiente, Recursos Naturales y Pesca*). More importantly, Salinas's pet social policy project, *PRONASOL*, led to the creation of what was then called a super-ministry, headed by his close ally Luis Donaldo Colosio: *Secretaría de Desarrollo Social*. The mandate of this new agency (as institutional embodiment of *PRONASOL*) was to address the growing problem of poverty and inequality¹². This program eventually evolved into a *PROGRESA* (under Zedillo) and *OPORTUNIDADES* (under Fox).

In response to these demands for improved government performance, the Zedillo administration launched an ambitious project of Public Administration Modernization (*Programa de Modernización de la Administración Pública*, [SECODAM, 1996]). Carried out by a restructured *Contraloría* (renamed *Secretaría de la Contraloría y Desarrollo Administrativo*), this program, despite its reduced profile, achieved some changes in terms of deregulation, reorganization of human resources management (Gow and Pardo, 1999; Pardo, 2003), and, more successfully, a reform in budgetary processes (which was still under way during the Fox administration) (Chávez Presa, 2000).

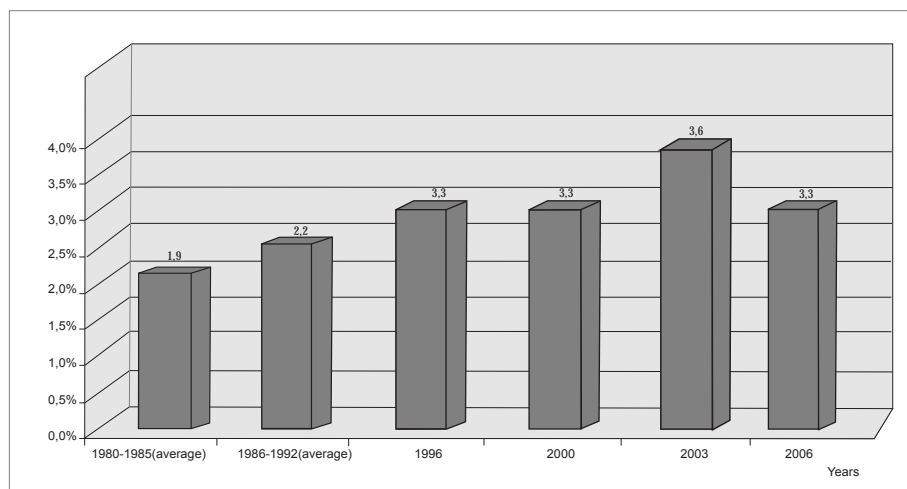
Facing increasing democratic challenges, the public sector adopted new policies to increase transparency and accountability (Arellano, 2000). The Mexican Congress created in 1999 a new Órgano Superior de Fiscalización (National Audit Office), to oversee the effective use of public resources. In the same way, *Contraloría* developed an innovative mechanism –Internet-based *Compranet*– for making government procurement less discretionary and opaque. After the 2000 election, Vicente Fox made corruption a major issue during the presidential campaign, and it was a prominent item in the government agenda during the first year of his administration, but it soon lost its high-profile status, without significant achievements. Yet, this is another area in which a significant transformation has taken place, but mainly *before* the 2000 elections. Figure 5 shows the evolution of perception of corruption according to the Transparency International index. As this figure suggest, the real change occurred before 2000. There have been some marginal adjustments during the Fox administration, but without any significant improvement¹³.

12 It was, as has been suggested by Denisse Dresser, a set of “neopopulist solutions to neoliberal problems” (Dresser, 1991), but it was also a political tool, to be used by the government to improve its performance in the new arena of electoral competition (Pastor and Wise, 1998).

13 It must be mentioned that other measures of corruption show slow, but constant, improvements during the Fox administration. See Secretaría de la Función Pública, “Datos básicos sobre México en índice nacionales e internacionales”, http://www.funcionpublica.gob.mx/indices/doctos/inf_basica_indices_web.doc, consulted on April 5, 2006. Personal communication from Javier González, Asistant Director General for Public Management at the Secretaría de la Función Pública.

Corruption in Mexico is still widespread, but apparently not as dramatic as it was before the 1990s. This figure shows that the change from the early 1980s to the late 1990s was more significant, showing that, in this area as well, despite the official rhetoric, the Fox administration's reforms of the public sector have just been a continuation of trend set out in motion in earlier years.

FIGURE 5: Transparency International Corruption Perception Index



Source: Transparency International

In this sense, it can be argued that the many changes carried out by the Fox administration are just the culmination of preexisting trends, rather than a complete overhaul of the administrative structures. Pressures for decentralization and increased accountability existed not because of a new government, but as a result of the growing electoral competition, and the reduction of the government's discretionary policy-making autonomy –two components of the democratization process that have been at work since the early 1990s. Both processes of change are explained better in terms of gradual adjustments than in terms of radical reforms, suggesting that, as the institutional perspective suggest, if we look exclusively for deliberate reforms as explanations for change we would be reducing our chances of finding the real causes.

But, at the same time that these slow-moving changes were taking place, there were also deliberate reform efforts (even if they were not originated in the federal executive but in Congress). In July 2002, Congress approved a Transparency and Freedom of Information Law (*Ley Federal de Transparencia y Acceso a la Información*). This law was the result of a campaign led by a coalition of print media and civil organizations (known as *Grupo Oaxaca*), which pushed for giving citizens access to government information. Despite initial resistance by the Fox administration, Congress approved this initiative, which has been a useful mechanism for deterring corruption

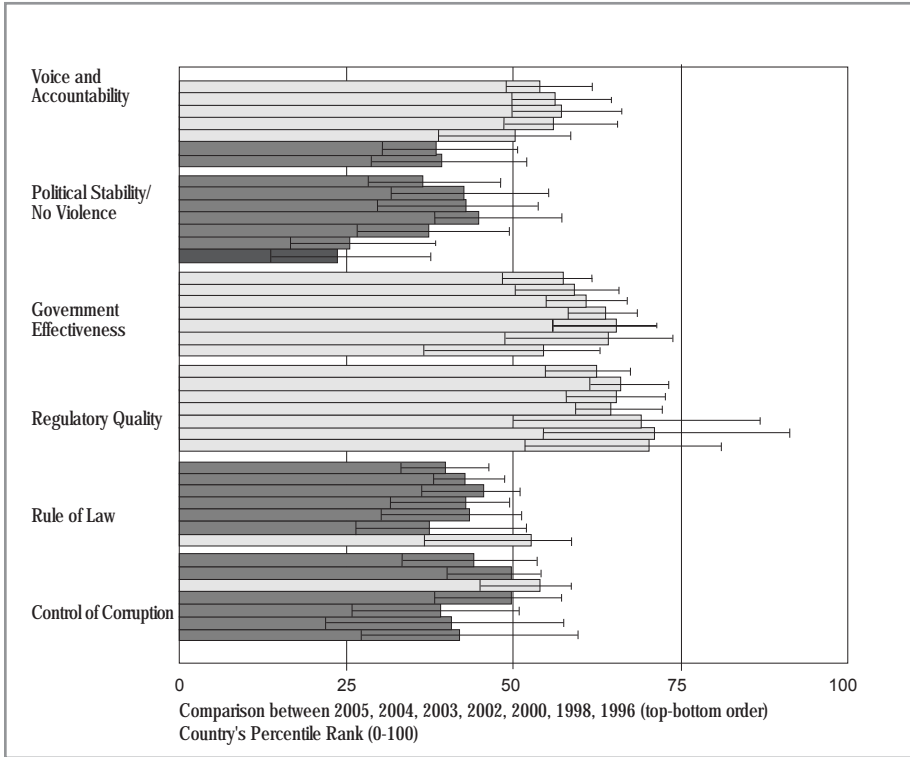
in the federal bureaucracy and giving citizens the right to obtain information about almost any government activity, and established an autonomous institution in charge of enforcing the law (the *Instituto Federal de Acceso a la Información*) (López Ayllon, 2004). The results have been positive. Members of Congress consider it the most important achievement of the 2000-2003 period, and, according to a survey carried out by *Reforma* newspaper, it is perceived as a significant improvement in the way the government works .

A second reform was the creation of a career civil service system in the federal public administration. Before 2003, most top- and mid-level public officials were appointed, promoted and dismissed by discretionary decision, with no legal protection from abuse and no recognition of their merits and performance. Again, this reform was the result of a congressional initiative (specifically, by two Senators, one from the PAN and one from the PRI); however, once it was identified as a reform likely to succeed, the Fox administration got involved in the design of the bill and lobbied for its approval (personal communication with officials at the Presidential Office, December 2004). The Civil Service Law (*Ley del Servicio Profesional de Carrera*), passed with no opposition in Congress in 2003 , charged the newly created Ministry for Public Administration with the responsibility for regulating and implementing the career system. Although the long-term impact of the law is yet to be seen, so far the basic design is already in place . Secondary regulation was issued in March 2004, and recruitment has started to take place through competitive examinations.

In both cases –access to information and civil service–, reforms have been facilitated by the democratization process of which Fox's electoral victory in 2000 was a high point rather than a start. These changes are, in some sense, a continuation of trends initiated by the democratization process during the 1990s (for instance, the initial decisions to increase accountability during the Zedillo administration [Cejudo, 2003], and the reorganization of human resources management in the mid-1990s [Ibarra, 2000]). In this sense, we can identify these reforms as deliberate decisions that, however, are clearly linked with long-term processes. In other words, both reforms were a direct consequence of the process of democratization taking place in Mexico, and its associated pressures for increased accountability and improved performance.

It is, of course, difficult to assess to what extent the transformation of the public sector analyzed in the previous pages has effectively resulted in improved governance in Mexico. Figure 6 shows the evolution of six indicators developed by Kaufmann, Kraay, and Mastruzzi (2006) that combine several indexes (from numerous different sources) in order to create a measure of quality of the public sector. Data from this source needs to be taken with a grain of salt, since these indicators measure Mexico's rank in global tables, rather than changes in the value of each indicator, and, furthermore, they are not automatically comparable across time. Still, it is clear that the changes in most of these variables occurred *before* 2000, and that, under the Fox administration, there have been oscillations, rather than dramatic improvements.

FIGURE 6: Governance indicators ¹⁴



Source: Kaufmann, Kraay and Mastruzzi (2006)

Summing up, just as NAFTA’s effect on the public sector was minimal compared to the changes triggered by the response to the economic crisis and the growing political power of the technocratic group, in the same way Fox’s victory’s impact on the public sector is dwarfed by the earlier effects of the democratization process –both in terms of decentralization pressures and demands for accountability. The public sector was already more decentralized, less discretionary and –seemingly–less corrupt in the late nineties than in the early eighties. After 2000, these trends have just been reinforced and consolidated.

14 This chart is explained by its authors in the following way: “The governance indicators presented here reflect the statistical aggregation of responses on the quality of governance given by a large number of enterprise, citizen and expert survey respondents in industrial and developing countries, as reported by a number of survey institutes, think tanks, non-governmental organizations, and international organizations [...] Higher values indicate better governance ratings. Percentile ranks have been adjusted to account for changes over time in the set of countries covered by the governance indicators. In the Bar Chart, the statistically likely range of the governance indicator is shown as a thin black line. For instance, a bar of length 75% with the thin black lines extending from 60% to 85% has the following interpretation: an estimated 75% of the countries rate worse and an estimated 25% of the countries rate better than the country of choice. However, at the 90% confidence level, only 60% of the countries rate worse, while only 15% of the countries rate better.”

6. Conclusion: Slow moving changes punctuated by reform efforts

The evolution of the public sector in Mexico has been shaped by the political and economic transitions of the last two decades. As it has been shown in this paper, the passing of NAFTA and the end of PRI's rule in 2000, were not defining moments in terms of their influence on the public sector, but rather culmination of earlier events. In this paper, I have identified two sources of change in the public sector: the economic liberalization undertaken by the Mexican government from 1985 on, and the process of democratic opening and gradual erosion of the authoritarian regime. These transformations had different effects on the public sector, whether by having an indirect effect on the evolution of public sector, or by inducing deliberate reforms in public management policies.

The move towards a new economic model imposed two constraints in the public sector. First, it was decided that the public sector should reduce its economic profile. Consequently, the government launched ambitious programs of privatization, deregulation and downsizing that would significantly reduce its size, in terms of its expenditure as percent of GDP, and of the number of public enterprises and public personnel. And second, the new economic strategy required that, in order to deal effectively with the crisis, the public sector should stop being a source of concern for investors. Thus, the economic crisis posed initial pressures on the public sector, which were reinforced by the decision to change economic model, which shaped a new economic role for the state and reduced its size.

In the same way, the gradual democratization that started at the local and state level led to new demands for decentralization of government functions and resources. More importantly, the process of democratization had a significant effect in the public sector, because of new pressures for accountability (in the form of transparency and corruption-control) and improved performance. The changes in the public sector structure in the early 1990s and the decisions to create a more professional, open and accountable public sector –through the creation of a civil service system and of a mechanism to guarantee access to government information– are a direct effect of the democratization in the political system.

The evidence presented in this paper challenges accounts that give credit for these transformations to momentous events, while ignoring gradual adjustments. It also challenges the widespread view according to which changes in the public sector of developing countries respond to external pressures, rather than domestic demands. The overall argument of this paper is that changes in the public sector are explained by a combination of slow-moving adaptations to a new environment and specific reform efforts. In other words, change in the Mexican administration is the result of slow-moving changes punctuated by deliberate reforms that, nonetheless, are also associated to the broader processes of economic and political transformations.

In this sense, the experience of change in the Mexican public sector sheds light on contemporary discussions of institutional change in two ways. First, it shows that, as recent scholarship suggests, change comes from different sources, not only from deliberate reforms. But, second and more importantly, it also shows that the same driver for change (in this case, economic liberalization or political democratization) can have an effect on the public sector through *both* mechanisms of change, by inducing direct reforms and by having an indirect effect on the structure and functioning of the public sector via gradual adaptations. Thus, this paper reinforces the argument that only through the analysis of both short-term reforms and long-term gradual adaptation processes can we achieve a fuller understanding of the dynamics of public management change.

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