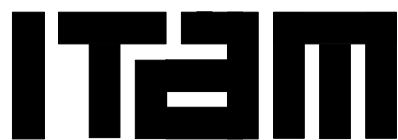

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*Legislative Parties and their Constituencies
in the Budget Battle of 1997*

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Abstract*

In this paper we seek to contribute to the debate over the extent and impact of issue voting, a dispute central to contemporary voting theory, by analyzing the political economy of the Mexican budget battle in 1997. To the extent that we can show, first, a division of opinion among voters on fiscal policy issues and, second, the impact of voters' preferences on the behavior of congressional parties, pessimism about nascent democratic practices and institutions in Mexico is misplaced. The results respond for the first time to the following empirical questions. Do Mexican citizens possess preferences over fiscal policies? Do partisan cleavages over fiscal policies exist? And are congressional parties constrained by the preferences of their supporters? We evaluate these issues through an examination of congressional bargaining over fiscal issues in 1997 and by recourse to mass and legislative opinion surveys on fiscal policy conducted in 1998.

Síntesis

Este trabajo tiene la finalidad de contribuir al debate sobre el impacto que tiene la definición de temas de política en el voto, a través del análisis de la batalla que se dio en México entre los distintos partidos para la aprobación del Presupuesto de 1997. En este contexto, probamos, primero, la existencia de una opinión dividida entre los votantes en cuanto a la política fiscal y, segundo, el impacto que las preferencias de los votantes sobre estos temas tienen en el comportamiento de los partidos en el congreso. Así, el análisis logra por primera vez dar respuesta a cuestiones tales como, si ¿poseen los mexicanos preferencias específicas sobre política fiscal?, ¿existen clivages partidistas con respecto de este tema?, ¿se encuentran los partidos realmente comprometidos con las preferencias de sus bases electorales? Nuestro estudio se basa en el examen de la negociación congresional de política fiscal en 1997, así como en el uso, por primera vez, de dos tipos de encuestas realizadas en 1998 sobre política fiscal, entre ciudadanos y miembros del poder legislativo.

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*“El PAN no será rehén de ningún partido en esta Cámara
y mucho menos del gobierno.”*

Carlos Medina, PAN legislative leader

*“(No) quieren ser rehenes ni siquiera de
sus electores.”*

Porfirio Muñoz Ledo, PRD legislative leader

The midterm elections of 1997 produced non-unified government for the first time in seventy years, dramatically altering the political dynamics of economic policy making in the Mexican government. Since the presidential party no longer enjoys a solid majority in the Chamber of Deputies, the policy agenda of the executive branch, including the federal budget, must now be negotiated with the opposition parties in Congress. As the legislative opposition becomes a central veto player, many observers, particularly those close to the technocracy and the business community, bemoan the increasing partisanship affecting the passage of economic initiatives, while arguing that economic policy arenas are too technically complicated to be driven by political markets. Others praise the increasing relevance of congressional parties in the policy-making process in the belief that economic policy should be subject to stricter democratic controls. Thus Mexico enters into the debate over the extent and impact of issue voting, a dispute central to contemporary voting theory.

The argument that economic policy is best left to technical experts is based on two notions about democratic politics. (1) Voters do not care about specific policy choices but only about general policy results. What they really want is "good economic performance" (e.g., low unemployment, low inflation and high income growth) regardless of the means used to achieve it. (2) Since voters lack preferences on most public policy issues, so the argument goes, democratic political markets are easily distorted given that naive and uninformed voters can

be exploited by opportunistic politicians.¹ Hence, according to this view, it is prudent to delegate economic policy-making to the experts.

Conversely, the belief that political markets should determine economic choices is based on a different pair of notions about the democratic process: (1) Although good economic performance makes everyone better off, the particular policies chosen have important distributive consequences over which voters have clear preferences. (2) Democratic political markets can be efficient as long as voters possess preferences over policy issues and sufficient information to hold politicians accountable for their behavior.² Hence, in this view, economic policy choices can and should be made by voters and political parties through competitive elections.

In this paper we seek to contribute to this debate by analyzing the political economy of the Mexican budget battle in 1997. To the extent that we can show, first, a division of opinion among voters on fiscal policy issues and, second, the impact of voters' preferences on the behavior of congressional parties, we believe that pessimism about nascent democratic practices and institutions in Mexico is misplaced. As Hansen (1998: 513) remarks, "...of the many ideas that animate democracy, in both theory and practice, one of the most audacious demands that the preferences of ordinary citizens count for something in the creation of public policy." Thus, we focus on the following empirical questions. Do Mexican citizens possess preferences over fiscal policies? Do partisan cleavages over fiscal policies exist? And are congressional parties constrained by the preferences of their supporters? We evaluate these issues through an examination of

¹ There is ample evidence in the political science literature to corroborate the pessimism about democratic political markets (Campbell *et al.*, 1960; Converse, 1964; McClosky, 1964; Stokes, 1963).

² There is also ample evidence in political science to corroborate the optimism about democratic political markets (Downs, 1956; V.O Key, 1966; Fiorina, 1981; Aldrich and McKelvey, 1977; Aldrich *et al.*, 1981; Wittman 1995; Alvarez, 1997).

congressional bargaining over fiscal issues in 1997 and by recourse to mass and elite opinion surveys on fiscal policy conducted in 1998.

The Budget Story

The process of negotiation of annual budget and revenues bills begins with the definition by the government of its macroeconomic targets for the following year. In 1997, these targets were specified in May, well before election day, when the government announced its development plan, Pronafide. These same targets were restated and justified by SHCP in the annual report to Congress known as the *Criterios Generales de Política Económica*, issued in mid-October. The inflation target was set at 12 percent, the fiscal deficit target at 1.25 percent of GDP, a nominal salary hike target at 14 percent, neither new taxes nor new tax rates were announced, and spending priorities were detailed at length, including increased social expenditures. On tax reduction, an issue converted by the opposition parties into a major plan in their campaign platforms in 1997, Hacienda argued that, at 12.5 percent of GDP, income- and consumption-based tax revenues in Mexico were already well below the OECD average share and even below those of South and Central American countries.

The historical pattern since the late 1980s is for Hacienda to define its deficit estimate and then scrupulously adjust revenues and allocations over the coming year to comply with that target (save for off-budget programming such as development bank funding). The largest deficit estimate proposed by the government since 1987 was justified as necessary in order to finance the reform of the National Social Security Institute and to provide seed money for the new private pension fund scheme. In the wake of the 1995 crisis, in any case, the

Zedillo administration has gradually fallen into creeping deficit-financing, overturning eight years of consecutive fiscal surpluses.

The opposition announced its own initial bargaining positions in separate manifestoes published in early November. On November 4, the PRD released its talking points on fiscal issues. On the revenues side, it repeated its proposal for a VAT reduction from 15 to 10 percent, called for exemptions from VAT for virtually all public utility consumption, the elimination of the assets tax for business, this last tax cut to be compensated by a more progressive income tax scheme and new capital gains taxes on financial investments. On the expenditures side, the wish list included increases in social spending across the board, highlighting higher education, small debtor relief, Indian community development, rural development, housing for the poor and anti-poverty programs. The PRD also backed increased revenue-sharing, including federal relief for the accumulated public debt of the Federal District (a demand that Cuauhtémoc Cárdenas has been making since his election victory), and a 5 percent real wage increase (some three points above the government's nominal target of 14 percent) for federal bureaucrats, to be extended to the minimum salary. Overall, then, the PRD defended a reduction in tax revenues and an expansion of public expenditures, amounting to a fiscal deficit estimated to be no lower than 3 percent of GDP.

For its part, the PAN released its own manifesto on November 11 (the same date that the administration's bills were sent to Congress), calling for a balanced budget at lower levels of both revenues and expenditures. On taxes, it moderated its campaign position on the VAT, calling for a rate reduction from 15 to 12 percent, endorsed exemptions from the VAT for consumption of selected public utilities, and also endorsed the repeal of the business assets tax. On spending, it insisted on a shift of allocations that would strengthen revenue-

sharing from 20 to 23 percent of the federal budget and proposed deep cutbacks in current spending throughout the federal bureaucracy as well as the desincorporation of Pipsa, the state-owned paper and newsprint import company, and of *El Nacional*, the state-owned newspaper once the propaganda organ of the PRI.

The ideal points in fiscal policy space for these three players are mapped in Figure 1, as well as the shift in their preferences over time. These are the actors' *revealed* preferences. As Figure 1 indicates, the government occupied the center position on ideal fiscal packages and could afford to wait out the opposition in the bargaining process. The government dug in its heels on its deficit and revenues targets, while open to suggestions on the mix of budgetary allocations and spending priorities, which Hacienda negotiated in constant one-on-one talks with all four legislative parties of the opposition. This reflected perfectly its voting power in Congress, weak and in need of an ally or two in the eventual passage of the budget bill in the lower chamber, while confident of its blocking capacity on revenues-related bills in the Senate.

[Figure 1 about here]

The PAN held a difficult bargaining position, fully encapsulated within the government's ideal policy space. In order to bolster its bargaining power, it flirted to the end with tactical maneuvers in favor of consensus-building and opposition bloc unity on the entire fiscal package, while signaling its willingness to cut a deal with the government. A good example is its participation in the bloc's joint announcement on November 20 of an agreement to meld PRD and PAN proposals into a common program. In separate statements that same weekend, the PAN voiced its doubts about including salary hikes within the budget bill, to which it

had just signed on, and loosened its position on a balanced budget, accepting a deficit target of 1 percent of GDP.

The PRD was in the most difficult position of all. Any possibility of maximizing policy gains depended on adopting either the PAN's or the government's ideal deficit point, with the government's target closer to the PRD's. Side bargaining by *perredistas* with Hacienda was rumored to be as extensive as the more public efforts of Muñoz Ledo to forge opposition bloc unity on the budget. That any rapprochement with the government was rejected by top PRD leadership became crystal clear on November 21, when party president Andrés López Obrador sought to deter any government cooptation of his party's legislators by denouncing even private discussions with Hacienda as "treason against the Mexican people." Thus, the PRD put all its eggs into the opposition bloc basket, at the cost of any possibility of maximizing policy gains and at the same time as the PAN was waffling on the bloc's latest accord. In very early December the PRD signed on to the PAN's VAT bill and, in some desperation, Muñoz Ledo offered to endorse the PAN's entire fiscal package, so long as the bloc remained united.

The motive for this desperate move became clear on December 3 when the Commission on Hacienda announced an agreement between the PAN and the PRI to separate the VAT reduction proposal from the initiative on the Fiscal Miscellany, the annual omnibus bill for tax adjustments. This meant certain death for the VAT reduction and effectively neutralized the bargaining power of the opposition bloc, since the fate of the fiscal package would no longer depend on forcing the Senate's hand on the VAT within the Miscellany. The deal between the PAN and the government was all but closed.³

³One day later, the opposition bloc rose from the ashes. In the floor vote on the Fiscal Miscellany, the government's bill with minor adjustments was rejected by a united opposition.

By December 12 the chamber unanimously approved the Miscellany as well as the Fiscal Coordination bill governing revenue-sharing (debt relief for the D.F. was not included, but the PRD joined the consensus anyway). On the same day, the PAN and the PRI combined to pass the revenues bill, with the PAN touting its vote as that of a “responsible opposition” and the PRD denouncing it as a “betrayal”. The denouement came on December 15, the constitutional deadline for passage of the budget bill, when PAN and PRI leaders agreed to suspend the rules and rush the budget bill to a floor vote. Its passage was instantly denounced by Muñoz Ledo as the displacement of a “democratic majority” by an ominous “conservative” one.⁴

What explains the PAN/PRI alliance? Different interpretations have been offered. The most common is that the affinities between the technocrats in power and their center-right opposition have buttressed an on-again, off-again strategic

There seem to be only two plausible explanations of the PAN's defection back to the opposition bloc.

The first has been advanced by panistas, who hold that the accident of the roll call, with PRD deputies voting first in rejecting the bill (when they were expected to abstain as they had in the Commission on Hacienda), created a snowball effect among the PAN's legislators, voting next in order, who were herded into rebellion against their leadership. Presumably, their sensitivity to a later charge of collaboration with the regime motivated the rebellion.

The second explanation, advanced publicly by no one, is that the rebellion was orchestrated or, at the very least, tacitly endorsed by the PAN's legislative leadership. The fact that leader Carlos Medina voted with his party, while the legislative agents of party president Felipe Calderón (Deputies Paoli, Alcántara and Sada Zambrano) either abstained or fled the chamber, is the only datum to support the hypothesis. The motive here could only be that one final feint toward the opposition bloc, sending the Miscellany back to commission, would strengthen the PAN's hand in the home stretch of budget negotiations with Hacienda.

⁴ In the event, the PAN won big in its central budgetary demands, wresting commitments from the government to expand revenue-sharing in 1998 and 1999 to unprecedented levels. Approximately 1 percent of GDP was rerouted from the central bureaucracy to revenue-sharing allocations. It also won concessions to its secondary demand for disincorporation of Pipsa and *El Nacional*. As for the issues defeated in this budget battle, no party could later claim any particular foresight. Plunging oil revenues and the contagion effect starting with Thailand's financial crack pushed the administration to three budgetary cutbacks in 1998, mostly from allocations for public investment in the energy sector. While there was clearly room for greater streamlining in December's budget, as the PAN claimed, the unforeseen contraction in government revenues would have made large tax reductions for the year an unmitigated disaster for public finance. On the sticking issue of real wage hikes, by January Cárdenas announced an 18 percent increase in the D.F. bureaucracy's wages, some four points above the government target for 1998. Within two weeks Hacienda had agreed to a 19 percent raise in wages and benefits for federal employees, signalling laxitude on wage bargaining throughout the economy.

alliance between these forces since the fall of 1988. Another widely-held view is that *panista* rank-and-file cannot fathom any substantive alliance between their party and its enemies on the left. Less common is the opinion that PAN leadership chose a strategy of minimax regret in order to avoid any chance of constitutional breakdown over a budgetary impasse⁵, hoping to defray the political costs of the alliance by arguing the merits of being a responsible opposition. Almost unvoiced goes the simplest explanation, which is that the PAN sought to maximize policy gains in its multi-tracked negotiations over the fiscal package. That is the interpretation defended here, with the proviso that the PAN, like other parties, works within the constraints represented by its constituencies. The electoral connection is not unheard of in Mexico, but it is rarely analyzed with respect to the policy preferences of voters.

In this paper's epigraph, the exchange between Medina and Muñoz Ledo on December 15, 1997, focuses on the metaphor of hostages to characterize the PAN's decision to join a fiscal alliance with the government party. As this section has argued, Medina's claim to independence was rhetorical, since there was no escaping the government's hold on the center in the fiscal debate. It is the aim of the next section to prove, by recourse to survey data, that Muñoz Ledo's claim was equally wrong.

Legislative parties and their constituencies

1. Parties in the Electorate

⁵ The Mexican Chamber of Deputies enjoys exclusive jurisdiction over passage of budget bills, but must meet a constitutionally mandated deadline for such action every year. The peculiar complex of rules governing budget bills creates the possibility, according to conventional judicial wisdom in Mexico, of a constitutional crisis in the event the lower chamber fail to comply. This high-stakes game of chicken is dissected in Weldon (1998).

Recent research on Mexican elections has found strong evidence that the electorate is retrospectively performance-driven (Buendía, 1996; Magaloni, 1997a) and prospectively candidate-driven (Poiré, 1997), dissuaded by high levels of uncertainty (Magaloni, 1994; Buendía, 1998; Cinta, 1997) and spurred by high levels of political and campaign information (Moreno, 1997a). The embryonic partisan cleavages found by Domínguez and McCann (1995) have grown into divisions of opinion structured by ideology (Moreno, 1996 and 1997b), partisanship (Poiré, 1997; Mercado, 1997) and issue politics (Magaloni, 1997b). To what extent such cleavages are represented by the legislative parties they give rise to, is the question to be answered in the rest of this paper.

Without the aid of the Research Department of the newspaper *Reforma*, this question could not have been broached. In 1998 surveys on the fiscal issues raised during 1997 were designed and applied in an experimental national telephone poll (N=536) conducted in February, a residence-based national survey (N=1200) in May and a congressional survey (N=102) from June to August. Polarized questions about fiscal preferences were based on positions taken in 1997 by government and opposition parties. Of course, the three surveys were conducted after all congressional action on fiscal policy was taken. In order to make fiscal issues (particularly those touching on the deficit, taxes and expenditures) more relevant to 1998, several questions were framed in the context of the severe shortfall in oil revenues that motivated three budgetary cutbacks during 1998. These questions posed dichotomous choices between reduced government spending and no further cutbacks; between tax hikes and no new taxes; and between tax reduction and no change in current tax levels. Additionally an equity or distributive issue, unaffected by the balance of public finances, was tapped by three questions on a graduated versus flat VAT, more

progressive income taxation versus the status quo, and general versus targeted federal subsidies.

Our expectations were that policy convergence between supporters of the government party and the PAN, particularly on tax-and-spend questions, would undergird the legislative coalition of December, while a greater polarization between them and PRD supporters would leave the leftist party the odd man out. These expectations were only partially fulfilled by the results.

Table 1 shows how PRI, PAN and PRD supporters were distributed on these issues. The first three questions deal with attitudes towards tax-and-spend policies. In this area, the differences between the three groups of voters are marginal. Regardless of their partisan preference, most voters favor the alternative of lower spending and lower taxes over increased spending and current tax rates. The overwhelming majority agree that in light of the drop in oil revenues, the government should cut spending, even at the expense of social programs, instead of recurring to deficit financing and should not increase taxes to fund existing social programs. Thus, Mexicans tend to oppose tax-and-spend policies *regardless* of party. The last three questions deal with attitudes toward wealth redistribution, as measured by preferences over progressive taxation and targeted versus universal social subsidies. A solid majority of voters favor greater progressivity in taxation. That is, most agree that the VAT, rather than being lowered to a uniform rate, should be reduced for basic foodstuffs and increased for luxury goods. Most also agree that the progressivity of the income tax should be spiked. Even so, partisan differences are more apparent over equity issues, with PRD supporters generally favoring more progressive taxation than PAN or PRI supporters.

[Table 1 about here]

A peculiar finding is that the majority of voters, regardless of party preference, favor universal subsidies vis-a-vis targeted ones and that left-wing opposition voters are most strongly opposed to focalization. Targeting, a cost-conscious and thus politically feasible strategy for combating poverty, is not favored by individuals and parties on the left, although they regard the poor as their natural political clientele.⁶ Possibly, the dichotomous choice on this issue is perceived by citizens as one between entitlement programs and efficiency, with the majority defending the former.

Thus, the national sample is tilted toward the center-right on tax-and-spend policies and toward the left on redistributive issues. As reflected by item differences among party supporters, partisan fiscal cleavages would appear to be weak. However, differences among party backers are revealed when the entire policy space is examined rather than by individual issues. For instance, a PAN supporter looks very much like a PRD supporter on the issue of the VAT but is very different on all questions related to social equity. If this were shown to be significant, we could conclude that PAN supporters tend to cluster together on certain issues, that they possess a similar frame of reference or ideology underlying their fiscal stances (Hinich and Munger, 1997). Factor analysis is a statistical method that can reveal whether there are indeed two dimensions in the data, as we have assumed, and if partisan cleavages exist along these dimensions.

The analysis revealed two dimensions, as expected, one covering preferences toward fiscal redistribution through progressive taxation, the other

⁶ The government touted the virtues of targeted subsidies for the poor through its new anti-poverty program, Progresa, to which the opposition only objected its potential electoral manipulation by the PRI. In contrast with this program, both the PRD and the PAN proposed non-progressive policies -- generalized subsidies across the range of social policy, in the case of the left, and population-based revenue-sharing, in the case of the right. Subsidy issues promoted by the opposition clearly matched the preferences of their electoral coalitions.

including attitudes toward tax-and-spend policies (the results of the analysis are reported in the appendix, Table A-1). The factors, however, do not cleanly separate the issues into the two categories originally conceived. The question on general versus targeted subsidies, intended as a question about social equity, is subsumed within the other dimension. Nonetheless, we interpret the first factor as a fairly straightforward measurement of egalitarian attitudes toward fiscal issues, tapped by preferences over tax progressivity. The second factor entails attitudes concerning big versus small government, measured through preferences over tax and spending levels, including subsidies.

To determine whether partisan cleavages exist on these dimensions, Figure 2 maps the mean positions of party supporters. Also reported in the figure are mean regional positions. (Comparison of means tests is reported in the appendix, Table A-2.) Several features are important. First, the left-to-right spectrum on fiscal issues is the same as that discussed by Magaloni (1997) for other economic issues, with the PRD always to the left and the PAN always to the right of the PRI. These placements differ from the party positioning discussed by Moreno (1997 and 1998), in which the PAN is a more centrist party on all dimensions as reported. The dimension of economic ideology, for Moreno, is shaped by attitudes toward equality and collective responsibility. The contrast with the spectrum reported here is possibly a result of the difference between *specific* policy issues and broader economic ones. On fiscal issues, PAN supporters are to the right of other partisan coalitions, just as their legislative party was positioned to the right of its congressional rivals. The PAN in Congress never held the center except on the losing issue of the rate reduction of the VAT.

[Figure 2 about here]

An important argument that can only be sketched out in this paper is that, after the divided-government outcome from the last midterm elections, one should expect policy debates and issue politics to begin to displace the overarching symbolic issues about regime change and the democracy question which unquestionably dominated public discourse through the 1996 electoral reform episode. Although many disputes simmer over the political rules of the game, from run-off presidential elections and local election rules to political decentralization and checks on executive power, all seem more mooted and less intense. With electoral democracy attained, partisan agendas shift increasingly to economic and cultural issues, as has been clear to observers of local and national campaigns since last year. Indeed, Moreno (1998) finds new salience throughout Latin America for a dimension of cultural issues (God, abortion and national pride) that were secondary items within the political dimension at the beginning of the 1990s. This shift in issue salience is, we argue, even more pronounced when the level of analysis descends to concrete policy debates.

A second point from Figure 2 is that partisan cleavages exist on the two fiscal dimensions. The comparisons of means tests for each point mapped are reported in the appendix, Table A-2. It is possible to differentiate the average PRD voter from the average PAN and PRI elector on *both* dimensions. However, no significant differences emerge between average PAN and PRI supporters on either of these dimensions. Moreover, the factor loadings on redistribution mark a fair degree of polarization. This is surprising since this second dimension was not really activated during the election campaign nor during the fall debate on government revenues and expenditures. While the PRD floated proposals on increasing the progressivity of the income tax and returning the VAT to a graduated scheme abandoned in 1988, it was already on record as favoring a flat reduction of the VAT, a position it honored in commission and floor votes in

Congress. The elements of fiscal policy most germane to congressional debate turned on the size of the fiscal deficit, the reduction of the VAT, cutbacks in current spending, increases in social expenditures, and allocations for revenue-sharing. Debate, in other words, centered mostly on questions about the size of the central government. Matters of redistribution were even more marginal than those concerning congressional oversight (the “secret” fund for the Presidency, the consolidated salaries of top bureaucrats, and degrees of discretionality for the executive branch in the observation of spending limits).

Third, regional cleavages dovetail partisan ones. There are only marginal regional differences on issues concerning small versus big government, although the Center-west region known as El Bajío is clearly to the right of the rest of the country on this dimension. However, as with partisan cleavages, there are very strong regional differences on the redistribution dimension. The greatest degree of polarization on this dimension is found between the Center and the North, with the other two regions more centrist. This seems congruent with the known pattern of historical favoritism toward the Center versus relative deprivation long protested by the North, most recently by Ernesto Ruffo while governor of Baja California (Díaz Cayeros, 1997). The regional optic would appear to reflect attitudes toward central government control over resource distribution rather than toward social equity *per se*. A complementary interpretation is that the booming export-oriented economies of the North and Center-west prefer less government effort at fiscal redistribution, while the lagging or backward economies of the Center and South expect compensatory attention from government. Further, the observed regional cleavages over fiscal issues are congruent with developing regional voting patterns in Mexico. The left opposition is strongest in the poorer southern and central regions, while the right opposition is strongest in the richer northern and central-west regions.

Let us summarize our findings thus far. First, partisan cleavages are revealed on two fiscal dimensions, mild on the tax-and-spend dimension but particularly strong on the redistribution dimension. Second, issue-based cleavages exist between PRD supporters and the rest of the electorate, meaning that we can distinguish a group of left-wing voters who differ in their preferences over fiscal issues from PAN and PRI voters. That PAN and PRI supporters hold similar fiscal preferences helps explain why the government could more easily forge a congressional coalition with the right-wing opposition on budget and revenues bills. To further test these findings, we performed a multinomial logit analysis of partisan preference employing the factor scores obtained from the analysis. The hypothesis is that PAN and PRI voters can be distinguished from PRD voters, particularly on the basis of preferences over the redistribution dimension of fiscal policy. Also included are sociodemographic variables (gender, age and education) and retrospective judgments (pocketbook evaluations and presidential approval) in order to control for other criteria affecting the voting decision. Results are reported in Table 2.

[Table 2 about here]

As expected, opposition to fiscal redistribution strongly favors both the PRI and the PAN over the PRD. High levels of presidential approval also favor these parties over the PRD, while a negative pocketbook vote plays to the PRD's advantage against the ruling party. Apart from these factors, attitudes regarding tax-and-spend policies do not affect voters' partisan choices and socio-economic traits play no significant role in voting preferences. Even so, the size of government dimension shows the correct sign (a positive sign indicates opposition to tax-and-spend policies).

2. Parties in Congress

The congressional survey included questions on fiscal issues similar though not identical to the ones used in the national survey. Four out of the five questions reported in Table 3 can be directly compared to mass-level data. That is, questions one to four were applied both to masses and elites, while the last question was only applied to deputies. (The second and third questions reported in Table 1, framed in terms of the drop in oil prices, were applied only to the mass public.) Although the two sets of questions are not identical, we are still able to contrast masses and elites with the available data.

In Table 3 we show the distribution of deputies' preferences over fiscal issues by party. The immediate difference with mass-level responses is that issue-by-issue partisan cleavages appear much stronger at the elite level. Most PAN deputies hold conservative views on fiscal issues: the majority favor tax and spending cuts over increasing spending and current tax rates, uniform rate reduction of the VAT over a graduated or progressive scheme, and targeted over broad subsidies in social policy. PRD deputies, for their part, are very leftist in their fiscal views opposing tax and spending cuts and strongly favoring progressive taxation. PRI deputies appear to hold more centrist fiscal preferences. They look like their PRD counterparts with respect to current spending levels and tax rates, but they differ on the merits of greater progressivity in income taxes. Moreover, although there is broad consensus among the three groups on targeting subsidies to the poor, PRD legislators stand slightly to the left of the others. Regarding the last question in the elite survey, PRD deputies are positioned, once again, to the left of other legislative parties, with about a fifth of the sample in

favor of tax increases for the purpose of reducing inequality, while only a tenth of *panistas* and *priístas* agree.

[Table 3 about here]

The largest item differences between the legislative parties of the PRD and the PAN are found on progressive taxation. The preference among PRD deputies for deficit-spending matches their earlier voting pattern, having favored tax reductions and larger expenditures on social policy. The preference among PAN deputies for lower levels of a balanced budget is stronger than their voting record suggests, having sided with the government on a moderate deficit without significant tax reductions.

As with the mass-level data, we employ factor analysis to determine, first, if elite responses can be similarly reduced to the two dimensions found earlier, and to measure, second, the degree of polarization among legislative parties. Interestingly, we found a different mix of two factors (reported in the appendix, Table A-3), only broadly related to those found in the national survey. All questions related to taxes are reduced to one factor, while the question on subsidies defines a second factor. The upshot is that, at the elite level, the size-of-government and redistribution dimensions are merged into one single spectrum from left to right. Individual deputies who favor tax-and-spend policies *also* favor redistribution through progressive taxation; individual deputies who oppose big government *also* oppose social engineering through fiscal policy. The subsidies question is clearly distinguished from other equity questions as a different dimension. In contrast to mass-level concerns for social entitlements, elite-level responses to the subsidies question appear to reflect overwhelming concern for efficiency.

[Figure 3 about here]

Figure 3 maps the mean position of each legislative party on both dimensions. The party ordering on the left-right dimension merging both size-of-government and redistribution is the same as that obtained at the mass-level. The PAN leans to the right, favoring small government and opposing redistribution, the PRI is in the middle, and the PRD leans to the left, favoring tax-and-spend policies and redistribution. The difference between both opposition parties on this dimension is statistically significant, while the average PRI deputy cannot be distinguished from the PRD's (see the appendix for comparison of means tests, Table A-4). It is an important finding that the spatial ordering of electoral and legislative parties coincide. However, the degree of polarization on these issues seems to be much stronger at the elite level. Moreover, ideological affinities of *priistas* vary at elite and mass levels. The legislative PRI is closer to the PRD than to the PAN, while the electoral coalition of the PRI coincides much more with the PAN's. On ideological grounds, the PRI's legislative party might have more easily crafted a coalition with the PRD. Nonetheless, the electoral attractiveness of the center position held by the President's preferred policy is yet another incentive for the discipline shown in forging an alliance with the PAN.

The Electoral Game and Two Puzzles

The correspondence between electoral and congressional parties on fiscal matters leaves us with two interesting puzzles, already posed in the previous section. Why is there as much convergence as we find among the parties on the dimension of tax-and-spend policies? And why is there so much quiescence on

redistribution issues, given the degree of polarization found at both mass and elite levels?

1. Why so much convergence on tax-and-spend policies?

Given the record and reputation of the two opposition parties, one would expect from the PRD's constituencies a much stronger stance in favor of a larger role for government, and from the PAN's, a more hard-line position advocating small government. The explanation of policy convergence on this dimension is an unexpected finding mapped in Figures 4 and 5. Internal cleavages within the constituency base of both opposition parties dampen reputation-based party positions with respect to tax-and-spend issues.

[Figures 4 and 5 about here]

In the PRD, the variance among its supporters appears to follow a class divide. Higher-income and, to a lesser degree, more educated progressives are not so enthusiastic about an increased role for government through tax-and-spend policies. To the extent that the PRD needs a good chunk of the urban middle class vote in order to strengthen its electoral prospects, it cannot alienate such support through soak-the-rich tax policies, nor through inflationary deficit-financing. Cuauhtémoc Cárdenas's fiscal policy in the D.F. (marginal increases in local taxation, low levels of new public debt and a balanced budget) is an obvious example of this electorally-driven moderation.

Within the PAN, the class divide is even more pronounced. To the extent that the PAN requires lower class support for its electoral prospects, it cannot abandon entirely the programs and social commitments that make for a still strong

role for government in the provision of social benefits. The price to be paid for favoring its traditional middle-class constituency is clear from local elections in Chihuahua in July, 1998, where the PRI trounced the PAN forcefully arguing that *panista* governor Francisco Barrio only governed for the benefit of his own class.

This evidence suggests that the electoral coalitions fashioned by the opposition are rather loose conglomerates with conflictive positions on some important fiscal questions, which serve as constraints upon their legislative parties. In this dimension, pocketbook issues lead to non-cohesive electoral parties. Against the grain of an ever more voluminous literature on policy cue-taking by the electorate -- for the Mexican case, see Buendía (1996), Villarreal (1995) and Kaufman and Zuckerman (1998) -- opposition backers in Mexico, at least in fiscal matters, appear to be cue-givers rather than takers. It is possible, of course, that these disparate fiscal coalitions are unlikely to persist and only represent the drift of a recently dealigned electorate toward other options (rather than something firmer like a realignment). The correspondence between electoral and legislative parties, however, suggests that the opposition means to keep their catch-all captures, knowing that without them their electoral fortunes would diminish quickly.

The lack of questions concerning party identification or degree of partisanship does not permit us to identify *core* constituencies for any of the major parties. Based on other surveys' evidence, we would expect core constituencies to be closer to their parties' respective reputation-based positions than peripheral or soft constituencies. For the opposition in Mexico, however, core constituencies are too small (about a third the size of the PRI's) to make an electoral difference.

By contrast, the PRI does not suffer from similar cleavages within the ranks of its supporters. Cohesiveness on fiscal issues in line with the *prúista* government's positions helps to explain the administration's stranglehold on the

fiscal center. This may be the result of cumulative dealignment that has left behind a very cohesive electoral party. Alternately, it may reflect the traditional cue-taking that has always characterized both the electoral and the legislative PRI.

2. Why is redistribution not a campaign issue?

The second puzzle concerns the non-issue of redistribution during political campaigns. Given the degree of mass-level polarization on this dimension, one would expect that politicians, and especially those on the left, would seek to mobilize voters by promising at least some redistribution of wealth. In the recent past, technocratic administrations have sought support for their liberal strategy of economic reform by coupling it to poverty-alleviation programs such as Pronasol and Progresa. The limited distributive effects of these programs have not ruffled the feathers of the right. Nor has polarization on the question of social equity formed the basis for appeals to mass publics by the left opposition, except in the ongoing case of the PRD's campaign against the 1995-96 bank bailout known as Fobaproa. It can be argued that the PAN, in favoring flat tax-rate reductions and population-based revenue-sharing, effectively represents its backers' preference for less progressive fiscal policy. Still, the *panista* leadership has always relied upon consistent arguments against the dangers of concentrated power at the center in order to persuade the public of the virtues of a reduced role for *federal* government.

Some clues for unraveling this puzzle are given by the mapping of presidential candidate coalitions in Figure 6. The mean placements for the average supporters of six potential candidates are taken from the information generated by *Reforma's* trial heats for the presidential race in 2000. The questions identify Cardenas (CC) or Muñoz Ledo (PML) for the PRD, Vicente Fox (VF) or

Calderón (FC) for the PAN, Manuel Camacho of the PCD as the fourth party representative, and five potential candidates for the PRI topped by Francisco Labastida (FL) and Manuel Bartlett (MB).

[Figure 6 about here]

For the PRD, Muñoz Ledo and Cárdenas supporters are more centrist than their party's backers. Moreover, Cárdenas garners a higher percentage of effective voting intentions than does the PRD. Electoral prospects toward 2000 would seem to depend on PRD moderation on its bedrock egalitarian issues. On a different plane, the potential alienation of the business class and its allies could damage its image as a viable party of government. Similarly for the PAN, those favoring candidates Fox and Calderón hug the center more than party backers in general on the redistribution dimension. Fox also attracts a higher vote share than does his party. The logic is exactly the same as for the PRD, that too strong an ideological line on the redistribution dimension would risk the party's potential for capturing the electoral center.

In the case of the PRI, its strongest candidates, Labastida and Bartlett, come in significantly lower than their party's support in general. The culling out of some ten points in effective voting intentions pushes both candidates' coalitions to the right, possibly identifying the true core of die-hard *priísta* voters. This result is somewhat ironic, given both candidates' known positions on distributive questions, easily to the left of the current administration in the matters of pork, patronage and subsidies. Labastida with his current leadership of the law-and-order faction and Bartlett as the dinosaurs' last great hope can be pegged as right-wing candidates on political issues, but not on fiscal ones.

Nonetheless, centrist voters on the redistribution dimension appear more willing to back the opposition favorites. The lesson here is that appropriate candidates can significantly raise the appeal of their parties, given the current state of the party system and the electorate, and this behooves them all to lower the profile of class conflict in their campaigns. Redistribution is thereby reduced to a non-issue, at least for the opposition. Possibly only *priístas* can profit from egalitarian stances, in order to attract centrists to their ranks, which might explain the trumpeting of social justice and a return to the distributive principles of revolutionary nationalism by Bartlett and other non-technocratic currents within the PRI. Of course, candidate-centered campaigns can also heighten partisan differences on other fronts, which is the case with Fox on the size-of-government dimension.

[Table 4 about here]

Presidential candidate coalitions, for which the multinomial logit analysis is presented in Table 4, are much richer terrain than partisan ones. This analysis has been restricted to the best candidates of the opposition, Cárdenas and Fox, and to Bartlett for the PRI, whose coalition is indistinguishable from Labastida's. In this three-man race, with Cárdenas as the base choice, Bartlett adds to the previous mix favoring the PRI over the PRD, the older population cohorts long identified as core *priísta* supporters. More interestingly, Fox adds to the factors favoring the PAN over the PRD, attitudes in favor of small government as well as social categories comprising voters with higher socio-economic status. Middle-class voters with a preference for small government --and a regional bulwark in the Center-west --do not necessarily represent a winning combination in 2000.

But these results help to structure what otherwise might appear to be issue-based coalitions without strong social props.

Conclusion

This paper has shown that fiscal policy issues have become central to partisan politics in Mexico. Legislative parties show a fair degree of polarization on the conventional left-right spectrum comprising both size-of-government and redistribution issues. PRD deputies hold left-wing positions on most issues, standing for redistribution of wealth and big government; PRI deputies hold centrist stands and PAN deputies are clearly to the right, opposing big government and wealth redistribution. However, the parties' voting records do not neatly correspond to their ideology as revealed in the survey. For instance, PRD legislators strongly prefer higher and more progressive taxes to fund social programs; nonetheless, in political campaigns and on the floor of Congress they moot their ideological preferences. Quite to the contrary, in the 1997 campaign the PRD mirrored the PAN in demanding a rate reduction of the VAT. They did so because electorability is more important than ideology. The PAN also tempered its ideological preferences in the budget battle of 1997, only grandstanding on its demand for tax cuts and acceding to the government's plan for deficit-financing in 1998. Mexico's opposition parties, in other words, seem to defer to centrist voters during campaign season and to internal cleavages within their electoral coalitions between elections. At the mass-public level, we found evidence of internal partisan cleavages on fiscal issues that help shape voting intentions and are reflected in neutral position-taking by legislative parties.

Given the apparent issue-voting analyzed in this paper and the social cleavages present between the major political parties, prospects look dismal for

fiscal policy coalitions between left and right that attempt to bypass the government party. The alliances wrought in the budget process in December of 1997 appear to have no realistic alternative. On fiscal matters, a stable PAN/PRI alliance is firmly anchored in the center-right mode of the voting public.

At the same time, a three-party system does not always translate into the policy stalemate predicted by many once the results of the midterm elections became known. The parties' Downsian concern for long-term reputation has not, in the case of fiscal policy, entailed intransigence. We have argued that disparate constituencies within both opposition parties seem to press those parties toward some degree of policy convergence, while ideological polarization on other issues is thus far dampened by elementary displacements toward the electoral center. This dynamic, if present in other policy arenas, would undercut concern for what in Mexico is called the problem of governability. It also constitutes strong evidence for the capacity of voters and their elected representatives to assure that fiscal policy clears the political market.

Table 1: Policy issues preferences among PRI, PAN and PRD supporters

	<i>PRI</i>	<i>PAN</i>	<i>PRD</i>
Gov't Spending & Tax Rates			
Increase spending & keep current tax rates	39%	41%	42%
Decrease spending & lower tax rates	61%	59%	58%
	100%	100%	100%
(Number)	(297)	(214)	(216)
Value Added Tax (VAT)			
Reduce VAT for basic foodstuffs and increase for luxury goods	67%	62%	73%
Reduce VAT rate for all goods	33%	38%	27%
	100%	100%	100%
(Number)	(314)	(226)	(223)
Income Tax			
Increase progressivity of income tax	68%	63%	79%
Reduce income tax for all brackets	32%	37%	21%
	100%	100%	100%
(Number)	(314)	(227)	(220)
Subsidies			
Subsidies should benefit all	57%	54%	65%
Subsidies should be targeted to the poor	43%	46%	35%
	100%	100%	100%
(Number)	(315)	(229)	(228)
Drop of Oil Prices & Cutbacks			
No more spending cuts, despite risk of higher deficit and inflation	39%	35%	37%
More spending cuts, even at the expense of social programs and public investment	61%	65%	63%
	100%	100%	100%
(Number)	(241)	(196)	(174)
Drop of Oil Prices & New Sources of Revenue			
Taxes should be increased to fund needed social programs	11%	10%	11%
Taxes should not be increased to sustain current expenditure levels	89%	90%	89%
	100%	100%	100%
(Number)	(281)	(215)	(204)

Table 2: Multinomial Logit Analysis of Partisan Preference

	PRI/PRD	PAN/PRD
Constant	-2.38*** (.93)	-1.27 (.87)
Redistribution of Wealth	.29** (.13)	.43*** (.13)
Tax-and-Spend Policies	.18 (.13)	.19 (.12)
Pocketbook Evaluation	-.53*** (.17)	-.24 (.16)
Presidential Approval	.42*** (.06)	.10** (.05)
Gender	.33 (.26)	.47* (.26)
Age	.28 (.19)	-.04 (.19)
Education	-.11 (.14)	.09 (.14)
Income	.15 (.12)	.16 (.12)
N=455		
Chi ² =114.70		
Prob>chi ² =.0000		
Pseudo R ² =.1156		
Overall = 54.07%		

Table 3: Policy issues preferences among PRI, PAN and PRD deputies

	<i>PRI</i>	<i>PAN</i>	<i>PRD</i>
Gov't Spending & Tax Rates			
Increase spending & keep current tax rates	63%	25%	68%
Decrease spending & lower tax rates	37%	75%	32%
	100%	100%	100%
(Number)	(19)	(34)	(49)
Value Added Tax (VAT)			
Reduce VAT for basic foodstuffs and increase for luxury goods	94%	47%	92%
Reduce VAT rate for all goods	6%	53%	8%
	100%	100%	100%
(Number)	(19)	(34)	(49)
Income Tax			
Increase progressivity of income tax	56%	59%	94%
Reduce income tax for all brackets	44%	41%	6%
	100%	100%	100%
(Number)	(19)	(34)	(49)
Subsidies			
Subsidies should benefit all	11%	9%	15%
Subsidies should be targeted to the poor	89%	91%	85%
	100%	100%	100%
(Number)	(19)	(34)	(49)
Income Inequality & Tax Policy			
To reduce inequality, taxes should be increased to fund social programs	10%	9%	18%
Neutral	37%	62%	53%
To reduce inequality, taxes should be reduced to promote investment and job creation	53%	29%	29%
	100%	100%	100%
(Number)	(19)	(34)	(49)

Table 4: Multinomial Logit Analysis of Candidate Preference

	Bartlett/Cárdenas	Fox/Cárdenas
Constant	-3.80*** (.98)	-2.70*** (.86)
Redistribution of Wealth	.31** (.13)	.27** (.12)
Tax-and-Spend Policies	.001 (.13)	.20* (.12)
Pocketbook Evaluation	-.42*** (.17)	-.08 (.16)
Presidential Approval	.38*** (.06)	.12*** (.05)
Gender	.22 (.81)	.36 (.25)
Age	.68*** (.19)	.04 (.18)
Education	-.05 (.14)	.22* (.13)
Income	.14 (.98)	.23** (.11)
N=435		
Chi ² =109.65		
Prob>chi ² =.0000		
Pseudo R ² =.1154		
Overall = 52.54%		

Table A-1: Factor matrix for analysis at the mass level

	Factor 1	Factor 2
Oil Prices & Budget	-.20	.28
Oil Prices & Taxes	.33	-.52
Value-Added Tax	.60	-.12
Income Tax	.69	.37
Subsidies	.41	.61
Taxes and Gov't Spending	.39	-.50

Final statistics of factor analysis at the mass level

Issue Variable	Communality	Factor	Eigenvalue	Pct. of Variance
Oil Prices & Budget	.1213	1	1.33	22.2
Oil Prices & Taxes	.3903	2	1.15	19.3
Value Added Tax	.3840			
Income Tax	.6212			
Subsidies	.5551			
Taxes and Gov't Spending	.4187			

Table A-3: Factor matrix for analysis of Congress data

	Factor 1	Factor 2
Gov't Spending % Tax Rates	.71	-.16
Value Added Tax	.67	-.28
Income Tax	.67	-.16
Subsidies to the Poor	.29	.91
Income Inequality & Tax Policy	.64	-.16

Final statistics of factor analysis of Congress data

IssueVariable	Uniqueness	Factor	Eigenvalue	Pct. of Variance
Gov't Spending % Tax Rates	.45	1	1.92	.38
Value Added Tax	.45	2	1.00	.20
Income Tax	.45			
Subsidies to the Poor	.51			
Income Inequality & Tax Policy	.56			

**Table A-4: Comparison of means for congressional factor loadings
(two-tailed test)**

Factor	Mean Location	PAN	PRD
Support versus Opposition to Tax- and-Spend Policies & Tax Progressivity			
PAN	.68	--	99% level
PRD	-.37	99% level	--
PRI	-.17	99% level	Not Signif.
Targeted versus Universal Subsidies			
PAN	-.27	--	95% level
PRD	.20	95% level	--
PRI	-.10	Not signif.	Not signif.

Figure 1:

PARTISAN FISCAL PACKAGES

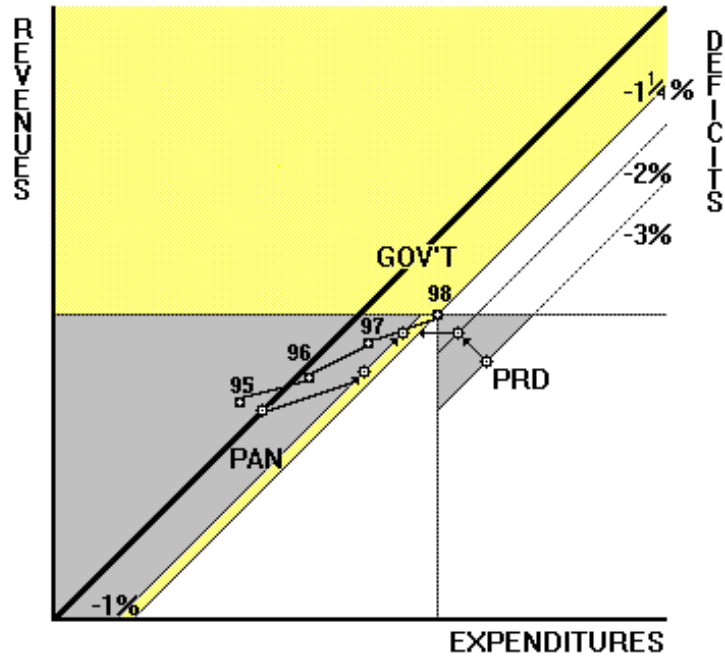


Figure 2: Partisan and regional cleavages on fiscal issues

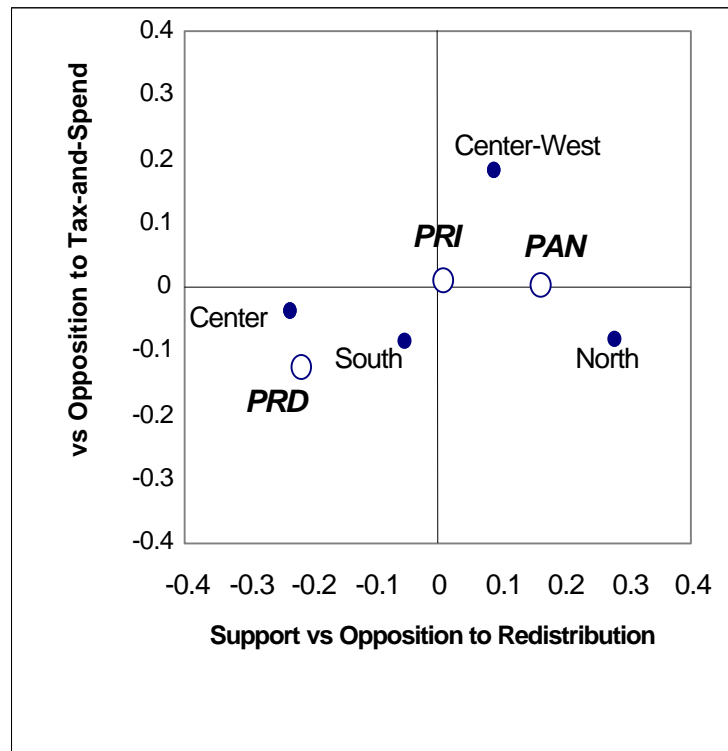


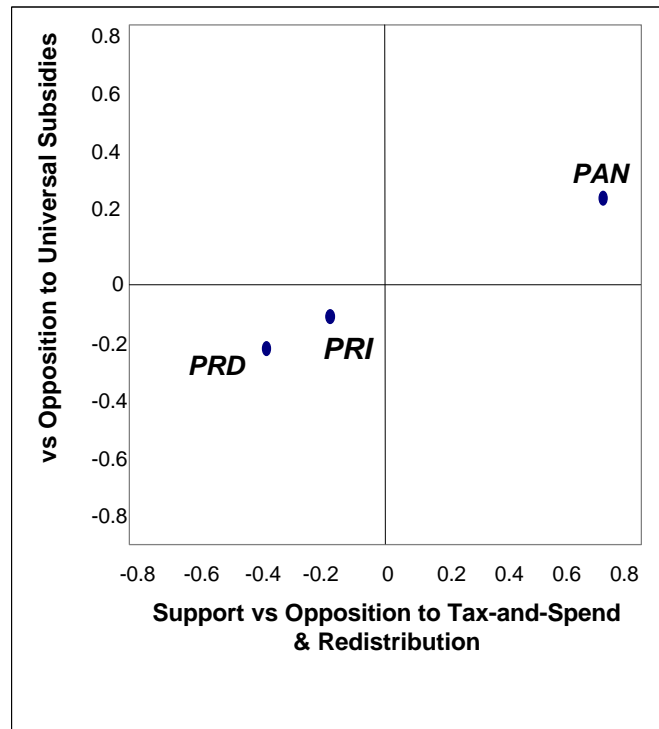
Figure 3: Mean location of deputies by party on fiscal issues

Figure 4: Internal cleavages among PRD supporters

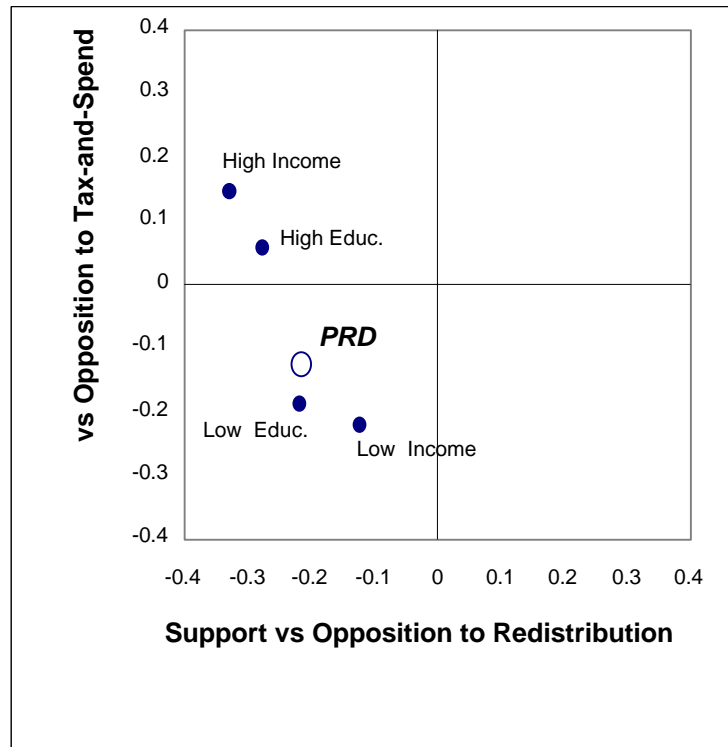


Figure 5: Internal cleavages among PAN supporters

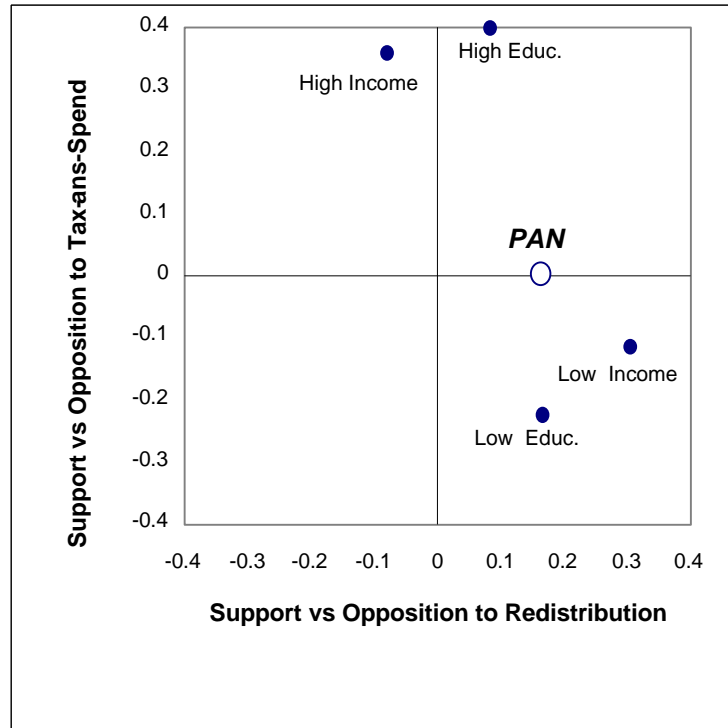


Figure 6: Mean location of candidate supporters on fiscal issues

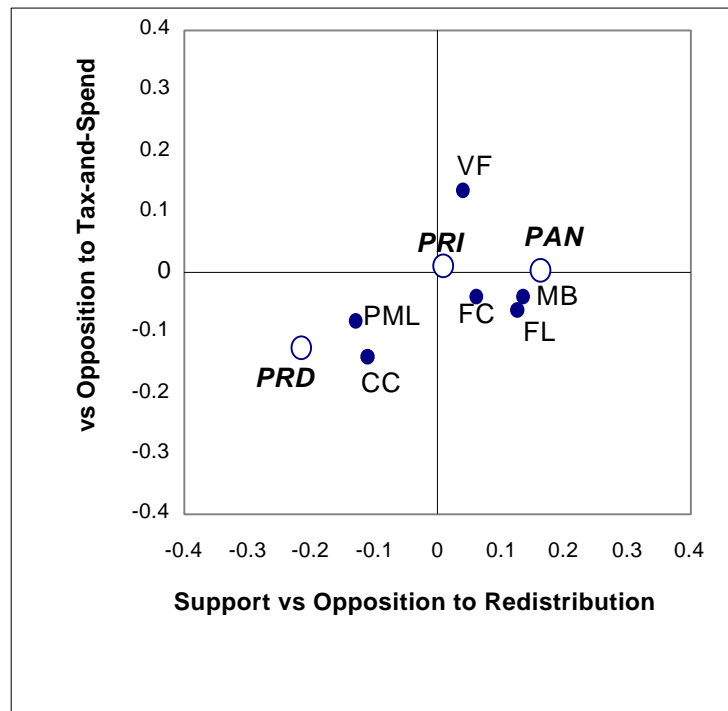


Table A-2: Comparison of means for factor loadings at the mass level (two-tailed tests)

Progressive Taxation				Tax-and-Spend Polices				
	Mean Location				Mean Location			
Parties				Parties				
		PAN	PRI			PAN	PRI	
PAN	0.16	--	Not signif.	PAN	.052	--	Not signif.	
PRI	0.08	Not signif.	--	PRI	.093	Not signif.	--	
PRD	-0.21	99% level	99% level	PRD	-.126	90% level	95% level	
Regions				Regions				
		Center	South	North		Center	South	North
Center	-0.23	--	95% level	99% level	0.03	--	Not signif.	Not signif.
South	-0.05	95% level	--	99% level	-0.09	Not signif.	--	Not signif.
North	0.28	99% level	99% level	--	-0.08	Not signif.	Not signif.	--
Center-West	0.08	99% level	Not signif.	90% level	0.18	Not signif.	99% level	99%level
Candidates				Candidates				
		VF	MB			VF	MB	
V. Fox	0.04	--	Not signif.	V. Fox	0.13	--	Not signif.	
M. Bartlett	0.13	Not signif.	--	M. Bartlett	-0.04	Not signif.	--	
C. Cárdenas	-0.12	90% level	99% level	C. Cárdenas	-0.08	95% level	Not signif.	

Internal Cleavages				Internal Cleavages			
Income	High Inc. PAN	High Inc. PRI	High Inc. PRD	Income	High Inc. PAN	High Inc. PRI	High Inc. PRD
Low Income PAN	95% level	--	--	Low Income PAN	99% level		
Low Income PRI	--	Not signif.	--	Low Income PRI		Not signif.	
Low Income PRD	--	--	Not signif.	Low Income PRD			90% level
Education	High Educ. PAN	High Educ. PRI	High Educ. PRD	Education	High Educ. PAN	High Educ. PRI	High Educ. PRD
Low Educ. PAN	Not signif.	--	--	Low Educ. PAN	99% level		
Low Educ. PRI	--	Not signif.	--	Low Educ. PRI		Not signif.	
Low Educ. PRD	--	--	95% level	Low Educ. PRD			95% level