Capture from Within: The Budgetary, Political and Electoral Consequences of Coalitions in Presidential Systems. A Subnational Analysis of Mexico, 1992-2015.



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During my childhood, I had a particular dream. I daydreamed of going to the Olympics and running the marathon…and win it. Of course, I never went to the Olympics or become a marathon runner. Little did I know that life would put me in the path of a different marathon, albeit an academic one, at an Olympic-level university and one that I almost give-up on finishing.

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I also want to thank the system of public libraries across the world, particularly those from the United Kingdom, Mexico, France and the United States, from which I benefited. I am a

firm believer that for our society to move forward and towards a more sustainable and inclusive future, public libraries are one of the building blocks for the achievement of this goal. Particularly I want to thank The British Library, the Biblioteca Nacional de Mexico, Nuffield College Library, Latin American Centre library, and the Bodleian University libraries of the University of Oxford, where the majority of this dissertation was written and where many hours of productive research and procrastination were invested.

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Abstract

This thesis is about coalitions in presidential systems, with a particular focus on coalitions at the subnational level. It studies the effects that coalitions have as a governmental unit, that is, their policy outcomes and budgetary decisions. It also explores the electoral and party system implications of the proliferation of coalitions and its broader effects to democracy, democratic stability and party systems.

This thesis continues recent analytical work on coalitional presidentialism where important analytical progress has been made, particularly regarding coalition formation and coalition administration, both nationally and cross-nationally. It continues the analytical chain of coalitional presidentialism to the natural next step which concerns the operative part, mainly by looking at the policy effects of coalitional presidentialism as a policy unit at the executive level, rather than as a managerial unit whose sole intention is to control the legislative agenda.

In order to engage these questions, this thesis follow a subnational research design focusing on Mexico, a third-wave country once ruled by a hegemonic party for 70 years at the national level (the Partido Revolucionario Institutcional, PRI), but that now exhibits a fragmented multiparty system with multiparty coalitions as the norm. As almost all third-wave countries, Mexican democracy is full of grey areas and a constant flirtation of democratic practices with authoritarian vices.

There are three main results. The first one, looks at the portfolio allocation process of coalition government and non-coalitions. I find that once a coalition enters a government, expenditure priorities and provision choices changes, both in a temporal and dimensional style. Expenditure in long-term budgetary categories, such as public investment and public works, diminish in their importance. On the other hand, categories with a short-term orientation such as monetary handouts and subsidies increase.

The second one focuses on the role that junior coalition parties have in the policy-making process and the influence of the policy orientation of a coalition government. Existing theories maintain that the policy effect of the coalition is largely a function of the size of the coalition, the characteristics of the formateur, the distributive toolbox that the formateur uses to

administer the coalition, and to a lesser extent, the system of government and the electoral system. Likewise, the main beneficiary of the coalition, both electorally, politically is the formateur.

By looking at the presence/absence of accompanying parties across coalition governments, I find that the presence/absence of specific accompanying parties is linked to an increase/decrease in expenditure in specific budgetary programs. I argue that the policy influence, and direction of the expenditure, of accompanying parties is linked to a party's level of institutionalisation. In this regard, this thesis contributes to a growing literature highlighting that party's internal characteristics matter a lot towards the outcomes of a democracy, particularly to those of the third wave. My results are similar to recent work from parliamentary systems, that found that accompanying parties have an influence in the policy orientation of a government. However, my results are different regarding the direction of this influence. While in parliamentary systems accompanying parties used their influence to advance programmatic policies, in Mexico parties used their influence for discrete benefits, for example focusing in serving narrow policy groups, party elites, distributing perishable goods or transfers of money, all with an electoral objective of establishing a party brand.

The third contribution examines the broader effects that the budgetary implications have. I do so by looking at the political and electoral effects that the long-term presence of coalitions government has, particularly in the relationship between voters and political parties. Specifically, I examine the electoral effect that coalitions have on parties' electoral paths, on the stability of the party system and if they contribute to the emergence of political outsiders.

I hypothesise that this process will have three consequences. First, that on the long-term, coalitions will decrease the vote share of formateurs. Second, that the long-term presence of coalitions in the electoral system will decrease the level of party institutionalisation. Third, that the presence of coalitions opens the room for the emergence of outsiders. I empirically show, that all three have occurred in Mexico.

A la memoria de

Marlene Catalina Herrera Diaz

Con eterno agradecimiento y amor.

1.

The north-western state of Baja California, Mexico, is a manufacturing hub where billions of dollars in manufacturing products, agricultural goods and other products are traded, crossing the US border mostly through Tijuana. Between 1994 and 2015, the average level of investment in public goods such as roads or schools, was 3.8% of the total budget. In 1989, Baja California became the first state to have a governor that did not belong to the Partido Revolucionario Institucional (PRI), when the Partido Accion Nacional (PAN) candidate won the state election. Interestingly, since 2002 the PAN and other opposition parties made a number of coalitions in order to remain in power. As a result, the state government has been in the hands of different coalitions. On the other side of the U.S. border, south of Texas and the Gulf of Mexico, is the state of Tamaulipas, another manufacturing hub. Contrary to Baja California, Tamaulipas has remained a PRI bastion, where PRI candidates single-handedly won the state government, many times with more than 45% of the vote. Only in 2010 did the PRI form a coalition with two accompanying parties to maintain its grip on the local government. Between 1994 and 2015, the average public investment of the state was 16% of the total budget.

Next to Mexico City, at the heart of the Mexican Republic, we find the states of Tlaxcala and Queretaro. Far from the border, they do not have such an export-dominated economy and the concomitant demands for strong infrastructure, that northern states have. They also have more poverty. In Queretaro, governed by the PAN between 1997 and 2010, there were no coalitions. The PAN's dominance ended in 2010 when the PRI came back to power. By contrast, Tlaxcala has been a highly contested state. It was one of the first states whose governor was elected by a coalition in 1999. Until 2015, three different coalitions ruled the state, one whose formateur was the Partido de la Revolución Democrpatica (PRD), another the PAN and yet another the PRI. Between 1994 and 2015, Queretaro's average public investment was 12% and Tlaxcala's 6.3%.

What explains these differences in levels of public spending? Are coalitions responsible for lower levels of spending in infrastructure and higher levels of spending in areas such as public employment and clientelism?

The third wave of democratisation brought countries in Latin America, Africa, Asia and Europe to transition away from nondemocratic forms of government albeit with different degrees at their success of embracing democracy and their institutions. Yet, under a Schumpeterian minimal definition, the majority of these countries are more democratic now than they were two, three or four decades ago. Most of these third-wave countries adopted presidentialism as their system of government and for a variety of reasons, coalitions, both as form of government or as an electoral tool, became a permanent feature of politics.[1]

This thesis is about coalitions in presidential systems, with a particular focus on coalitions at the subnational level. It studies the effects that coalitions have as a governmental unit, that is, their policy outcomes. It also explores the electoral and party system implications of the proliferation of coalitions. In so doing, I contribute to the literature on presidentialism and coalition-making, looking at how they affect what governments do once in office with an emphasis in the policy and electoral realm.

In order to engage these questions, this thesis focuses on the case of Mexico, a third-wave country once ruled by a hegemonic party for 70 years at the national level (the Partido Revolucionario Institutcional, PRI), but that now exhibits a fragmented multiparty system with coalitions as the norm. As almost all third-wave countries, Mexican democracy is full of grey areas and a constant flirtation of democratic practices with authoritarian vices.[2]

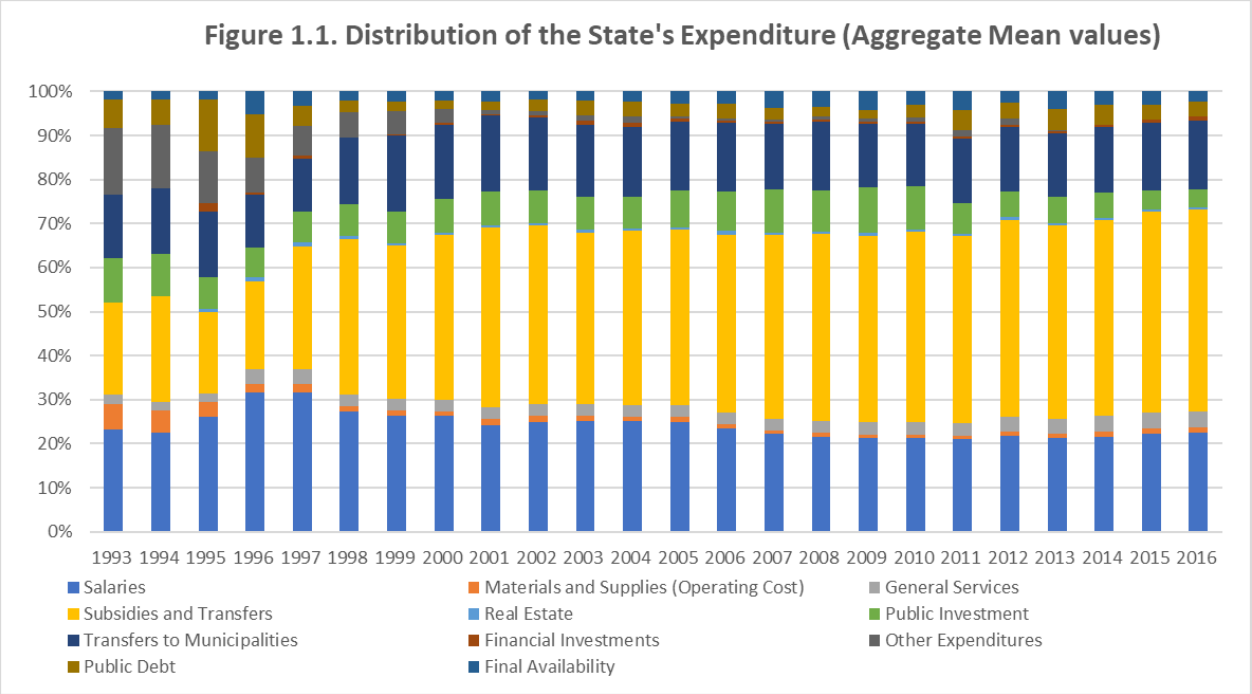
Four empirical observations motivate this thesis. The first observation has to do with the transformation of Mexico's party system since the 1990s. The PRI gradually lost its hegemony, opening space for two other parties, which in turn emerged as its main competitors: the right-wing Partido Accion Nacional (PAN) and the left-wing Partido de la Revolucion Democratica (PRD). By the late 1990s electoral competition was vibrant, with these three parties together concentrating around 90% of the vote in federal and state elections. Despite the flourishing of democratic competition, lack of transparency and corruption remained rampant in the country. This allowed the three main parties to control and benefit from their access to state resources. Under these conditions - multiparty competition between parties with more or less well-defined ideologies, access to state resources, and weak checks and balances - it was

[1] Chaisty, Cheeseman and Power 2018.
[2] Linz and Stepan 1996; Carothers 2002; Haggard and Kaufman 2012; Levitsky and Way 2010; Magaloni 2006.

difficult for smaller parties to stand a chance and unlikely that a system of coalitions would emerge. Yet, that is exactly what happened. In 1997, coalitions were practically unknown in Mexico. Of the 31 state governors, only 1 had been elected by a pre-electoral coalition -the PRI candidate in the state of Aguascalientes, who joined forces with two satellite parties. Similarly, in 2001, just four governors were elected as part of a pre-electoral coalition (all of them of opposition parties that coalesced to oust the PRI). In 2015, by contrast, 29 of the 31 state governors were elected through a coalition formula. Given the increasing prevalence of coalitions across Mexico's subnational units, this raises the question as to what *were the implications of coalition formation and coalition governance for policy-making in Mexico?*

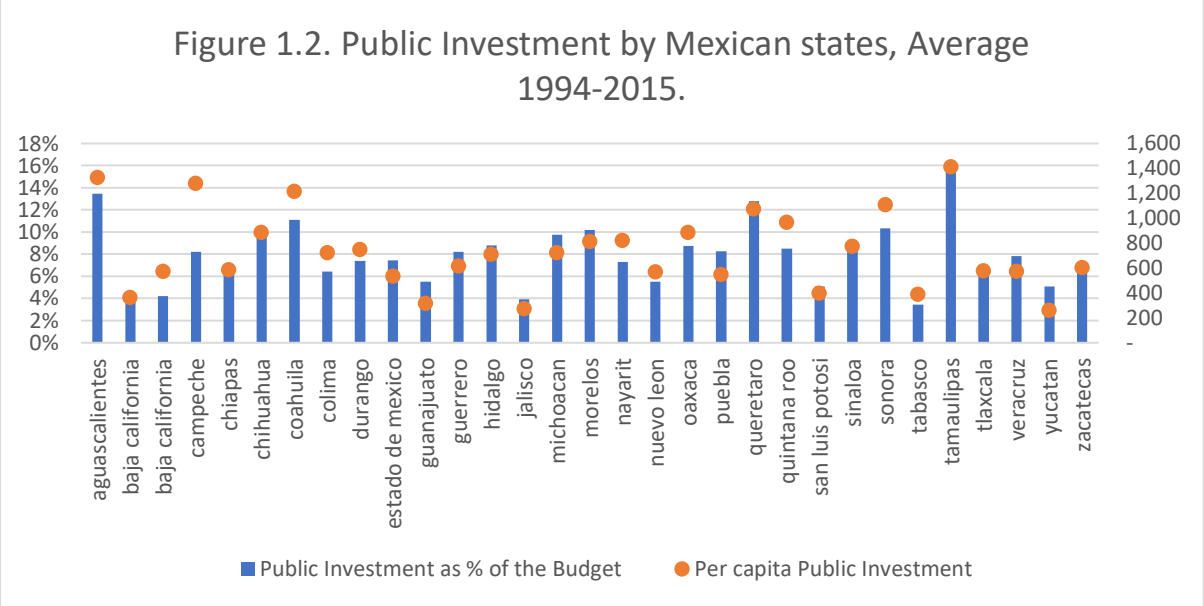
The second observation is that in parallel to rising levels of party competition, states became more central venues for policy-making. Like most Latin American countries and third-wave democracies, Mexico underwent a deep decentralisation process at the fiscal, political and to a lesser extent, administrative levels. At the beginning of the 1990s, Mexican states were marginal economic and political actors. For example, their combined budget represented less than 3% of national GDP. By the mid-2000s states' budgets were equivalent to 10% of national GDP. This was possible thanks to a number of fiscal reforms that created different governmental transfers, which were and still are guaranteed every year in a number of federal laws. Like many decentralisation reforms from the 1980s and 1990s, these reforms were done to channel resources to local authorities with the expectation that they knew better how to use the money, and particularly, to increase investment in public goods such as health, education and roads.[3] As already mentioned, resources have increased significantly. Yet, overall public investment, measured as the percentage of total state expenditure, has stalled at 1990s level. By contrast, the share of types of expenditure linked to private goods, short-term investments or clientelism, has surged (Figure 1.1). Given this variation, *what led subnational governments to spend in ways contrary to the spirit of decentralizing reforms?*

[3] Tiebout 1956; Coase 1960; Oates 1972; Ter-Minassian 2007.



Source: Author´s calculations base don INEGI, Finanzas Públicas Estatales y Municipales (2020).

The third observation is that despite overall trends, there is a large amount of variation in the expenditure dynamics of states over the last 30 years (Figure 1.2). As will be discussed in more detail in this chapter and in the remainder of the thesis income, economic complexity, closeness to the United States border, poverty or political competition struggle to explain this variation in sub-national expenditure. *Do states that are governed by coalitions spend in ways that are more wasteful or pork-driven, relative to single-party governments, as scholars of developed democracies have noted?*



Source: Author´s calculations based on INEGI, Finanzas Públicas Estatales y Municipales (2020).

The last observation is that as coalitions became the norm, formateur parties, that is, the three largest parties, suffered. Initially, the formateurs had resources, a political brand and loyal core constituencies. But as growing competition forced them to form coalitions more regularly, smaller parties started to profit from their access to government. This set in motion a process of party system de-institutionalization that ended with the rise to power of a new party after the 2018 general elections. In that cycle, the PRI, PAN and PRD obtained less than 30% of the vote. *What role did coalitions play in diluting party brands and weakening voter attachment to the main parties? Is there a relationship between the ways in which coalitions govern and their effects on the party system?*

1.1. Coalitions and the Challenge for Accompanying Parties: Formation and Pay-offs

I define coalitions narrowly, as a formal agreement between parties prior to the election. This agreement must be open and known to the public.[4] Mexico is a suitable case since Mexican electoral law forces all political parties that wish to coalesce, to register their coalition agreement before an electoral commission prior to the election. The agreement must include the name of the parties making the coalition agreement, their shared platform, and the name

[4] Strom 1990.

of the candidate they are supporting. Once approved and formalised, this coalition pact is then made public and can only be broken under exceptional circumstances, which include a formal appeal, a lengthy review and approval by the electoral institution.

Once the government enters into effect, survival and holding-together of the coalition is not as straightforward as in parliamentary systems. In presidential systems, the existence of an explicit contractual agreement tends to commit parties to work together in the medium and long-term, and in more than one policy or legislative deal.[5] Thus, making it more likely that a pre-electoral pact can translate to a governmental coalition. In this regard, accompanying parties have incentives to seek a close relationship with the executive, even when they do not get a cabinet position, since they can have privileged access to state resources, junior ministries, or the distribution of other types of perks.[6] Therefore, accompanying parties face strong incentives for the coalition pact to translate to government, and to remain in the coalition as long as possible. Regarding the executive, there are overarching consequences for the executive, in terms of instability of for his political career, if she decides to reject its partners.[7]

Despite these theoretical arguments, the considerable leeway that presidentialism and the division of powers grants to the executive holder, makes it difficult to assume that a formal pre-electoral pact will automatically move to a governmental coalition. Or that it will hold for the duration of the term for which the executive was elected.

First, in presidential systems the executive can renege the coalition pact and abandon the parties that supported her candidacy, with few legal consequences. Indeed, as Amorim Neto has shown, in presidential democracies the executive can choose to rule by decree, appointing outsiders to the cabinet, or closer to the legislature by appointing career politicians who are part of his coalition[8]. Likewise, the executive can choose to rule by decree in certain periods, and with the support of its political allies in other periods. Second,

[5] Bale and Bergman 2006a.
[6] Bale and Bergman 2006a; Chaisty, Cheeseman and Power, 2018.
[7] Lijphart 2012; Chaisty, Cheeseman and Power, 2018.
[8] Amorim Neto 2002 and 2006.

analytical work from presidential systems has pointed out that the chances of survival of a coalition government diminishes as time lapses and the next election comes.[9]

Considering the previous arguments, assuming pre-electoral coalitions translate into coalition governments which last for a full term is dubious. Therefore, it becomes challenging to empirically measure coalition governments. There are certain strategies to do. The first is to employ archival evidence using the membership of ministries of the government every year. A second approach is to use voting patterns in the congress, to approximate the coalition.

The problem with the first approach, is the lack of information on ministerial coalition membership. I attempted to obtain this information by making multiple transparency requests to state governments or state congresses. Unfortunately, most of them argued that they did not have this information, that the information was only available for certain years or for specific ministries, or that the information could only be retrieved in person at the state congresses library. This presented a challenge both in terms of resources and time, since it would involve travelling to 31 states. An additional difficulty is that coalition partners in presidential systems is that membership to the coalition is not exclusively circumscribed to ministerial membership, since they often receive non-ministerial appointments. Information for this type of membership is even more difficult to obtain or non-existent. Furthermore, even if this data can be obtained, it then becomes challenging on how non-executive appointments compare or are equivalent to executive membership.

The second strategy faces issues when coalitional analysis is translated to the subnational level. At the subnational level, democracy is not as transparent or competitive as at the national level, which results that state congresses are normally co-opted or overpowered by the executive. I evaluated voting patterns of important legislation such as the approval of the budget, audits or the acquisition of debt, noticing that they were mostly approved by overwhelming majorities or unanimity, even when the governor did not have, in theory, a majority. There can be many reasons for this odd result. At one of my interviews a former member of congress, who desired to remain anonymous, narrated the following experience during her time as congresswoman for the state of Chiapas during 2010-2012.

[9] Altman 2000

> "Before voting for important legislation, such as debt acquisition requests or the approval of the audit of the budget, we were summoned to the governor's house. This happened on the same day or on the day before voting was to take place. The governor received us all and explained to us the importance of the legislation. I found this extremely odd.
>
> I was also, twice, *diputada federal* (federal congresswoman). While it was common, and expected practice, that the president will summon members of his own party from time to time to explain the importance of his legislative agenda, it would have been unthinkable that the president will dare to summon all the congress hours before voting would take place, and release *diputados* to go and vote."[10]

The same interviewee narrated how politicians or members of congress that challenged the governor were persecuted, put in jail by the police, or their businesses closed-down by government authorities. Indeed, analytical work has shown that even if democracy is robust at the national level, authoritarian practices are common practice at the subnational level, with executives dominating political life and with local legislatures being marginal players that lack resources, which makes the balance of power difficult or impossible.[11]

Due to these challenges, I decided to employ a proxy variable. I employ the pre-electoral coalition pact, as a proxy for the conformation of the coalition government during the term for which the executive was elected. I acknowledge that this is a suboptimal proxy. Yet, as will be shown in the empirical chapters (5-7), even using this "dirty" proxy, I find encouraging results for the effect of coalitions at the budgetary and electoral spheres.

While working hard to maintain a coalition once its been formed makes sense, the decision to join one is not that straightforward, especially for accompanying parties. A number of studies have shown that non-formateur parties must expect a decline in electoral support in the following election after forming a coalition.[12] Similarly, in terms of reputation and ideological image, smaller parties are better-off outside rather than inside a coalition government.[13] It is therefore puzzling that accompanying parties even agree to form

[10] Anonymous Interviewee #1.
[11] Eaton 2006; Gibson 2012; Behrend and Whitehead 2016.
[12] Narud and Valen 2008; Kluver and Spoon 2017.
[13] Fortunato and Adams 2015.

coalitions. They do so largely because membership in a coalition government allows them to obtain certain benefits, particularly policy influence. But these parties follow a balanced strategy to maximise other rewards too, including the spoils of office and votes.[14] The exact mix will depend on parties' policy priorities.[15]

Unfortunately, most of what we know regarding parties pay-offs and incentives comes from research from Western Europe, especially regarding accompanying, niche or regional parties, which are of smaller size. In this regard, recent research has shown how accompanying parties are skilful at profiting from their minority position. In a coalition, the formateur party tends to be overrepresented, in terms of cabinet seats, or holds the most powerful cabinet positions. Yet, even if they do not get cabinet seats, accompanying parties are willing to offer their support since policy influence and the access to resources that comes with government membership are at the core of their motivation.[16] In part, this result can be linked to party's size, since the lack of a cabinet seat and the national policy relevance that comes with it is less relevant to small or niche parties. Research has shown that non-formateur parties frequently obtain pay-offs in the form of deputy/junior ministries in areas of highest policy saliency[17], which help them to fulfil their agenda, which is skewed in providing group-specific or policy-specific policies.[18] For example, research from European parliamentary systems found that environmental protection and welfare-state policies can be explained by the presence of niche and regional accompanying parties.[19] In a recent analysis, Anghel and Tork (2019) found that in Romania accompanying parties use their influence in minority governments to implement policies that benefit specific groups. Furthermore, accompanying parties are more likely to obtain these benefits in the presence of formal agreements.[20]

In part, accompanying parties pursue these policies due to their nature. Accompanying parties are normally smaller in size but also more specific in their policy orientation, policy areas and political objectives than mainstream parties.[21] For example, regional parties are willing to

[14] Strom 1990.
[15] Raabe and Linhart, 2015; Bäck et al., 2011.
[16] Bassi 2017; Hix and Noury 2016.
[17] Evans 2020.
[18] Adams et al 2006; Meguid 2005.
[19] Manow 2008.
[20] Bale and Bergman 2006b.
[21] Adams et al. 2006.

support a government in exchange of policy-making authority for their groups or regions.[22] Rather than holding office, niche parties' attitude to party competition and government formation is different to mainstream parties, since they are more interested in influencing policies in their specific areas of interest.[23] In this regard, coalition formation provides a remarkable opportunity for accompanying parties to achieve their objectives since it is unlikely that they can access government on their own. Research has shown that accompanying parties are more successful in implementing their policy promises in the presence of a minority government.[24] Largely this is because parties with less policy areas are more efficient at prioritising and pursuing their policy goals.[25] In part, their productivity is linked to parties' focusing their resources to fewer objectives, as well as trying to stand-out in one policy area

The previous discussion illustrates the motivations and actions of accompanying parties, but it opens a number of questions. First, almost all of the previously cited research, has been done in parliamentary settings. The policy influence that accompanying parties appear to obtain, can be linked to the credible and costly threat that accompanying parties pose to the formateur, since if they withdraw their support the government can collapse, triggering a general election. In presidentialism, this feature is largely absent, opening the question as to whether accompanying parties can exert policy influence and obtain benefits from their coalition membership. We know that under presidentialism coalition members do obtain different benefits.[26] However, the distribution of these perks are primarily a decision of the executive, and are linked to the coalition formation and coalition holding. Second, one of the key findings in the coalition literature on Europe is that coalitions, overall, are more wasteful. Are coalitions also more wasteful under presidentialism? And if they are, is because of similar reasons as in parliamentary contexts? Third, given that parties are less likely to be programmatic, will coalitions be more wasteful, or will they not given that junior partners have less blackmail potential? The policy influence that accompanying parties achieve in parliamentary systems, while policy and group specific, appears to be mostly programmatic and welfare oriented. In third-wave presidential systems, political competition and parties'

[22] Hellers 2002.
[23] Adams et al 2006; Meguid 2008..
[24] Moury and Fernandes 2018.
[25] Adams et al 2006; Meguid 2005.
[26] Chaisty, Cheeseman and Power 2018

motivation to seek office is far from universally programmatic. Clientelistic practices, corruption, the presence of cartel parties or parties for rent are just some examples of political practices that are normal, particularly in the Latin American region. In this regard, the question of how accompanying parties use their influence remains open.

1.2. Coalitions, Governmental Expenditure, Portfolio Allocation and Policy Influence

The first part of the thesis studies the relationship between coalitions and the portfolio allocation process of governments, with a special interest in public investment choices. It does so in two parts. The first one analyses aggregate levels of expenditure dynamics between single-party and coalition governments.

This thesis explores the linkage between the variability in government type and variation of expenditure in the states of Mexico. It proposes that overall expenditure and portfolio variation can be a function of the presence or absence of multiparty coalitions across the subnational political landscape. In particular, I suggest that coalitions have a direct effect on differences in the types of expenditure. Coalitions introduce a series of collective-action and accountability problems between the members of the coalition which influence the allocation of the budget and portfolio choices that the government has. This results from the different interests and objectives that each party member of the government has, independently of their electoral weight and power. I also argue that expenditure priorities and the portfolio allocation differential caused by coalitions are a function of political strategies pursued by the parties that make up the coalition.

Overall, there are two main results. First, contrary to what other studies have found, coalitions do not have an incremental and significant effect in the overall level of expenditure of a government when compared to single party governments. Yet, I find that the presence of coalitions has an effect on the policy choices of the government, in particular by increasing the level of expenditure in subsidies and transfers -a category that reflects a preference for private goods and clientelism-, while decreasing the level of expenditure in public investment projects - a category that reflects a preference for public goods. These results are tested with a battery of statistical models that rely on an original dataset.

A panel dataset was gathered for the specific purpose of this thesis. This dataset employs disaggregated data of Mexico´s 31 states and over two thousand municipalities over the period 1992-2015. It includes disagregated budgetary data of states expenditure and income compositions. It divides expenditure over different components, expenditure categories, projects and programs. Importantly, each budgetary category is comparable across states, since each income or expense is grouped using the same definition. Budgetary data was constructed using Mexico´s official data from the National Statistics Institute (INEGI), using official records by each state congress yearly audited records. This information was complemented by archival work of expenditure records. The data set also uses electoral and political data, such as pre-electoral agreements and candidates in each gubernatorial election, electoral results, winning margin, candidates' names, candidates previous political affiliation and conformation of the congress. This data derives from three sources: public information from Mexico´s Electoral Institute (Instituto Nacional Electoral) and states electoral institutes (Organismos Públicos Locales Electorales), and from the author's archival work and public information requests (solicitudes de información pública). Supplementary information of socioeconomic variables was also gathered such as economic growth, municipal poverty levels and population. The result is an unique and original highly-balanced panel dataset.

My analysis in the first part of the thesis contributes to the debate about the heterogenous impact of coalitions on spending. Current academic work, for example, maintains that the policy effect of coalitions is largely determined by five variables: the system of government, the electoral system, the size of the coalition, the characteristics of the formateur, and the resources that the formateur distributes to the minor partners in order to administer and hold the coalition together.[27] I add to this list the proposition that while coalition governments may not on average spend differently than unitary ones, there are important differences across coalitions that stem from the characteristics of the parties that make up the coalition.

Specifically, I argue that accompanying, junior parties exert an influence in public expenditure both in terms of quantity and design. The shape and direction of this effect varies depending

[27] Bawn and Rosenbluth 2006; Iversen and Soskice 2006; Duverger 1963; Cox 1990; Lijphart 1990; Persson and Tabellini 2004; Cheibub, Prezeworski and Saiegh 2004; Amorim Neto 2006; Chaisty, Cheeseman and Power 2018.

on the degree of institutionalisation of these smaller parties, with personalist, non-programmatic parties leading to an increase in particularistic/private goods expenditure and programmatic ones leading to more public goods leaning expenditure, even if the orientation of the formateur is different.

The argument is tested again at the subnational level in order to hold constant both the system of government and the electoral system, using the 31 federal states of Mexico as units of analysis. The political parties that make up the Mexican party system in the years 1994 to 2015 are the object of study. Using an original database of disaggregated expenditure categories and a battery of panel data estimation techniques, I find support for the above argument: accompanying parties exert an influence in the allocation of state budgets in ways that are consistent with their programmatic orientation or lack thereof.

1.3. Coalitions, Democratic Transition and Party System Institutionalization

Despite their popularity, multi-party coalitions and their consequences, are a little-studied phenomenon in Mexico. The second part of this thesis, I will analyse the effects that the formation and use of multiparty coalitions has had on voters, the party system and democracy, particularly for the stability of the political system in the future.

On July 2, 2018, Mexican voters who went to the polls found ten different parties to vote for, something unthinkable just forty-two years before when José López Portillo of the ruling and hegemonic PRI was the only registered candidate to compete for the presidency. Despite the plurality of parties, in reality the diversity of options in 2018 was much lower. Due to various multi-party coalitions, there were actually only four candidates to vote for, including one with no party affiliation.

The 2018 election saw the collapse of the ruling PRI, which had regained the presidency in 2012 after being ousted in 2000. The PRI obtained less than 14% of the votes at the national level. Its historic rival, the National Action Party (PAN), did not fare much better, obtaining 17% of the vote. The winner, with 53% of the vote, was a three-party coalition led by the Movimiento de Regeneracion Nacional (Morena), a party that obtained its registration only 4 years earlier. The election occurred in a context in which all political parties formed various

pre-electoral coalitions at the federal, state and municipal levels, and in which 90% of incumbent governors had been elected with the support of a coalition.[28]

Pre-electoral and governmental coalitions are relatively new in Mexico, but they have become the norm, particularly after the defeat of the PRI in the federal elections of 2000. For example, in conjunction with the presidential election, in 2018 nine states elected state governors, eight of whom were nominated and won with the support of a pre-electoral alliance of two or more parties registered with the electoral institutions. Similarly, more than 80% of the federal deputies and senators elected in that election did so with the support of a pre-electoral alliance of two or more parties. In contrast, in the 2000 election only three governors were elected with the support of a multi-party alliance.[29]

I argue that the Mexican party system, one of the main pillars of a democracy, is weak and at risk. This represents a threat and a challenge for the consolidation of a relatively young democracy, since in a context of political change, such as the one Mexico is currently experiencing, greater instability of the party system is not desirable, but it is possible.

I will pursue three parallel lines of argument. Firstly, I contend that the progressive use of coalitions has had a negative impact on the electoral trajectories of Mexican political parties, mainly the PRI, PAN and the PRD, being one of the contributing factors to the electoral decline they are currently experiencing. Second, I ague that coalitions have diminished the institutionalization of the party system in Mexico, and pose a risk for Mexican democracy, contributing to the perception of disillusionment with the democratic system and rejection of the ruling political class that currently exists in the population. Third, I posit that coalitions favoured the emergence of outsiders on the political scene by allowing them to access public offices, whether in the form of parties or individuals.

1.4. Current Explanations for Variation in Public Expenditure

Why is it important to study in which manner states spend and what type of goods they provide? Expenditure allocation choices, in particular the goods that the state provides and

[28] Author's calculation based on data from Instituto Nacional Electoral.
[29] Ibid.

distributes can be a measure of a state's capacity. The state executes different functions for the development of a modern society such as the enforcement of property rights, territorial control or the protection of citizens' basic rights. Since the 19th century the role that the state plays has evolved beyond the coercion-extraction cycle that involves territorial control, Weberian coercion, appropriation of fiscal resources and the establishment of a legal infrastructure to enable economic activity. The capacity of a state also involves an infrastructural dimension which includes the ability by the state to build organisational structures that have long term effects of strengthening itself. This capacity is linked to the ability to deliver and can be measured in the success of its public policies, its economic prosperity, or its level of redistribution. [30]

It is on this point where the role of the state, its expenditure and the delivery of goods becomes relevant. Due to the collection of taxes and economies of scale, a government is a better provider of goods that are either underprovided or overprized by the market but are nonetheless vital for a society. Particularly, the delivery of public goods, such as education, public health, sewage, water or roads, are examples of goods that are better provided by the government than by markets.[31] Similarly, it has been shown that the delivery of public goods by the government is not only beneficial as a source of redistribution, but their provision has long-term benefits for social welfare. The provision of public goods can reduce inequality but also generates positive externalities that can put a society in a virtuous cycle of development.[32] Importantly,

Since public goods are provided by governments, the process of delivering these goods is intimately related with a democracy and democratic values. Public goods have long been hypothesized to be better provided[33], more efficiently[34] and equitably distributed in a democracy, even in the presence of non-perfect institutions[35] compared to what an authoritarian regime would achieve, and we now have empirical evidence to back up these arguments[36].

[30] Centeno and Ferraro, pp. 11-12.
[31] Olson 1965
[32] Acemoglu and Robinson 2006, Boix 1999
[33] Lake and Baum 2001, Bueno de Mesquita et al. 2002
[34] Wittman 1989, Gradstein 1993
[35] Weingast, Shepsle and Johnsen 1981
[36] Min 2008 and 2015.

Government expenditure, and whatever outcomes are delivered, is an important research area for democratic theory directly related to issues of accountability, representation, and social redistribution. In a democracy, a candidate establishes a platform and makes a series of promises in order to attract support with the promise of delivering them once in power. Therefore, the allocation of the budget and the expenditure of a government can be a measure of the level of responsiveness of a government to the preferences of the voters and the demands of the citizenry.

But government spending is far from straightforward. Governments, particularly executive holders, face a dilemma due to the scarcity of public resources and the unlimited demands that exist. They must therefore make an allocation decision of what to provide and to whom. Since budget allocation is largely decided by political authorities, allocation becomes a political strategy subject to manipulation and to the prevailing political context. [37]

Early theories of democracy initially assumed that in a democracy the exchange and participation between citizens and politicians would enhance accountability, pushing government expenditure towards increasing levels of redistribution.[38] The argument assumed that under democratic elections if a candidate did not embark on a programmatic platform, a competitor would do so, thus increasing the risk of losing an election. Similarly, the supply of non-programmatic expenditure promotes values that some consider contrary to those of democracy, such as corruption and favouritism. Therefore, in a democracy other forms of expenditure, such as patronage or clientelism, were expected to be either absent or to gradually disappear.[39]

However, the third wave of democratization challenged this view and showed that democratic governments are not necessarily champions of redistribution and accountability. Clientelism, for example, is not only present but is a key element in the democratic exchange between citizens and politicians in many developing democracies.[40] Furthermore, electoral success is not necessarily dependent on increasing social welfare or maximizing social utility. Similarly, once in power the prospects of a ruler do not necessarily depend on the provision

[37] Stokes et al. 2013.
[38] Downs 1957.
[39] Kitschelt and Wilkinson 2007.
[40] Kitschelt and Wilkinson 2007.

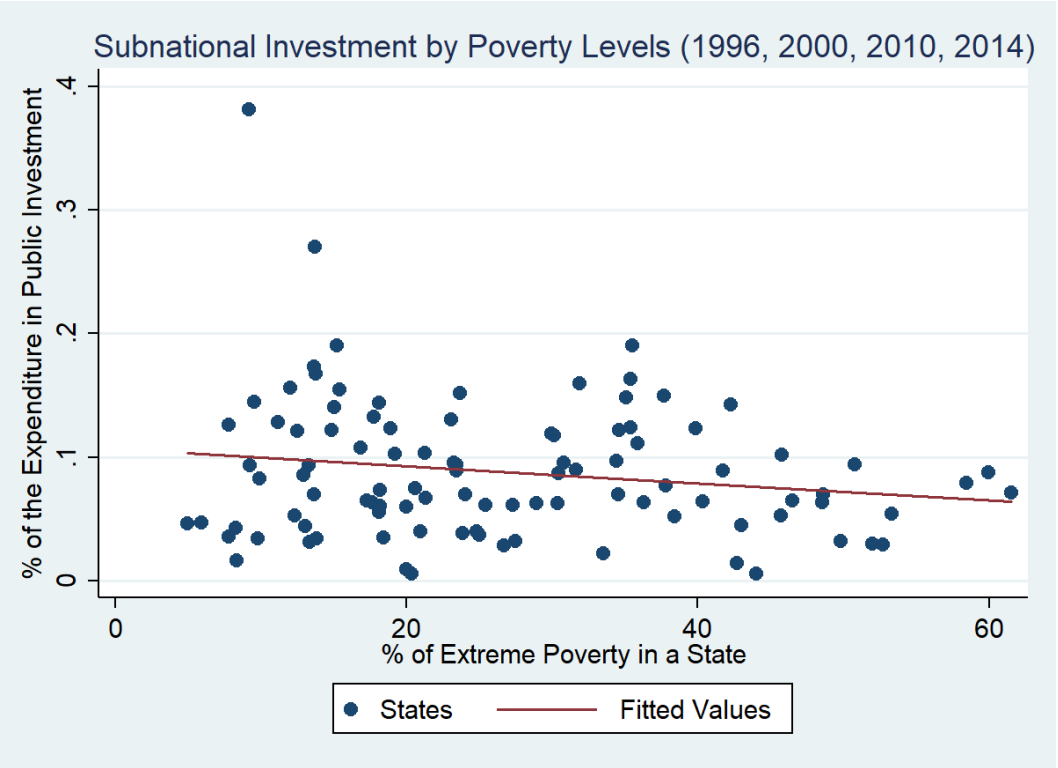
of collectible public goods or the efficient redistribution of the government budget in ways that would increase and maximize social utility. By contrast, electoral success is often the result of asymmetric principal-agent relationships that normally involve forms of perverse accountability and the distribution of spoils.[41]

Variation in types of public expenditure is often viewed as a function of two sets of variables: one based on economic cofounders and the other in political ones. Any economic unit, such as a country or a region, has particular economic conditions, such as the level of economic development, that determine the amount of resources a government has at its disposal. Expenditure patterns, such as the provision or the demands of public or particularistic goods can have a strong correlation with the level of income. The level of expenditure and the provision of public goods are also dependent on the economic structure, particularly on the asset specificity and export capacity of an economy.[42] A third source of variation is the one provided by Political Business Cycle theory, in which a governments deficit and the provision of particularistic goods fluctuate with the electoral calendar. [43]

Mexico is a good case to test these arguments since it has substantial variation in economic and public expenditure outcomes. On the other hand, its states share a legal, constitutional, electoral, and political framework, which allow to better identify the effect of covariates when there is variation in expenditure. In principle we would expect that those states with better levels of development, less poverty or more income, will have larger levels of public goods provision. Figure 1.3 shows this relationship in Mexico, employing the percentage of the population that lives in nutritional poverty[44] and a state's level of public investment[45]. As we can see, the expected positive relationship we would expect is absent and those states with low poverty levels do not have higher levels of public investment[46].

[41] Stokes 2005.
[42] Boix 1999; Hidalgo and Hausman et al 2009.
[43] Nordhaus 1975.
[44] Measured as the population that cannot acquire/purchase the basic market basket to eat (CONEVAL 2020). It is similar to the measure of extreme poverty (those that live with less than $2 dollars a day).
[45] Measured as the percentage of a yearly budget allocated to public investment programmes.
[46] The relationship is the same if we employ per capita public investment instead of percentual.

Figure 1.3.



Source: Author's calculations based on INEGI, Finanzas Publicas Estatales y Municipales.

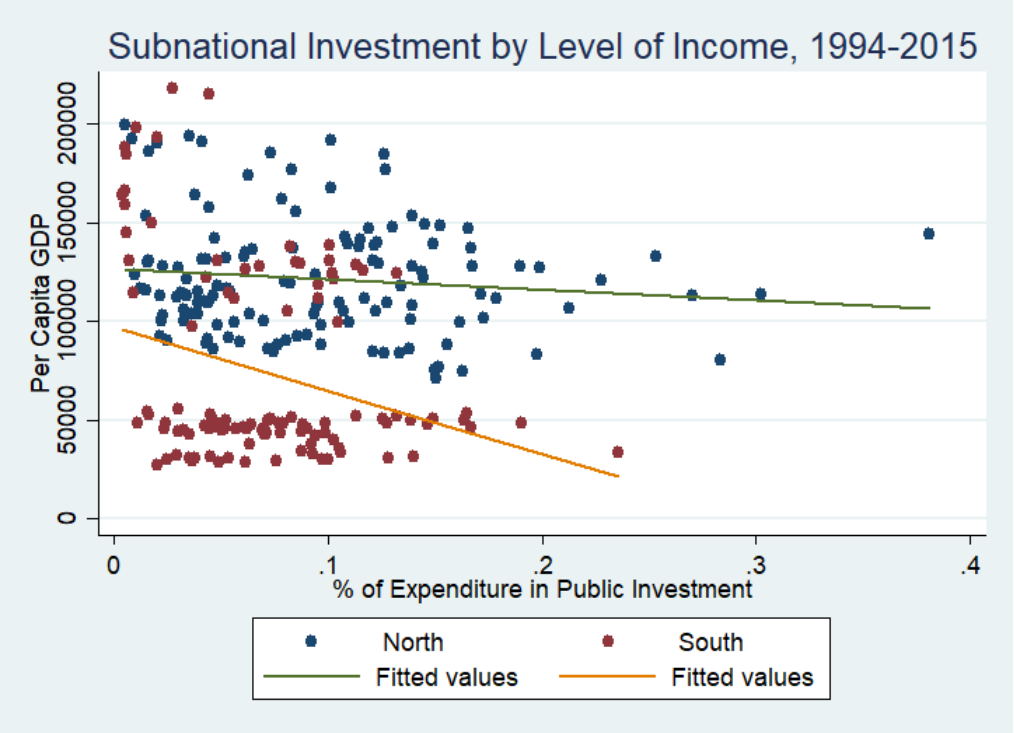
Mexico shares a border with the United States and has a large commercial relationship with this country. Together with Canada, they form one of the most dynamic trade regions in the world, worth more than $1.1 trillion in 2016.[47] This relationship largely benefits Mexico's northern states, where most of the foreign investment and export-oriented industries are located. On the other hand, Mexico's southern states are 2,000 kilometres south from the border, and are the more impoverished and economically backward ones, with low levels of industrialisation. Following Boix and Hausman we would expect that public investment will be notoriously higher at the six states that share a border with the United States, than at the five southern states, due to their higher economic complexity, linkages to the global economy and the demands from economic factors such as companies and more preeminent middle-class.[48] As we can observe in Figure 1.4, the level of income is much higher in the north than

[47] Council on Foreign Relation 2018.

[48] Northern states are Tamaulipas, Nuevo Leon, Coahuila, Chihuahua, Sonora and Baja California. Southern states are Quintana Roo, Tabasco, Chiapas, Oaxaca and Guerrero. Campeche is omitted for being an outlier since it receives large influx of state transfers since the oil reserves and oil industry is located in this state. Until 2018, the oil industry was controlled by a state-owned monopoly.

in the south. However, levels of investment in public goods doe does not differ between the two regions.

Figure 1.4



Source: Author's calculations based on INEGI, Finanzas Publicas Estatales y Municipales.

There are also political explanations for variation in government expenditure. A relevant explanation is decentralisation, in which the sequence of decentralisation and the type of decentralisation (fiscal/economic or political) affect variation between different governments.[49] This theory does explain cross-national variation but is limited at the subnational level where decentralisation policies are normally adopted homogenously within a country, such as in the case of Mexico were all states benefited from decentralisation measures at the same time and in the same sequence.

The distributive politics literature recognises the importance of economic cofounders, but argues that policy outcomes, and the process through which they are decided, are defined by political interests. One of the main assumptions of this literature is that politicians are not

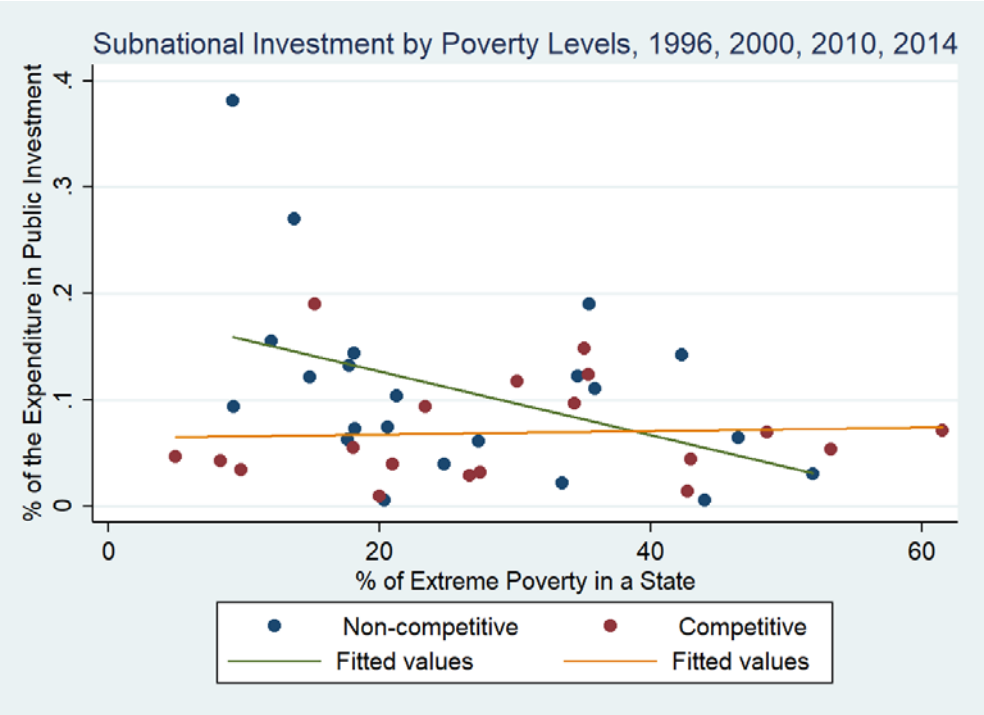
[49] Falleti 2010; Faguet 2012.

necessarily maximisers of social utility, but rather individuals influenced by career incentives, short-term interests.[50] In this regard, the income of voters appears to have an inverse relationship with the provision of clientelism or private-goods, as poor voters discount in favour of short-term material benefits.[51] However, this provision tends to be conditional on the level of electoral competition, the margin of victory and the political strategy of a party.[52] One of the cofounders that explains provision of clientelism is the level of wealth of the population measured as the size of the middle class. However, as the previous two graphs show, this relationship appears not to hold at the subnational level in Mexico. Weitz-Shapiro provides an alternative argument in which the combined effects of electoral competition and middle-class size explain variation in clientelism. However, this argument does not seem to completely explain variation at the subnational level, at least in Mexico.

Figure 1.5 does a simple exercise, dividing states between those that are electorally competitive and those that are not. Although at the national level there was a democratic transition in 2000, several states remained subnational authoritarian enclaves where there was no political transition and where the PRI remained a hegemonic party.[53] [54] On the other hand, there are states that are strongly competitive and where there was an early transition, and where different parties have been in control of the state government.[55] Contrary to what we would expect, competitive states with low levels of poverty do not have higher levels of public investment than non-competitive states.

[50] Weingast 2014
[51] Kitschelt and Wilkinson 2007. Calvo and Murillo 2004.
[52] Magaloni et al 2007, Calvo and Murillo 2004, Remmer 2007, Weitz-Shapiro 2012, Khemani 2003.
[53] Giraudy 2010 and 2013.
[54] Estado de Mexico, Tamaulipas, Coahuila, Durango and Tabasco.
[55] Queretaro, Chiapas, Baja California, Yucatán, Guanajuato and Tlaxcala.

Figure 1.5.



Source: Author's calculations based on INEGI, Finanzas Publicas Estatales y Municipales.

Another cause of variation is the sources of income of a government, since a dependency on non-tax revenues increase the likelihood of deficits and the provision of private goods and patronage, since non-tax revenues decrease accountability. The electorate has no incentives to monitor and those that govern receive resources without taxing its population as a blank check to spend however they see fit.[56] As this thesis will show, this asymmetric and moral-hazard problem is present in the states of Mexico, where an increase in non-tax revenues has led to an increase in short-term expenditure linked to private goods.

In sum, the comparative politics literature has advanced a number of hypotheses that complement economic-centric arguments, looking at the interplay of politics and how different socio-political variables influence government allocation choices. Yet, the existing literature appears to mainly focus on the effects of the electorate and its characteristics on the observed variation of policy outcomes. For example, how voters decide and participate,

[56] Ross 2001; Rodden and Wibbels 2002; Remmer 2004.

the role that the wealth of voters have or how their educational and ideological backgrounds play a role.

Although demand factors are important since democratic accountability revolves around voter responsiveness to the performance of elected officials, the distribution of the budget is pre-eminently a decision taken by elites. Even if the budget has to be approved by a legislature, its crafting and allocation is largely a party-elite policymaking decision, involving a few actors in a largely discretionary decision process and channelled through a vertical structure. In this regard, the role of the political elite becomes paramount in the policy-making process and ultimately the outcomes that we observe, since they are the ones that form the government, craft the budget, and implement it.[57] As Remmer (2007) points out, most of the literature on distributive politics has focused on the role of the electorate, precisely neglecting the role that politicians play in this process. Therefore, the policy outcome, such as the construction of a road or the creation of an education program targeted to the poor, does not necessarily need to adjust to supply and demand variables related to the electorate, but will respond to government dynamics. For example, Giles and Page (2014) conducted an analysis in which they measured which political group has a higher influence on policy making and government outcomes in the United States. Their key findings include that average voters have marginal power over policy decisions when compared to elites, little or no independent influence on policy at all, and that perceived policy outcome "gains" are caused by elite influence rather than by the effect of the citizenry.

If we ought to look at elites, one important source of observing elite's influence as well as of variation, could be the type of government in which elites operate. In this regard, coalition vs. unitary government provide an ideal set-up to quantify these effects since coalitions agglutinate several elite groups, which operate under the same place, providing them with economic and political resources to implement policies, programs and pursue an agenda.

1.5. Contributions of my thesis

Although not the central topic of interest, this thesis deals with decentralisation. Almost all the implications and puzzles that this thesis highlights, occurred because Mexico underwent a large political, fiscal and administrative decentralisation process which begun in the 1980s.

[57] Remmer 2007.

A vibrant literature developed in the early 2000s looking at the effects that the return to the local had, particularly in the Latin American region. Examples of this are the sequence of decentralisation, effects on democratisation or its implications for development.[58] This literature has also asked if decentralisation, as an institutional tool, has any effect on corruption, whether it is to increase it or decrease it.[59]

Although far from unanimous, results suggest that decentralisation is not a silver bullet and its effects are context specific. Cross-country analyses have shown mixed results, most likely due to the cofounding effect due to country's different institutional configurations. However, a new wave of research focusing on subnational analysis provide more nuanced effects. Although this thesis does not deal with corruption on itself, one of the contributions is related to the effect that decentralisation has on public expenditure. As chapter 3 and 4 will show, political and fiscal decentralisation allowed more electoral competition, the creation of multiple configurations of electoral coalitions as well as fiscal leeway for governments in their portfolio allocation process of the budget. One of the main results of this thesis concerns how the quality of the expenditure changes when the political configuration changes.

A second contribution relates to the literature on presidentialism and coalitional presidentialism. Since Linz (1994), the study of presidentialism has been one of the most important areas in comparative politics. The increasing use of coalitions as a regular tool for government formation, provided a second boost which focuses on coalitional presidentialism. Important analytical progress has been made, particularly regarding coalition formation and coalition administration, both nationally and cross-nationally.[60] This thesis continues the analytical chain of coalitional presidentialism to the natural next step which concerns the effect that a coalition has in the functioning, operations, and outputs of the government.

Some questions still remain for coalitional presidentialism. For example, beyond the managing effects that a coalition government has, it is still not clear in which policy areas the presence of a coalition government is most noticeable. Likewise, most of the scholarly work on coalitional presidentialism, focuses on the role of the formateur and assumes that the formateur is the decision-maker. This thesis deviates and challenges this assumption by

[58] Faguet 2012; Falleti 2010; Grindle 2008.
[59] Bardhan and Mookherjee 2006.
[60] Chaisty, Cheeseman and Power 2018.

analysing accompanying parties and underscoring the effect that minor coalition partners have on the government, particularly on the portfolio allocation process. As will be discussed, this thesis argues that coalitions have a non-programmatic effect on the budget. However, there are nuances to these effects since the institutional makeup of a party has a strong influence in a party's policy and non-policy goals when joining a coalition.

A third contribution relates to the literature on party breakdown and the role that coalitions have on parties' electoral paths. How parties cope with electoral crises, particularly former hegemonic parties that dominated the electoral and political scene of a country for decades? An established literature looks at parties, and how parties as institutions influence a country's democracy. For example, parties and the stability of inter-party competition influences the level of institutionalisation of a country.[61] Of particular importance is how parties adapt, or not, to electoral setbacks. Crises are difficult and have ramifications that go beyond those concerning the interest of the party itself. In the face of a crisis, parties adopt particular strategies to compete, such as coalitions. Yet, these decisions will affect them in the future and can hunt them, for example by diluting their party brand.[62]

These implications are currently affecting several third-wave democracies, who are entering the test of time when democracies either consolidates or fade.[63] In particular, countries that struggle with democratic consolidation had a hegemonic party dominating the political and electoral arena before democracy took place, and once the transition occurred this same party became a competitor as well. The final part of this thesis will look at these dynamics. Particularly at how a former hegemonic party, the Partido Revolucionario Institutcional, embraced coalitions as a strategy to adapt and re-emerge as an electoral contender. Yet, the recurrent use of this strategy over a long period eventually backfired, becoming one of the reasons for its eventual demise and possible collapse. This thesis adds to a growing literature in the electoral implications of coalition policy making.[64]

Another contribution is linked to accountability, both electorally and in terms of public policy outputs. Are coalitions a good institutional mechanism for accountability? Most of the

[61] Mainwaring 2018.
[62] Lupu 2018.
[63] Carothers 2002; Svolik 2012; Levitsky and Ziblatt 2018.
[64] Fortunato et al. 2017, Fortunato et. al. 2021.

insights that we have on this issue, comes from studies of parliamentary systems.[65] In this regard, this thesis adds to the growing literature looking at presidential systems, particularly those from the third wave of democratisation.[66]

Generally, the literature identifies two dimensions of government performance, responsiveness, and effectiveness.[67] A responsive government is the one that adopts and implement the policies that are preferred by citizens. Effectiveness, on the other hand, is measured on how efficiently and effectively the government is implementing the policies that it pursues, i.e., how it manages its budget. As the following chapters will show, particularly chapters 5 and 6, coalitions do not fare well in either aspect when we consider the needs and macroeconomic situation of the states of Mexico. Coalitions tend to spend in short-term projects, far from the public goods that are needed in a developing country with 50% of its population in some type of poverty. Likewise, the analysis shows that coalitions tend to overspend or create redundancies in policy programs.

How do coalitions fare in terms of their democratic accountability? In principle, coalitions are seen as a good option since they aggregate different groups, bringing different options, needs and voices to the government. Yet, this confluence does not guarantee that electoral accountability will improve. It has long been established in theoretical work that democratic accountability is difficult under multipartyism.[68] Within the government, there is a tension between the different political groups, and it is difficult for the executive to keep a check on its different ministers to remain under check and follow a common path. But multipartyism also present challenges to voters, as it becomes difficult to identify and attribute responsibility for the government actions, both for its victories and its failures. Furthermore, as this thesis will show, coalitions complicate citizens ability to discern representative from unrepresentative government and the ability to sanction them appropriately.[69] Downs (1957) hypothesized that policy-oriented voting decreases under multiparty government. This is exactly what appeared to have happened in Mexico with the constant use of coalitions. The ability of citizens to distinguish, evaluate and sanction good from bad governments was

[65] Downs 1957; Sartori 1994.
[66] Linz 1994; Altman 2000; Neto 2006; Chaisty 2008; Cheibub et al., 2004; Hicken and Stoll 2013; Chaisty et al., 2018; Borges and Turgeon 2019.
[67] Putnam et al., 1994.
[68] Downs 1957; Sartori 1994.
[69] Mainwaring, Stokes and Manin 1999.

blurred, and parties had no incentives to perform either in a responsive or effective manner. The constant use of coalitions, and the heterogeneity of coalition formation in Mexico, confused voters but also made it difficult for them to sanction them, stranding the voter-party relationship. As the last chapter will show, formateurs lost votes the more coalitions they made over time, even if they won offices, paving the road for their eventual electoral collapse, and opening the road for outsiders.

Another contribution relates to how coalitions decide and organise, and how the party's member of a coalition, particularly accompanying parties, influence the policy outcomes that a coalition government delivers. Almost the totality of academic work on this subject comes from parliamentary settings. Both the ministerial autonomy model[70] and the coalition compromise model[71] conclude that outcomes reflect the size-weighted preferences of the members of the coalitions. That is, the most important aspect determining a party's influence over coalitions outcomes and policy influence is the size of the party. One of the most important contributions of this thesis is that this conclusion does not hold in a gubernatorial-led subnational system.

Chapter 6 discusses how policy influence is not limited to a party's electoral size and the significant role that accompanying parties have in the portfolio allocation process of a coalition government. Smaller parties influence to a large degree the expenditure of a government, appropriating programs from which they can profit, claim credit or link government actions to their brands, even if this means going in a direction opposite of the formateur's preferred policy orientation. Thus, smaller parties benefit in a way that is not seen in parliamentary systems, where accompanying parties are normally overshadowed and even used by the formateurs.

This thesis also sheds new light on how non-dominant, disadvantaged parties become competitive in a party system particularly when facing a disadvantageous context where resources are asymmetrically allocated, being largely held by dominant parties.[72] As the process of democratisation unfolded in Mexico, the party system became more competitive, but also became concentrated. During the late 1990s and early 2000s, 3 parties amassed 90%

[70] Laver and Shepsle 1996.
[71] Martin and Vanberg, 2011.
[72] Shefter 1977a and 1993; Van de Walle 2003; Howard and Roessler, 2006; Greene 2009.

of the vote, both at national and local elections. The rest of the parties of the party system, and those that emerged later, faced a disadvantaged scenario. First, a former hegemonic party still held a grip in the electoral arena being the main competitor. Second, the three dominant parties were patronage rich. Thus, this left smaller-challenger parties facing an asymmetric and disadvantageous context where failure was a certainty.[73] Yet, as contemporary events show, they succeeded. This thesis describes how coalitions help parties overcome the challenge of a lack of resources and slowly, but consistently, help them survive and eventually become competitive, even if they are not protest parties or heirs of a social movement.

1.6. Organisation of the thesis

This thesis combines theoretical work and quantitative analyses, whose objective is to single out the effect of coalition governments on governmental expenditure, policy formulation, policy influence, and the electoral fates of political parties. The work that follows relies on an original panel database that combines political, economic, and electoral data of the 31 states of Mexico between the years 1991-2015. This data base includes details of the party or parties that formed part of a state government in every single year, the name and party affiliation of the governor, the number of votes that the winning party/coalition obtained, the vote difference with the second place, if the governors party/coalition had a majority in the state congress, the number of votes each party obtained in every local election both at the municipal and state level, as well as several macroeconomic and socioeconomic indicators. The work that follows was also developed after several interviews were conducted, including 7 former state governors and one former president of Mexico, as well as archival work in local newspapers and state records. The analysis is done at the subnational level, mostly using the 31 states of Mexico as units of analysis, but in some cases at the municipal level employing over 2,500 municipalities.

Chapter 2 presents the central argument of the thesis, which centres on how the portfolio allocation process operates within a coalition government. It also defines more broadly what this thesis understands for a coalition. The first part of the argument discusses the differences

[73] Aldrich and Bianco, 1992; Cox, 1997.

that a multiparty government has vis-à-vis single party ones. The second part of the argument centres on how each party influences the portfolio allocation process and how differential effects are observable in different parts of the budget.

Chapter 3 engages with the main independent variable of this thesis, multiparty coalitions. It describes the evolution of coalitions in the Mexican Republic at the national and subnational level since the 1980s when the country was starting its process of democratisation. It describes how coalitions emerged, the context in which they emerged, their objectives, and how their nature evolved and changed. Ultimately, it is notorious how in a short span of time of two decades, Mexico shifted from a single-party hegemonic system to a competitive system with no coalitions, to one where coalitions are now the norm of electoral politics.

Chapter 3 has Three main objectives. The first one, is a description of coalitions, their emergence and evolution over the last two decades. The second one is to describe in more detail the political parties that conform the party system in Mexico, with the objective of linking each party's internal characteristics to coalition dynamics. The third one, is a discussion of the level of institutionalisation of the party system in Mexico and how it has changed over the years, largely due to the emergence of coalitions. This chapter also discusses broader dynamics linked to democratisation and politics such as satisfaction with democracy and voters' preferences. It ends with the proposal of an index of institutionalisation of Mexican political parties. Most of the discussions, conclusions and findings reached in this chapter will be later used in Chapter 7

Chapter 4 describes the main dependent variable of the thesis. It overviews Mexico's public expenditure patterns since the late 1980s, with a focus on subnational dynamics. In doing so, this chapters also describes the process of fiscal decentralisation and the changing role of states as economic actors. Attentions is not exclusive to aggregate levels since several disaggregated measures of expenditure are used. Using descriptive tables and statistics, this chapter aims to offer a first glimpse of the different expenditure dynamics of the states, how these dynamics appear to not be clearly explained by traditional economic explanations, and how they appear to be linked to the presence of multiparty governments.

Chapter 5 is the first explanatory chapter of the thesis, where I test the first set of hypotheses derived in Chapter 2. Specifically, I analyse the differences in expenditure between coalitions

and single party governments. The main finding of this chapter is that while coalitions do not appear to spend more at the aggregate level than single party governments, when taking disaggregated measures of expenditure, there are differences in the policy choices and provision preferences, with coalitions spending more in short-term programs.

Chapter 6 continues the empirical analysis were Chapter 5 ended. It tests the second set of hypotheses, namely those that focus on how the characteristics of coalition partners affect spending. Contrary to existing work, I show that accompanying parties influence and can steer the policy orientation of a coalition government. Using disaggregated expenditure data, I show that the policy priorities of accompanying parties are reflected in the budget, relative to the budgets executed by other coalitions in the years and governments where these parties are absent.

Chapter 7 moves away from political economy to analyse the broader political consequences of coalitions. The chapter develops and test a novel theory, focusing on party system institutionalisation and electoral collapse. Since this topic is different from the expenditure centred argument of previous chapters, it is presented independently. Yet, it continues the analytical chain developed in Chapter 2. In a way, coalitions do not only have expenditure effects, but these effects ultimately and naturally translate to the electoral/social arena. It shows how the constant use of coalitions had a negative and pervasive effect in formateur parties, whose vote lowly but consistently diminished at the hands of their accompanying parties. Likewise, the use of coalitions had a negative effect in voters, confusing and disappointing them, ultimately opening the path for political outsiders. The general conclusion of this chapter is that party system institutionalisation in Mexico has diminished, largely because of coalitions. This chapter opens a whole set of new questions and a new path of promising research, as well as interesting but puzzling findings.

The last chapter of the thesis offers concluding remarks.

2. Exploring the Effects of Coalition Governments

Almost two thirds of democracies around the world have a presidential system in place.[74] The majority of these presidents rely on multiparty coalitions to run for office and govern.[75] This thesis analyses this strategy and studies what are the policy implications of multiparty coalition governments.

Over the last thirty years, coalition governments in presidential systems have not only become common, but also proven stable and durable.[76] Multiparty governments have emerged quite consistently in Latin America as well as in African and Eastern European countries.[77] As a result, academic work on coalitions has expanded to presidential systems, with theoretical research on coalitional presidentialism making important progress in elucidating how and why power is shared and how multiparty coalitions are actually formed.

Existing work has focused almost exclusively on studies of coalitional presidentialism at the national level, on the relationships between the executive holder and the members of the coalition in the legislature, and on how the coalition is actually governed and managed.[78] The goal of this thesis is to contribute to this growing literature by looking at the policy effects of coalitional presidentialism as a policy unit at the executive level, rather than as a managerial unit whose intention is to control the legislative agenda. Particularly, the argument that follows will ask questions such as how policy outcomes are derived, how members of the coalition excise their influence over policy, and why a multiparty coalition government under presidentialism generates distinct policy outcomes when compared to unitary governments.

Existing scholarly research claims that the presence of multiparty coalitions, or divided governments, is linked to varying levels of policy outputs across countries. These policy outputs consist primarily of varying levels of government expenditure and public deficits, with coalition governments spending more and more inefficiently.[79] Scholars locate the cause of variability in an antecedent condition, namely the electoral system, which makes countries

[74] Samuels and Shugart 2010.
[75] Chaisty, Cheeseman and Power 2018.
[76] Cheibub, Przeworski and Saiegh 2004, Cheibub and Limongi 2010.
[77] Altman 2000, Chabal and Daloz 1999, Van de Walle 2003, Whitmore 2003, Chaisty 2008, Neto 2002, Neto 2006.
[78] For a review of this literature see Chaisty, Cheeseman and Power 2018, Ch.1.
[79] Persson and Tabellini 1998, Persson and Tabellini 2003.

more or less likely to end up with coalition governments. Particularly, the argument does not take coalitions as the trigger of the causal process that leads to higher or more inefficient spending, but as an indirect effect of the type of electoral system in place. In this sense, proportional representation and parliamentarism are crucial factors. In this formulation, constitutional settings create particular institutional paths that affect the interactions and behaviour of voters and parties, producing specific policy outcomes. There are two implications with existing academic work. First, that most existing knowledge about the policy effects of coalitions comes from the study of parliamentary systems. Second, and more importantly, coalitions are not seen as the root cause of variation of policy outputs, but as an intervening variable explained by differences in electoral systems and constitutional structures or by underlying heterogeneity in society.

Although the argument is compelling and theoretically sound, it is only able to explain cross-country differences in economic outcomes between governments with different electoral rules or government types. The argument is less convincing when trying to explain variability in policy outputs between geographical units that share the same set of electoral rules or constitutional framework, for instance, a particular country at different points in time or subnational governments within a federation. As an example, research on Latin America has shown that economic outcomes across constitutionally similar subnational units are significantly different across space and time.[80]

Filling these gaps is particularly important for three reasons. First, as this thesis will show and as previous researchers have suggested, policy outcomes vary significantly between constitutionally symmetric governments. Existing theoretical arguments focusing on variation in electoral rules and constitutional structures cannot explain this variation. Second, existing theoretical work has shown that coalition governments do not necessarily produce homogenous outcomes, even in cases where coalitions are formed by the same members.[81] Third, coalitions in presidential systems, both at the national and subnational level, are increasing their prevalence as a form of government or as a political tool. In this regard, it is

[80] Magaloni, Diaz-Cayeros and Esteves 2007, Stokes 2007, Benton 2012, Samuels 2003, Armesto 2012.
[81] Laver and Shepsle 1990.

of the upmost importance to understand the consequences and outputs that coalitions as a policy unit produce.

The following argument is based on existing work on coalitional presidentialism, as well as research on parliamentary systems and party system institutionalisation. Its goal is to continue the analytical chain of coalitional presidentialism to the natural next step which concerns the effect that a coalition has in the functioning and outputs of government. The first part of the argument will argue that coalitions are a root cause of variation in policy outputs independent of the electoral or constitutional framework that is in place and the societal differences between subnational units. I will argue that compared to single party governments, variation in expenditure is driven by collective action problems, agency, and competition within coalitions. The second part will analyse how differences between coalitional governments also matter, and how coalition governments generate divergent policy outcomes. In doing this, the argument will look at the characteristics of the coalition. Rather than focusing on the size of the coalition, attention will be paid to the role played by junior members and how government policy is shaped by the level of institutionalisation that the parties in the coalition have. I will later test these arguments using a subnational research design strategy, where constitutional and electoral covariates are held constant across units. In doing so, this research will contribute to the literature by showing that coalition governments are not simply an intervening variable, but can under limited conditions prove an independent force shaping the portfolio allocation process of a government, the programmatic orientation, and the public goods provision of a government.

The chapter proceeds as follows. The next section will look at the existing literature, focusing on its empirical limitations especially when trying to explain variation in economic outcomes. I will discuss coalitions by reviewing existing work in parliamentary systems and the emerging literature on coalitional presidentialism. The last two sections present my argument and hypotheses.

2.1 Existing Work on the Policy Effects of Coalitions

The literature on the politico-institutional determinants of economic outcomes emerged in the late 1970s and 1980s. As the economic growth of the post-war period began to fade,

economists turned their attention to varying inflation, debt and deficit levels accumulated by industrialised economies which appeared not to have a clear economic explanation. An early first attempt was that of Nordhaus's (1975) Political Business Cycle theory, which explained inflation cycles, but which offered limited predictions regarding broad policymaking decisions such as deficit or expenditure choices.

Subsequent seminal contributions by Roubini and Sachs (1989a and 1989b) suggested that variation in government deficit levels could not only be explained by the economic or electoral cycle, but by the structure (composition) of the government. Specifically, Roubini and Sachs suggested that countries that had divided/coalition governments where more likely to have larger and persistent budget deficits since their divided/coalitional nature made them "weak" and prone to profligacy. While Roubini and Sachs' work was mostly exploratory, it triggered a broad range of research on how governmental composition influences economic policy decisions. More current theoretical work claims that the presence of multiparty coalitions is linked to varying levels of policy outputs across countries.[82] Particularly, that divided/coalition governments are more prone to budget deficits and higher expenditure levels.

Empirical analyses provide mixed support for the weak government hypothesis, both at the national and subnational level for a range of countries. For example, using a sample of European parliamentary democracies, Bawn and Rosenbluth (2006) found that bigger coalition governments spend more. By contrast, using a larger cross-national sample De Haan and Strum (1997) found no differences in debt accumulation and government spending between divided and non-divided governments. At the subnational level, results have also been mixed. Using Spanish municipalities, Bastida *et al.* (2012) found that both majority and non-majority municipalities had higher levels of debt per capita. Also using Spanish municipalities, Lago-Peñas and Lago-Peñas (2004) found the opposite: majority one-party governments have lower deficits. Similar outcomes have been found for German landers[83], Norwegian and Dutch local governments[84] and Flemish municipalities[85].

[82] Persson and Tabellini 1998, 2003.
[83] Jochimsen and Nuscheler 2011.
[84] Borge 2005, Allers et al 2001.
[85] Ashworth et al 2005.

The variability of results in the literature can be attributed to two empirical choices. The first one is related to the units of analysis being compared, particularly for comparative work at the national level. These studies include in the same time-series countries or regions with different institutional and constitutional arrangements, with countries having presidential and parliamentary systems, as well as different electoral rules in place. By pooling together countries with such different constitutional configurations, any variation found in the econometric analysis is not necessarily caused by the presence or absence of divided/minority governments.

The second limitation is the focus on policy variation. Most studies have analysed variation in one policy area, particularly overall expenditure levels or deficit levels. For example, in their portfolio allocation model of government expenditure, Magaloni, Diaz-Cayeros and Esteves (2007) measured the programmatic orientation of the PRI regime in Mexico by analysing expenditure patterns exclusively in one federal poverty alleviation programme, without analysing the rest of the federal budget or cofounding effect between different budgetary components. Although it is plausible that the effect of coalitions can be solely in one policy front, this approach is essentially univariate and discrete. Budget allocation and government expenditure is not only a political process but one in which programs have a degree of substitutability. Executives, particularly in presidential systems, have at their disposal multiple policy tools, operational capacity and operate in multivariate terms, implementing their preferences over several policy areas or projects at the same time. A multivariate perspective using several budgetary components as dependent variables would allow us to observe what is the actual programmatic orientation of a government across different policy areas, what are the policy choices a government makes, and which policy areas are being favoured (i.e. its real portfolio allocation choices and process). This approach can lead us to make more accurate predictions regarding what effect government type has on the portfolio allocation process, for example how changes in the type of government modifies public goods provision, expenditure levels, programmatic orientation or temporal expenditure orientation of policy provisions.

I argue that the first step to overcome these limitations is by setting a subnational research design.[86] If the goal is to know if coalition governments influence public policies, then it is necessary to isolate the effect of coalitions as an independent variable. Previous research designs have been unable to do this by using cross-national studies. Using subnational units can overcome this problem, particularly if the units of comparison share a fairly homogeneous institutional and legal framework. If the institutional component is shared by the units of analysis, then it is possible to isolate and locate the mechanism of variation in the type of governmental configuration -i.e., coalition presence- while properly controlling for other alternative confounders -i.e. economic factors. As I will explain later, a subnational analysis in which the units of analysis are states within a federation that share a homogenous electoral, political, and constitutional framework can achieve this. Furthermore, a subnational research design set in the Latin American region can provide rich and useful analytical conclusions with broader implications for comparative politics.[87]

The second limitation linked to analyses that focus on one policy area can be overcome more straightforwardly by increasing the quality of the data. To pursue a multivariate expenditure approach, it is necessary to have disaggregated information about the budget that includes its different components, expenditure categories, projects and programs. Likewise, it would be ideal that these different categories are clearly differentiable using definitions that follow international standards, or that can be associated to expenditure priorities such as public/private goods. Furthermore, data points of expenditure categories should be comparable across time. As I will also explain later, this thesis uses this kind of high-quality disaggregated data.

2.1.1. Coalitional Presidentialism. From Coalition Formation to Coalition Management.

Coalitions were practically unheard of in presidential systems until the early 1990s. Given the characteristics of presidentialism, coalitions were not expected to appear or be durable.[88] However, the last 30 years have shown the opposite is in fact true. With the third wave of democratization that swept world politics, and particularly developing countries,

[86] Snyder 2001.
[87] Eaton 2020.
[88] Linz 1991.

presidentialism has become the main system of government of democracies around the world. A parallel trend to the rise of presidentialism is the increasing fragmentation of party systems in democratic societies. As a result, executives in presidential systems tend to be in the minority and face divided legislatures or tougher electoral competition. All of this has forced presidents to cultivate cross-party support before or after an election to form a government.

A new literature studying coalitional presidentialism has surged in the last decade. This section will present a brief overview of this literature focusing on its evolution from coalition formation to coalition management, proposing an extension which centres on coalitional output. This section will also highlight some of the limitations of the existing literature, particularly with regards to coalitional presidentialism at the subnational level, which will serve as a preamble to the theoretical argument developed in the next section, which focuses on policy output variability under coalitional presidentialism.

Coalition formation involves the cooperation and coming together of independent political parties under a single flag, be it to compete, pass legislation or govern. Democratisation fosters fragmentation but democratisation also fosters solutions to fragmentation, with the solution being the formation of coalitions.[89] In a way, fragmentation of the party system and increasing electoral competition are the driving mechanism behind the appearance of coalitions. After all, if parties or executives have the electoral or political power to win an election, form a government or pass legislation they do not have a need to share power or cooperate with a political competitor.

The study of coalitions has a long and established tradition in parliamentary systems, where coalitions are formed after an election takes place, since the absence of a majority makes the formation of a unitary government impossible. Early theories of coalition formation in parliamentarism stated that parties will seek for coalitions to be of the minimum size possible, i.e., minimum winning coalitions.[90] However, empirical work showed that most of the coalitions formed in parliamentary systems are oversized.[91]

[89] Chaisty et al 2018.
[90] Riker 1962.
[91] Volden and Carrubba 2004.

Regarding how the coalition is formed and who cooperates, it was originally hypothesised that coalitions would be formed between parties that had policy and/or programmatic similarities. Early theories therefore suggested that programmatic incentives drove parties to cooperate and as a result coalitions tended to be homogeneous.[92] More recent academic work argues that a party's motivation to form a coalition is not necessarily programmatic but driven by self-interest. Parties join a coalition to access power directly and control ministerial cabinets, in order to maximise the number of votes they obtain, or out of a desire to influence or benefit from government policy across its many areas.[93] In practice, parties do not follow a discrete, zero-sum approach but balance their strategy in order to maximise and obtain the three types of benefits.[94]

Given the structural differences between parliamentarism and presidentialism, such as clear division between the executive and legislative or the existence of fixed term appointments, the previous arguments have travelled to different degrees to the presidential setting. Lijphart argues that under parliamentarism, coalitions are formed exclusively for two reasons: for the government to survive\be formed and for the government to approve legislation.[95] Given the independence of elections in presidentialism, the latter reason therefore is absent, with the sole reason for coalitions being the establishment of a functional and working legislative majority.

Under parliamentarism both the party of the prime minister and the accompanying parties have a degree of political and policy influence over the government and the executive. However, given that presidentialism normally grants more powers to the executive, such as decree powers, that cabinets are formed at the discretion of the executive, and that cabinet members are employees of the executive, scholars have questioned the incentives and motivations behind the formation of a coalition due to the obvious commitment problems involved.[96] Put simply, given their independent election and fixed term appointment, executives can neglect any coalition agreement without risking the survival of their government.

[92] Riker 1962; Downs 1957; Lipset and Rokkan 1967; Sartori 1994.
[93] Downs 1957, Wittman 1973, De Swann 1973, Shepsle and Cohen 1990.
[94] Strom 1990.
[95] Lijphart 1992.
[96] Kellam 2018.

One way in which presidents overcome these commitment problems is by carefully designing their cabinets. Under presidentialism scholars argued that cabinet formation signals the policy-making strategy a president will follow during his term. If a President intends to rule mostly by decree, he or she will appoint political outsiders, loyalists, and technocrats to cabinet positions. On the other hand, if the intention is to rely more on the legislature for policy making, presidents will appoint career politicians, including members of their party or parties, to win their support.[97] With regards to coalition size, oversized majorities are common, possibly because the government wants to signal that it has the support of an ample majority and that legislation is being made by consensus.[98] Contrary to parliamentary coalitions, however, there is less proportionality in presidential systems; the president's party tends to be overrepresented. But there can be consequences to the stability of the coalition if presidents disregard their partners. In fact, disproportional coalitions often encounter tensions, defections and demands from partners[99], while those that are more proportional enjoy more support from coalition partners in the legislature.[100]

Regarding what drives the formation of a coalition or which incentives parties have to join, coalitions in presidential countries have been shown to be ideologically inconsistent.[101] Similarly, in presidential systems parties do not join to pursue policy objectives but to access particularistic benefits.[102] For example, in Latin America the presence of cartel parties or parties for rent which have no clear programmatic or ideological position, and are driven mostly by electoral or monetary incentives, leads to ideologically heterogeneous coalitions. As a result, coalitions tend not to be homogeneous, although homogeneity varies with a country's level of party system institutionalisation, which tends to be low in most third wave presidential democracies.[103]

[97] Neto 2006, and Amorim Neto, O., & Samuels, D. (2010). Democratic regimes and cabinet politics: A global perspective. Revista Ibero-Americana de Estudos Legislativos, 1(1), 10-23.

[98] Bawn and Rosenbluth 2006; Neto and Cox 1997; Amorim Neto 2006; Machado 2009.
[99] Raile, Pereita and Power 2011.
[100] Amorim Neto 2002, 2006.
[101] Kellam 2018.
[102] Shugart and Carey 1992.
[103] Mainwaring and Scully 1995; Mainwaring and Torcal 2006.

Research on why coalitions have been durable is scarcer. Work by Chaisty, Cheeseman and Power (2018) is a notable exception. Chaisty and co-authors follow the argument of Lijphart in which coalitions are formed to pursue legislative goals and overcome legislative fragmentation. To overcome this limitation, a coalition not only has to be formed but it has to be continuously managed over time, not only for legislation to be approved but to keep the coalition together. To do this, formateurs have a toolkit at their disposal which they use for multiple purposes and objectives. The toolkit includes the distribution of policy, offices, budgetary allocations, and discretionary transfers. Presidents can use these tools in a multivariate way, normally following a cost-saving approach in which the distribution of offices and policy is preferred. However, the ultimate choice of distribution does not fall exclusively in the formateur but on the parties, which normally prefer the distribution of perks such as pork and patronage which are the main incentive of accompanying parties to remain by the president's side. The decision of which tools are ultimately used for maintenance of the coalition is determined by three variables: size, fairness, and heterogeneity of the coalition. Ultimately, they argue, formateurs are willing to bear the costs of using a tool that is not their preferred choice to avoid impasse and enact legislation.

In sum, contrary to parliamentarism, coalition formation in presidential systems does not have an obvious or institutional driving mechanism that explains their emergence. In presidentialism, coalition formation presents risks, which points that certain variables or incentives should exists to off-set or mitigate these risks. In this regard, there is not one primary driving mechanism for coalition formation or cooperation. Coalitions are heterogenous, and non-programmatic and non-ideological incentives are at play in their formation. Recent work has shown that coalitions are managed by a toolkit of carrots to keep the coalition together. Yet, there is little work of what coalitions produce as a government or if they are different than single party governments.

2.2. Coalitions in government

We now have a better understanding of how coalitions in presidential systems are formed, maintained, and managed. One of the objectives of this dissertation is to continue the

analytical chain to the natural next step which concerns the functioning, operation, and outputs of the coalition as a government.

The scholarly work discussed in the previous sections hints at the policy outcomes that a coalition government might have. For example, Strom's argument regarding the incentives that drive parties to form a coalition, namely that parties seek ideologically proximate partners, had implications for how we think about outcomes: coalitions will govern in line with the preferences set out in the coalition pact, or each participant will shape the outputs of the different government departments it controls according to their policy preferences. In parliamentary countries we know that accompanying parties are able to obtain the policy influence they desire, which is the main condition they put in exchange of their support.[104] Although accompanying parties not always obtain ministerial control, they normally get offices with policy influence[105], which they use to increase the provision of policies close to their own agenda.[106] In this regard, the formation of coalitions that include "green" or regional parties, is one of the reasons for the implementation of environmental policies and regional programs in western and central European governments.[107]

Regarding presidential systems, the presidential toolkit argues that policy is shaped by the tools the president uses to maintain the coalition and which goods are distributed. Nevertheless, existing works operate under certain assumptions that limit the translation of their analytical conclusions to the operative part of a coalition which deals with policy outputs.

Chaisty, Cheeseman and Power make predictions regarding the direction that policy will take for the maintenance of the coalition, but they do not deal directly with the coalition as a government unit. For them, coalition formation is a strategy of directly elected minority presidents aiming to build stable majority support in fragmented legislatures.[108] In their analytical work, although they propose a policy toolkit, their domain of action are executive-legislative relations and the policy variations that might appear are related to the management of the coalition, but not necessarily linked to the day to day operations of an

[104] Bassi 2017, Hix and Noury 2017.
[105] Evans 2020.
[106] Adams et al 2006, Meguid 2005.
[107] Ibid.
[108] Chaisty et al. 2018, pp. 4

executive government composed of multiple parties or to the crafting and implementation of the budget of a coalition government.[109]

A related limitation relates to the view that presidential coalitions are mostly formed because executives want to avoid legislative gridlock or impasse. I contend that this view side-lines the fact that presidentialism grants executives great leeway to pursue or implement policy, such as decrees or the ability to manage and appoint their cabinet, which we know has an effect on policy.[110] Even under legislative impasse, the coalition and the characteristics that the coalition has, can shape policy through the daily operations of the government irrespective of what the relationship between the executive and legislative is, or the pace at which Congress is working and enacting legislation.

The limitation of this assumption, i.e., that coalitions are formed for the executive to overcome their minority weakness and enact legislation, can be more clearly seen at the subnational level. Most theoretical work on coalition presidentialism has focused on the national level, and on presidential coalitions in countries that transitioned and democratised during the third wave. Democracy in recently transitioned countries is fairly competitive and robust at the national level. However, at the subnational level the state of democracy is radically different.

Recent scholarly work has highlighted how subnational politics, particularly in federal countries, are still dominated by authoritarian practices in which local executives are overpowered, concentrate, dictate and dominate political life.[111] At the subnational level, executives not only are much more powerful but local legislatures are undermined, lack monetary, physical and intellectual resources, and tend to be subjugated to the executive, which makes it almost impossible for accountability and checks and balances to exist. Due to this, local executives do not need to build majorities to pass their legislation or have to use a policy toolkit since they might have other tools at their disposal such as intimidation, coercion, control of the police, or control of political careers. Furthermore, given the authoritarian practices at the subnational level, the assumption that one of the objectives of executives is

[109] Chaisty et al 2018, pp. 78.
[110] Amorim Neto 2002, 2006
[111] Eaton 2006; Gibson 2012; Behrend and Whitehead 2016.

to pass legislation might not even be valid since advancing legislation might not even be one of the priorities of governors, or one in which they are interested.

Likewise, there is an assumption that the formateur is the main actor interested in forming coalitions, and that coalition formation is a strategy primarily pursued by the formateur[112]. However, this view assumes that executives are social-maximisers and follow a programmatic agenda/government. However, this assumption might be an overstatement, particularly in third-wave democracies, where executives might not be interested in enacting policy. While the existence and use of the toolkit for the political management of the executive-legislative relations is certainly true, it might not completely translate to the day-to-day operations of the government or the overall public policy outputs that a coalition produces. The policy effect that a coalition government has can be independent of the relationship between the executive and the legislature, or to the way the executive is managing its coalition partners.

The reason for coalition formation is that even if the executive is powerful and reneges on its commitments, and executives can easily ignore the legislature, members of the coalition can still benefit from their participation in the government and the executive can use the support of allies to win elections by reducing fragmentation.[113] The way in which coalitions under presidential benefit junior partners give us a hint of the policy effect that a coalition government might have.

Kellam argues that parties entering a coalition can expect to pursue their policy goals. However, they cannot expect to obtain non-programmatic benefits, since they are not able to hold accountable the executive, thus making it difficult to access pork or patronage. Due to this reason, it has been argued, we can expect that presidential coalitions will be formed by parties similar in their ideological and policy positions.[114] Yet, this raises the question if a programmatic strategy is viable for accompanying parties.

Presidentialism concentrates power in the executive and fulfilling and pursuing a policy strategy is much harder to accomplish in contexts where presidential power is highly concentrated.[115] Concentration of power is more likely to occur in contexts where democracy

[112] i.e. Chaisty, Cheeseman and Power 2018, pp.14.
[113] Kellam 2015.
[114] Aleman and Tsebellis 2011; Kellam 2015.
[115] Hicken and Stoll 2013.

is still developing, and where authoritarian practices still remain, such as in many presidential systems (Russia, Ukraine, Mexico, Brazil) or at the subnational level. In these contexts, fairness and proportionality of the coalition is lower thus making it harder for coalition partners to pursue a policy-oriented agenda.[116]

The formation of coalitions, therefore, might have other incentives and driving mechanisms. Coalition formation can be viewed as a repeated game in which cooperation with other players depends on trust. Trust that an agreement is fulfilled and respected, for example by granting control of a minister, allowing budgetary leeway, or distributing benefits. Chaisty and co-authors assert that non-programmatic benefits are what attracts coalitional partners to join a coalition, and that the distribution of these goods is what oils the coalition and keeps it together. Therefore, contrary to the expectation of Kellam, accompanying parties can expect to obtain non-programmatic benefits.

When trying to understand how coalitions works, we should therefore look beyond the interests and point of view of the formateur; coalitions are not just formed by the formateur to guarantee smooth relations with the legislature. In many contexts congress is epiphenomenal. Moreover, because congress is epiphenomenal, we should not just look for programmatic incentives in order to understand coalition formation. Formateurs form coalitions to win elections, and junior partners often want access to the spoils of office. In this regard, it is not clear in which policy areas the presence of a coalition government is noticeable. The theoretical argument developed in the following section is that the policy effect of coalitions and junior partners is mostly felt in non-programmatic areas of the expenditure. Likewise, it is not clear how accompanying parties benefit from their membership or what influence they have in the coalition, especially in contexts where executive power is highly concentrated or in contexts where authoritarian practices persist, such as at the subnational level. The second part of the theoretical argument will deal with this question.

In sum, the expectations of coalitional presidentialism have been developed in democratic national contexts. However, subnational units may be different, and the same assumptions and dynamics might not operate or travel from the national to the subnational context.

[116] Chaisty, Cheeseman and Power 2018.

Furthermore, we have evidence that in recently transitioning democracies and third-wave democracies, subnational units and subnational politics have remained quite authoritarian. This mean that we cannot just assume that the incentives and mechanisms that shape coalitional formation in presidential systems, and coalitional outputs, travel to subnational units.

Based on the previous discussion, the following section will present an argument in which the policy effect of a coalitional government in presidential systems veers towards non-programmatic areas of the expenditure. It will also argue that accompanying parties can expect to benefit an influence the policy orientation of the government, independent of their size.

2.3. How and why Multiparty Coalitions Impact Policy Outcomes

I argue that multiparty coalitions have an effect on government policies. I predict that the presence of multiparty governments generates incentives that create a trade-off in the policy mix of the government, increasing budgetary expenditure in short-term projects rather than public goods with a longer maturation period.

Why should a coalition spend more and differently than a single party government? I argue that the confluence of multiple parties within a government creates three discernible effects, which when combined, align incentives towards greater spending of poorer quality. The first mechanism is collective action problems among the members of the coalition. The second is the uneven distribution of accountability and credit-claiming, which especially affects junior coalition partners. The third has to do with coalition maintenance. The interaction of these three mechanisms creates an opportunity cost of a coalition government relative to a single party one, which will be reflected in specific budgetary areas. In particular, the effect of a coalition government will be discernible in the allocation of short-term projects linked to clientelism or political manipulation, in detriment of long-term investments on public goods.

2.3.1 Collective Action

The main characteristic of a multiparty government is the need for cooperation of independent political parties in the day-to-day operation of the government. From the

previous section, we can derive that the politics of coalition governments are mostly about who gets what, and how power is distributed internally across the members of the coalition. Yet how parties cooperate in the day-to-day operations of the government, what are the outcomes of a coalition government or how parties expect to influence or benefit a government due to their membership in a presidential coalition is not completely understood.

In general, research from parliamentary settings highlights that coalitions generate incentives for governments to increase spending or to decrease the quality of government expenditure regarding the goods that are provided. For example, divided governments in parliamentary settings tend to have higher deficits and debt levels. One of the main reasons for this is that the confluence of multiple parties within a single government generates collective action problems between the members of the coalition which complicate coordination and implementation of a cohesive policy program. Collective action problems emerge due to the distribution of cabinet offices to ministers belonging to different parties. Ministerial control offers an advantage for parties since it gives them administrative control, technical expertise, management of cabinet resources, information advantages and oversight power.[117] In turn, collective action problems have an effect in policy since redundancies tend to emerge due to the lack of communication and independent administrative control of the different ministers by different parties. [118]

This effect, I argue, is also present in presidential systems. Under parliamentary settings, coordination is difficult due to the intricacies of the chain of power, ministers freedom and blackmail potential to the prime ministers actions, which leads to agency loss. However, collective action problems linked to ministerial control are attenuated by the presence of coalition agreements, strong ministers and the existence of checks and balances between the coalition members. These accountability mechanisms binding the parliament and the government, are notoriously absent under presidentialism where both the congress and the parties in the coalition have weaker means to hold the executive accountability. [119]

[117] Back, Debus and Dumont 2011; Strom, Muller and Smith 2010.
[118] Martin and Vanberg 2003.
[119] Huber and Lupia 2001, Strom 2000, Martin and Vanberg 2003, Martin and Vanberg 2014, Hallerberg and von Hagen 1999,

Under presidentialism, ministers are employees of the executive since they are appointed and work at her discretion. However, even in this context collective action problems are still present. Although the executive has a degree of control over its ministers, it is impossible that she can keep them accountable or under check on a constant basis, which gives ministers a degree of freedom to pursue their own agenda. Therefore, under a coalition setting coordination is difficult between the executive and the ministers. While collective action predicts that coalitions will spend more, it does not tell us in which expenditure areas a coalition leaves its mark.

2.3.2 Accountability and Credit Claiming

The second effect is linked to accountability issues present in coalition governments. Relative to a single-party government, I argue that a government comprised of several parties behaves differently due to the frictions generated by electoral accountability and the recognition struggles that exist between the members. Under a multiparty government parties compete for name recognition and credit. In principle, coalition government members can be held accountable or can claim benefits for the subset of policy decisions and outcomes for which they are responsible.[120] But while a single party government is accountable for all its policy decisions, multiparty coalitions complicate the ability of the electorate to punish and hold the government accountable.

Coalition governments present a challenge in terms of credit claiming, particularly for junior partners. Under presidentialism, the formateur not only has strong executive and policy powers, but fairness tends to be lower as the formateur party is overrepresented. Likewise, voters tend to identify and attribute responsibility to the formateur and its party.[121] Therefore, the governor and its party tend to appropriate and claim any policy victories and achievements of the government. Conversely, the executive and its party are the ones that voters tend to identify and held accountable for the misfortunes and failures.

This situation presents both a challenge and an opportunity for junior parties. On the one hand, one of the reasons for joining a coalition is to profit from the membership of being part of a government. However, due to the overrepresentation of the formateur and its party,

[120] Bawn and Rosenbluth, 2006

[121] Cox 1990; Austen-Smith and Banks 1990; Fisher and Hobolt 2010; Duch and Stevenson 2013; Angelova, Konig and Proksch 2016; Fortunato et al., 2020.

accompanying parties face the threat of being overshadowed or cannibalized by the formateur. They risk not be recognised for any of the achievements of the government, even if they are responsible of them. On the other hand, since accountability is unbalanced in coalitional settings, accompanying parties have greater degrees of freedom to act since they are in the shadows and can be left untainted for any missteps the government and the executive might do.

The provision of non-programmatic and private goods help overcome the problem of notoriety and credit claiming. The electoral context in which coalitions emerge is normally one of atomisation of the electorate and of rising party competition. Under this scenario a programmatic political strategy of public goods provision is not effective either to compete electorally or for brand recognition once in power. Conversely, a strategy of private goods provision is more rewarding. The logic is that in fragmented political systems the vote share decreases while the need for the formation of a coalition increases. In this context, parties do not need to reach across broad social groups, which are attracted by public goods, but need to mobilise disperse and individual groups, which can be attracted more effectively by private goods.[122] Therefore, due to the incentives they face, junior parties face incentives to use their membership and spend in ways to increase their notoriety for voters to attribute spending to them. Given contexts of atomisation and fragmentation, non-programmatic forms of spending provide the greater payoffs, noy only because they are more rewarding and profitable to accomplish parties interest, but because they are easier to achieve given the unbalanced accountability present in coalitional settings.

Non-programmatic provision not only is more rewarding as a political strategy for accompanying parties but is a viable strategy that can be pursued. Due to collective action problems, the unbalanced accountability and low notoriety, accompanying parties can use their membership and policy influence to deliver particularistic goods without the risk of being punished.

A coalition setting also generates internal competition for recognition between partners, which further aggravate governmental spending and the quality of this spending. Like any other government, the budget is scarce and limited, and the portfolio allocation involves

[122] Bueno de Mesquita et al. 2002

competition between different programs and policy areas in which increasing one policy area normally comes at the expense of another budgetary component. Furthermore, in a coalition parties compete not only against the formateur, who can claim any victory, but against the other members of the coalition for electoral recognition from which they can profit their membership status.

Multiparty governments also face accountability problems by distributing accountability responsibilities in an uneven manner and by diminishing accountability between voters and the government.[123] In coalition governments voters do not clearly identify and assign responsibility between the members and tend to hold the formateur of the coalition or the party(ies) perceived to have more power more accountable. I argue that this effect, combined with the competition effect for recognition, creates an opportunity for influence by accompanying parties. Since smaller parties in the coalition are less notorious and accountable, then they are freer to behave independently, have larger opportunities to exert pressure or pursue their preferred policy objective without the risk of being held accountable.

Since under a coalition, accountability is distributed unevenly and voters do not clearly identify and assign responsibility between the members and tend to hold the formateur of the coalition more accountable, accompanying parties enjoy a lack of identifiability from which they can crouch when the context is not favourable and pursue recognition when the situation is favourable. This lack of accountability allows parties to pursue programs from which they can claim recognition more aggressively.[124] As a result, government efforts and programs would overlap but also compete between each other for the recognition of the electorate, which inevitably will push the level of expenditure up and alter the composition of the budget towards more inefficient and non-programmatic spending.

In short, accountability-related problems generate two effects. First, they generate internal competition which increases overall spending. Second, it is hard for non-formateur parties to gain credit for success in coalition governments as voters attribute responsibility to the main party or formateur. Therefore, for these parties, the rational incentive is to pursue targeted spending to regional or niche groups, even if these parties are programmatically oriented.

[123] Fisher and Hobolt, 2010.
[124] Fisher and Hobolt 2010; Fortunato et al., 2021.

Aiming to provide this type of policies is attractive because it allows them to increase their notoriety with the electorate at large or consolidate their existing electoral base, linking governmental actions directly to them. Furthermore, this strategy is useful at all times, especially in a context where the electorate is used to or sensitive to non-programmatic practices.

2.3.3. Coalition Maintenance

The third effect is related to the expenses needed for maintaining the coalition and the portfolio choices for holding the alliance together. As recent work has shown, in presidential and recently democratised countries, coalitions are put together and maintained not based on ideological fit but trough the distribution of pork[125] or cabinet positions[126].

Influence is not necessarily limited to cabinet membership since parties do get access to resources that they can use as part of coalition maintenance. Recent cross-national research has shown how executives in presidential systems bring partners and manage their coalition using a toolkit that involves the distribution of policy, offices and budgetary allocations.[127] Nevertheless, although presidents/formateurs normally prefer to distribute policy or offices as the main mechanism for coalition formation and administration, they are normally forced by parties to distribute perks such as pork and patronage which are the main incentive of accompanying parties to remain by the President's side.[128]

In a similar vein, the driving mechanism of coalition formation also has an influence on expenditure patterns of the government, particularly if a political party has a utilitarian objective or offers its political brand to the best bidder. For example, in Latin America there is evidence that some political parties have low ideological structure, offering their political brand to the best bidder and putting their parties for rent.[129] In return, these parties are interested in obtaining monetary rewards to their political leaders, or budgetary transfers that can be used to establish electoral and clientelistic linkages.

[125] Ames 2001.
[126] Neto 2002, Calvo and Murillo 2004.
[127] Chaisty et al. 2018.
[128] Ibid.
[129] Katz and Mair 1995, 2009.

2.4. Discussion and Theoretical Expectations.

The presence of a multiparty coalition, relative to a single party, decreases the consistency of the government and increases expenditure levels due to inefficiencies, the presence of principal-agent problems, and the lack of mechanisms to internalize costs across partners. While the overall size of the government is predicted to increase, I argue that expenditure levels of the government will not necessarily increase across all policy areas but mainly in those that are more manageable, targeted and linked to short term expenditure.

As already mentioned, coalition governments are more likely to appear in contexts of electoral fragmentation and multiparty competition in which recognition and vote appealing is easier to attain via the distribution of excludable goods. In this regard, the competition for recognition combined with accountability limitations and membership benefits will push particular areas of the expenditure that facilitate he achievement of individual objectives.

Following this logic, I predict that coalition governments will increase expenditure in areas from which individual parties can claim benefits or that can be attributed more easily to them. In contexts of increased fragmentation where voters are atomised and distributed across smaller/niche groups, parties have incentives to pursue policies that allow them to target specific electoral groups, such as their core supporters. In this regard, I expect that personalistic expenditures and transfers that can be redistributed or targeted to voters will increase, such as the delivery of monetary transfers, subsidies, social expenditure, or social transfers.

This increase in personalistic, targeted expenditure can have two by-products. The first is that it can increase the level of debt levels of the government to maintain the overall expenditure across the different branches of the budget. The second is that it can decrease expenditure in one area to redistribute resources to electorally rewarding programs (or directly reward coalition partners). I argue that the latter can be noticeable in areas related to public infrastructure and long-term investment, such as public works and infrastructure, particularly in the short term right after the coalition takes power.

Public investment is normally related to public goods provision and programmatic expenditure. In this regard, this type of expenditure is defined for its procedural terms in which the key is the mode of exchanges between constituencies and politicians. Therefore,

parties with a programmatic orientation are those able to deliver a policy package which voters can clearly identify and differentiate. In this regard, programmatic exchanges can be personalistic, used as political payments or distributed to specific groups.[130] However, due to their procedural characteristics, their delivery normally takes more time and once delivered, the goods can be enjoyed by other groups. For these reasons, expenditure in this area is less attractive in a multiparty setting when there is internal competition for recognition and time horizons are short. I argue that this is the case since public goods is less notorious in the short term; its delivery is less certain and subject to delays so it can be attributed by another government or minister; and it is harder to target to a specific population groups and can be enjoyed by anyone. Taking this into consideration, coalitions will trade off this long-term public goods provision for short-term spending which they can manipulate, target, attribute and be identified with in one electoral cycle.

The previous argument can imply a lack of cooperation between the members of the alliance, which can cause an overlapping of efforts in government programs as well as redundancies, increasing the level of government expenditure. This is in line with the theoretical expectation in which coalitions create weak governments that increase budgetary deficits and enlarge the public sector due to the lack of incentives to internalize costs by member parties. [131]

In sum, the context that allows for the emergence of a multiparty coalition makes the supply of private goods more attractive than the supply of public goods. Consequently, parties can exert their policy influence via cabinet membership or by their government membership. Parties are not exclusively interested in exerting a programmatic influence, since pork and clientelism can be more rewarding but also because the delivery of policy is not straightforwardly a synonym of programmatic orientation. These characteristics makes policy output of the government divergent. A multiparty government makes policy cohesion challenging, creating a trade-off between policy outputs and the provision of public and private goods. Principal-agent problems arise which decrease cooperation and highlight diverging policy objectives between coalition partners, which they can pursue more freely than under parliamentary governments given the lack of checks and balances of presidentialism. Likewise, collective action problems emerge given internal competition for

[130] Kitschelt 2000.
[131] Roubini and Sachs 1989, Persson Rolland and Tabellini 2007 and Bawn and Rosenbluth 2006

name recognition, which are better served through the provision of private goods, and accountability problems that benefit smaller parties.

Considering the previous discussion, I propose three hypotheses. The first of them is in line with existing research, which has found that coalitions have an incremental effect on overall expenditure levels when compared to single party governments. The second tests whether coalitions veer towards non-productive expenditure, creating a trade-off in the budget and an opportunity cost relative to single party governments. Finally, I test if coalitions increase the size of the government.

H1: Multiparty governments increase the overall level of expenditure of the government, compared to single party government.

H2a: Multiparty governments increase the level of private goods provision of the government compared to single party governments.

H2b: Multiparty governments decrease the level of public goods provision of the government compared to single party governments.

H3: Multiparty governments increase the size of the public sector compared to single party governments.

2.5 **Expenditure Variation Across Coalitions**

The previous sections argued that, *ceteris paribus*, coalition governments will spend more and veer towards non-programmatic expenditure. Yet, this leaves some questions unanswered. First, national, subnational, and cross-national studies have shown that there is variability in expenditure patterns between coalitions, even between those that share institutional or electoral characteristics.[132] Not all coalition governments produce the same expenditure outcomes or with the same intensity, which lead us to question if there is another intervening variable.

Secondly, while non-programmatic expenditure is informative, it is a broad category that does not give us information on choices or the policy style that a government has, and the reasons

[132] Magaloni, Diaz-Cayeros and Esteves 2007, Stokes 2007, Benton 2012, Samuels 2003, Armesto 2012.

for these choices. For example, governments tend to leave their mark in specific policies, areas, or programmes of the budget. In which specific budgetary areas is the presence of a coalition discernible and why are those areas chosen?

Thirdly, the argument developed in the previous section does not tell us how the members of a coalition benefit from their membership. The previous argument states that parties, particularly junior members, face incentives to veer towards non-programmatic expenditure from which voters can identify them and from which they can claim benefits directly. Yet, existing scholarly work suggests that in presidential systems, accompanying parties cannot expect to benefit in a non-programmatic fashion.[133] However, recent cross-national analyses states that coalition maintenance is largely based on the distribution of perks such as pork and monetary transfers and that not only parties want these resources but that they get them most of the time.[134] Research from parliamentary systems also hint that coalition members, particularly non-formateur ones, are more successful in pursuing and implementing their policy promises than in single-party governments[135], especially when these parties pursue niche or regional policies/voters[136]. This raises questions as precisely what policy influence the members of a coalition have under presidential systems, in which areas and which strategy they follow to accomplish their policy objectives.

Existing work has proposed that the policy effect of coalitions is largely determined by five variables: the system of government, the electoral system, the size of the coalition, the characteristics of the formateur, and the resources that the formateur distributes to the minor partners to administer and hold the coalition together. This section proposes a new argument in which policy variability and policy direction of a coalition government in specific budgetary areas depends on the characteristics of the parties that make up the coalition. This section will further argue that policy variability and direction is influenced by junior members both in terms of quantity and design. The shape and direction of this effect varies depending on the degree of institutionalisation of these smaller parties, with personalist, non-

[133] Kellam 2018.
[134] Chaisty et al. 2018.
[135] Moury and Fernandes 2018.
[136] Manow 2008, Heller 2002

programmatic parties leading to an increase in particularistic/private goods expenditure and programmatic ones leading to more public goods leaning expenditure.[137]

The following subsection will discuss the distributive politics and party system institutionalisation literatures upon which the argument is built. The last subsection will lay out the argument, proposing that the level of institutionalisation of a party, and the policy outcomes it produces consist of three components: a party's policy position/program, its organisational capacity, and its ability to attribute responsibility and facilitate collective action.

2.5.1. Existing explanations

Distribution and allocation of the budget is a political commitment in which many interests are involved. The comparative politics literature has mainly focused on the presence of institutional determinants as the factors that shape government provision, including political competition and elections.[138] However, the implementation of programmatic strategies and the provision of public goods is largely determined not only by institutions but by organisations.[139] As pioneered by Olson (1965), special interest groups exert an influence in public policies. Influence that normally offsets the influence of the general population, even if the latter is also organized. For this influence to take effect and to understand how they exert their influence, the abilities and organizational characteristics of the special interest groups are of utmost importance. As an example, recently, Giles and Page (2014) conducted an analysis in which they asked, and measured, which political group has a higher influence on policy making and government outcomes in the United States. Their key findings included that average voters have marginal power over policy decisions when compared to elites, little or no independent influence on policy at all, and that perceived policy outcome "gains" are caused by elites influence rather than by the effect of the citizenry.

[137] This argument can be enclosed with existing works such as Olson (1965), Hibbs (1994) and Boix (2003) in which macro outcomes are linked to internal characteristics of the governments or the groups/agents that conforms them.

[138] Rose-Ackerman 1978, Geddes 1994; ; Magaloni 2007; Magaloni et al 2003, Medina and Stokes 2002; Bueno de Mesquita et al. 2002.

[139] Mainwaring 1993; Moser and Scheiner 2012; Samuels and Shugart 2010.

Political parties are one of the most important organisations in a society and are even considered to be the most important actors in a democracy.[140] A growing, but still scarce literature, explores how political parties, and in particular their organisational characteristics, influence public policies in democracies.[141] Recent research has highlighted how the internal characteristics of a political party exert a significant influence on parties' tendency to exploit the state and the political strategies they pursue. For example, the work of Grzymala-Busse (2007) shows that in post-communist countries, there is variance in the willingness of parties to place limits on their own exploitation of the state and that this variance is not determined by democracy or elections but by the characteristics of the parties that make up the party system. In a similar vein, scholarly work has highlighted how the characteristics of the parties have a significant influence in the political strategy they pursue or on the choices parties made in the policy front. For example, Weitz-Shapiro (2012) mentions that in a context of widespread clientelism, not all parties will pursue clientelistic strategies. Although her argument centres on the costs of clientelism, which are determined by the demographic characteristics of the electorate and the degree of office security, she mentions that the characteristics of political parties, such as their organisational features and participation of members in the internal life of the party, have an influence in a party's decision to opt in or out of a political strategy centred around the provision of clientelism. Likewise, Calvo and Murillo (2004) describe how the characteristic of parties, such as the attributes of their constituents and partisans, determine whether they can profit from pursuing and delivering policies centred around the provision of patronage.

The literature on party system institutionalisation (PSI) also deals with how the characteristics of the party system and of the parties that conform it influence government provision. Higher levels of PSI have positive effects for a country and for a democracy, particularly for public policies. For example, high institutionalisation levels curtail governmental corruption and improve accountability[142], while weakly institutionalised party systems have a negative effect on the quality of a democracy[143].

[140] Sartori 1969, 1976.
[141] Grzymala-Busse 2007; Keefer 2011; Jones 2011; Schleiter and Voznaya 2018.
[142] Schleiter and Voznaya 2016.
[143] Jones 2011.

Generally, the more institutionalised a party system is, the greater the likelihood that it will have programmatic political parties.[144] It has been shown that countries with more institutionalised party systems have more economic and political accountability, better provision of public goods, less policy drifting, less corruption, and even show higher economic growth rates.[145] In part, these results are linked to institutional accountability. For example, elections are an effective accountability vehicle when voters can make demands to politicians and held them accountable with politicians facing real risks at election if they do not deliver or perform. Likewise, in countries with high levels of party institutionalisation, elections incentivise parties to maintain high levels of institutionalisation and a programmatic agenda, when competitors with low levels of institutionalisation are punished by the electorate.

Although the main pillar of party system institutionalisation is the stability of inter-party competition[146], the level of PSI is also linked to the characteristics of the parties, such as their organisational features and their roots in society.[147] In this regard, academic work has underscored how the presence of parties that have robust and accountable organisations facilitate the adoption of pro-developmental policies which have a direct effect in economic growth.[148] Similarly, parties that are more disciplined increase the quality of public policies that are provided, legislative output and the functionality of the government.[149] These body of work suggest that in countries with high PSI, the end result is programmatic spending because programmatic parties have linkages in society based on identifiable cleavages and with different social groups. These linkages explain how these parties appeal electorally, shaping their strategy and their orientation, ultimately leading to spatial forms of competition and policies. In this regard, party system institutionalisation means that parties have a spatial position in a Downsian sense where voters can place them and vote for them based on their programmatic appeals.[150] This mechanism can lead to the programmatic spending chain which has been discussed.

[144] Jones 2011; Mainwaring 2018.
[145] Mainwaring 2018; Flores-Macias 2012; 0'Dwyer and Kovalcik 2007; Lupu and Riedl 2013; Jones 2011.
[146] Mainwaring 2018.
[147] Mainwaring 1998, 1999.
[148] Keefer 2011.
[149] Carey 2003; Colomer 2005; Grossman and Helpman 2005.
[150] Mainwaring and Torcal 2006.

The coalition presidentialism literature also suggest that party characteristics shape public goods provision. For example, the tools that presidents use to administer their coalition is shaped by the heterogeneity between the members of the coalition.[151] In this regard, the use of the toolkit and the goods that are delivered, depend not only on the homogeneity of the coalition but on the characteristics and preferences each party has, which will determine the demands they will make and the benefits they will pursue.

2.5.2. The argument

I argue that both expenditure and the scope of policy influence of the members of the coalition can be attributed to the degree of institutionalisation that each party exhibits. In short, this section will argue that the institutional make up of a party matters and that its level of institutionalisation influences its programmatic orientation. As discussed in the first set of hypotheses, parties face incentives to veer towards non-programmatic provision when governing as a coalition. However, it is unlikely that all parties will pursue or expect to benefit from the same strategy. For example, parties vary in systematic ways which allow us to predict whether or not they will cave into this pressure, or whether they will be vulnerable to misattribution error when pursuing their goals. Likewise, as mentioned before, each party balances the areas it desires to pursue or from which it expects to profit, valuing each differently. Even if parties are biased under a multiparty government setting to behave in a non-programmatic manner, some parties may still want to influence policy and the outcomes of the government, while others will focus exclusively on rent seeking.

If parties are clientelistic, they will likely spend in a clientelistic manner and skew the coalition's budget in that direction. However, more institutionalised parties will spend programmatically in identifiable ways, particularly in the case of niche parties or those with a well-defined programmatic agenda.[152] Yet, programmatic parties are at risk of steering away from their programmatic objectives given the context of a coalition government and the fight for recognition. As described in the previous section, junior coalition partners have incentives to find ways to claim credit, because they run the risk of being overshadowed by the

[151] Chaisty et al. 2018.

[152] Examples of this can be Green parties, which have a clear preference to push forward expenditure in environmental programmes.

formateur or not being recognised by the electorate for their policies. This can push institutionalised parties to spend in private goods, rather than public ones because this type of spending is more visible, can be targeted and can be clearly linked to specific leaders/personalities/parties. For example, in the case of a green party, instead of providing environmental programs that are programmatic and provide public goods, it can instead provide environmental programs that target their constituents, that distribute specific goods or that promote its party label/party leaders.

I argue that the degree of institutionalisation of a party is reflected in three ways: a party's policy position/program, its organisational capacity, and its ability to attribute responsibility and facilitate collective action. This organisational make up leads parties to be less personalistic, have clear internal procedures and imposes controls on party leaders. Ultimately, this means that even if the leaders are tempted to fall into the clientelistic temptation, they will be constrained and forced to behave in line with the programmatic preferences of the organization. I expect institutionalized programmatic parties to be less at risk of deviating from their orientation. By contrast, less institutionalised parties do not have these internal checks, meaning that leaders can more easily fall into this clientelistic temptation or pursue their own agenda and interests.

The argument should not be viewed in a deterministic way, inferring that weakly institutionalised parties will always spend clientelistically and that institutionalised parties will always engage in programmatic spending. As explained in sections 2.2 to 2.4, due to the incentives and variables at play within a coalition government, institutional parties likely end up pushing for linkage choices that while programmatic overall, are not necessarily welfare-oriented or aimed at solving social choice problems. Rather, programmatic policies can be centred on charisma, direct exchanges or channelled to specific groups. My approach follows Kitschelt (2000) in defining programmatic orientation in procedural terms in which the key is the mode of exchange between constituents and politicians in which programmatic policies are procedural, compensating voters in an indirect manner. Therefore, parties with a programmatic orientation are those able to deliver a policy package which voters can clearly identify and differentiate. Likewise, programmatic parties can be personalistic on the policies they pursue/deliver or use clientelistic/programmatic linkages as complimentary

arrangements. Furthermore, certain clientelistic forms of exchange can be highly institutionalised.

Ultimately, these differences in institutionalisation between the members of the coalition is what drives expenditure variation among coalitions. Likewise, I expect that each member of the coalition will leave their mark in the budget and in the programs/projects that are provided, and that this differentiating mark is linked to institutional differences.

2.5.3. Party Institutionalisation and Programmatic Orientation

Early theories of party competition in democratic settings assumed that linkages between voters and parties would operate on the basis of programmatic strategies.[153] However, recent comparative work, particularly from developing democracies, has shown that other types of exchanges, such as clientelism, are not only a viable political strategy in campaigns or in government, but a durable and complementary one.[154]

In part, the presence of non-programmatic forms of provision are related to societal changes and to the evolution of political parties. Political parties have moved away from being divided along distinctive divisions related to class, education, ideology or social groups towards more pragmatic professional electoral machines.[155] Nowadays, different types of political parties coexist, some whose linkages with voters are based on clientelism or whose explicit political objective is to access state resources.[156] One aspect in which political parties differentiate is in their organizational level, which in turns has an effect on a party programmatic orientation.

Political parties are formal organizations. A formal organization can be defined as

> "a group of people formally constituted and endowed with an official mission, a hierarchy (more or less elaborated), as well as a structure of internal coordination, boundaries (more or less open), and some kind of task specialization (more or less developed)."[157]

[153] Downs 1957, Lipset and Rokkan 1967.
[154] Stokes et al. 2013; Weitz-Shapiro 2012.
[155] Panbianco 1988, 2011.
[156] Katz and Mier 1995.
[157] Panebianco 2011.

A party's organization helps us understand how the internal rules of the game influence the party's actions and its members internally and externally. Party organization can be divided into three parts. The first part is the party's mission and ideological goals, which define the agenda and program from which the party appeal to the electorate or from which it can be identified by the electorate. The second is the party's organizational constitution, which lays out the distribution of authority within the party organigram, how the different actors coordinate and divide tasks, the process of becoming a member and the rights that come with membership. The third part concerns the power structure which defines the attributions of the leaders that control the organization and the degrees of freedom they have in their actions.[158]

How does a party organization affect the policy choices of a party, for example their programmatic orientation? Future actions of a party are strongly path-dependant on the driving mechanism that led to its formations and its rules of the game. For example, a party could have been formed by an external sponsor or by a charismatic leader. In these situations, the party is owned by a person or by an organisation who dictates the fate of the organization. These types of parties normally have low accountability as well as a loose policy position and programme, which can fluctuate over time. Therefore, linkages to voters are not based in institutional/programmatic characteristics or a differentiating policy program but in the direct appeal/link to the leader. For example, in former communist countries that transitioned to democracy, parties which were formed based in their association to a leader, or as successors of a communist party, were more likely to exploit the state in a non-programmatic way once in power.[159] Likewise, anti-system parties with weakly developed organisations or parties spearheaded by a populist leader have shown to be less accountable and more prone to favour radical policy changes with shorter time horizons.[160]

Charismatic leaders focus the allegiance of their rank and file in their personal qualities by not permitting the emergence of party machines with routines or with fixed programs that could bind their hands and divert the attention of their supporters to more mundane and predictable bases of political mobilization. In this regard, charismatic party leaders engage in

[158] Panebianco 2011.
[159] Grzymala-Busse 2002, 2007.
[160] Flores-Macias; 0'Dwyer and Kovalcik 2007; Lupu and Riedl 2013.

"rule by theatrics rather than by the painstaking, mundane tasks of building party cells".[161] By contrast, democratic parties grounded in programmatic competition permit only a highly limited net effect of personal leadership on voter-party linkages.[162] Personalism in programmatic party systems is often of a definitively non-charismatic type.[163]

The rules of the game also mater for policy, particularly how intra-party democracy mechanisms operate. Cross-national work has shown that parties whose decision making operates through assemblies instead of plebiscites are less likely to change their policy orientation. In this regard, elites are more constrained and the rank and file are able to hold the elites accountable and force them to implement or pursue the party's manifesto/agenda or the programmatic objectives.[164] On the other hand, parties with powerful/independent central party bodies have more programmatic change[165] and those whose membership is cheap have less accountability, allowing elites to bypass regulations or control decision-making.[166] Furthermore, parties that were formed with a strong ethos or ideological component, such as social democrats, socialist or green parties, tend to be more democratic, follow and implement their ideological goals, agenda and programme.[167] Therefore, party's with a robust and developed organization will be more likely to pursue programmatic strategies for recognition/appeal with the electorate. Research from parliamentary European systems has shown that these types of parties are more efficient at deploying and implementing their policy objectives when in a coalition.[168]

Parties that are poorly institutionalised are not necessarily parties that are weakly organised, since they can be highly professional machines.[169] However, highly institutionalised parties will likely have strong party building and party machines that not only will hold the leadership accountable, but also help establish and disseminate the party brand, programme, and allow the party to grow electorally. Institutional parties will strike a balance between serving the

[161] Kohli, 1990, p. 191.
[162] Hayes and McAllister, 1996
[163] Ansell and Fish, 1999.
[164] von de Berge and Poguntke 2017; Bolin, Aylott, von de Berge and Poguntke 2017.
[165] Hennl and Franzmann 2017.
[166] Mair and Katz 2002; Rahat 2013; Kosiara-Pedersen, Scarrow and van Haute 2017.
[167] Pruysers, Cross, Gauja and Rahat 2017.
[168] Manow 2008, Anghel and Tork 2019, Moury and Fernandes 2018.
[169] Panebianco 2011.

elites and the rank and file, such as providing career options to the cadres as well as real possibilities of obtaining candidacies, which will be subject on merit and not necessarily to group loyalties. If the rank and file perceive that the party belongs to a clique, they will abandon it for other political options.[170]

Just like elections allow voters an opportunity to organise, institutionalised political parties facilitate collective action by its members.[171] In turn, what facilitates collective action is the investment in the administrative-organizational infrastructure of a party.[172] Collective action inside a political party allows two things. First, it provides a mechanism for members to discipline leaders and limit their discretion. This occurs if party leaders shirk, renege on their promises, benefit only a discriminate few, deviate from party discipline or abuse their position to benefit themselves. As a result, the party is not at the expense of an individual or elite group agenda. Secondly, collective action provides leaders with a mechanism from which to discipline party members. For example, discipline is applied to those that deviate from the party's position in a certain topic, free-ride or abandon the party. In turn, those parties that have invested in intraparty procedures of conflict resolution, organizational-technical infrastructure and facilitate collective action are more programmatic.[173]

In short, parties differ in their internal characteristics and this matters for the programmatic orientation of a party, which will influence a party's actions both in campaigns and in power. One of the main aspects that differentiates parties is their level of institutionalisation, which is composed by three components. The first is the way the way the party is organised. The second is a party's position and programme. Lastly, the level of institutionalisation depends in the degree of collective action the party allows. These three characteristics influence the programmatic orientation of a party, particularly its linkages/provision decisions it makes.

I expect that parties that are more institutionalised, i.e., with a clear policy position, organisational capacity and that encourage collective action, are more likely to engage in the provision of programmatic policies such as the distribution of public goods. Furthermore, I expect that these characteristics do not fade away when a party forms part of a coalition

[170] Katz 1990; Bartolini 1983; Muller and Strom 1999; Tavits 2007 and 2009.
[171] Keefer 2011.
[172] Kitschelt 2000.
[173] Kitschelt 2000.

government, even if it is an accompanying party and therefore allows the party to exert an influence in the outcomes of the government in the direction of its institutional configuration. As Laver and Shepsle (1990) formally show, policy outcomes of a multiparty government depend not on the number of members of the coalition or on their strength, but on how preferences are distributed. Based on the previous discussion, the following hypotheses are proposed:

H4: Irrespective of their size, membership in a multiparty coalition allows parties to influence budgetary allocations.

H5: The more institutionalised a political party, the more public goods it will provide once in government.

Concluding Remarks

The objective of this chapter is to present a theoretical mechanism to isolate the budgetary implications of coalitions. The argument is divided in two levels. The first, aims to locate the budgetary effect that coalitions have in expenditure dynamics, relative to single party governments. I expect that coalitions will have higher levels of expenditure, particularly in private goods-oriented expenditure. The second part looks at more specific policy outcomes caused by coalitions in the portfolio allocation process, hypothesizing that policy choices are influenced by a party's level of institutionalisation. Likewise, I argue that coalitions policy outputs are not primarily defined by formateur's but by accompanying parties.

3. Coalitions in Mexico. From Hegemonic Regime to Multiparty System

On July 2nd, 2018, Mexican voters that went to polling stations found 10 different parties on the ballot for president, something unthinkable just 40 years before when Jose Lopez Portillo, candidate of the Partido Revolucionario Institucional, was the only registered candidate competing for Mexico's national executive. In reality, the diversity of options was much lower. Due to a series of complex pre-electoral pacts, there were only 4 candidates to choose from, including one independent candidate.

The 2018 election operated in a context in which all political parties formed multiple electoral coalitions at the federal, state and municipal level and where 90% of sitting state governors had been elected with the support of a coalition of parties officially registered with the electoral commission. Furthermore, over 80% of federal legislators that were elected in said elections did it with the support of a coalition. In comparison, in the 2000 federal election, only three governors and a handful of legislators won with the support of a coalition.

Thirty years ago, pre-electoral coalitions and coalition governments were practically non-existent in presidential systems across the world, and their emergence was considered unlikely. Nowadays, coalitions have become the main form of political nomination and government in presidential systems, particularly in transitioning or recently democratised countries. [174] One country in which the use of coalitions has risen significantly, particularly at the subnational level, is Mexico. However, despite their current popularity, multiparty coalitions are a little studied phenomenon.

This chapter will discuss the evolution and adoption of electoral coalitions in Mexico, which have now become the norm. The emphasis of the chapter will be on contemporary events since the country began its transition to democracy in the early 1990s, the transition from a hegemonic regime to a competitive multiparty system, concluding with the evolution and adoption of electoral coalitions at the subnational level, which have now become the norm for political nomination and contestation. The chapter will also discuss the implication that this shift has had for the political system, aspects that will be further explored and discussed in the remaining empirical chapters. The chapter intends to be a bridge between the

[174] Chabal y Daloz 1999; Van de Walle 2003; Whitmore 2003; Chaisty 2008; Chaisty, Cheeseman y Power 2018.

theoretical argument outlined in the previous chapter and the remainder of the thesis by looking at the main independent variable of interest of this dissertation. It also aims to illustrate how coalitions have been formed, between which parties, in which states and its relationship with party competition.

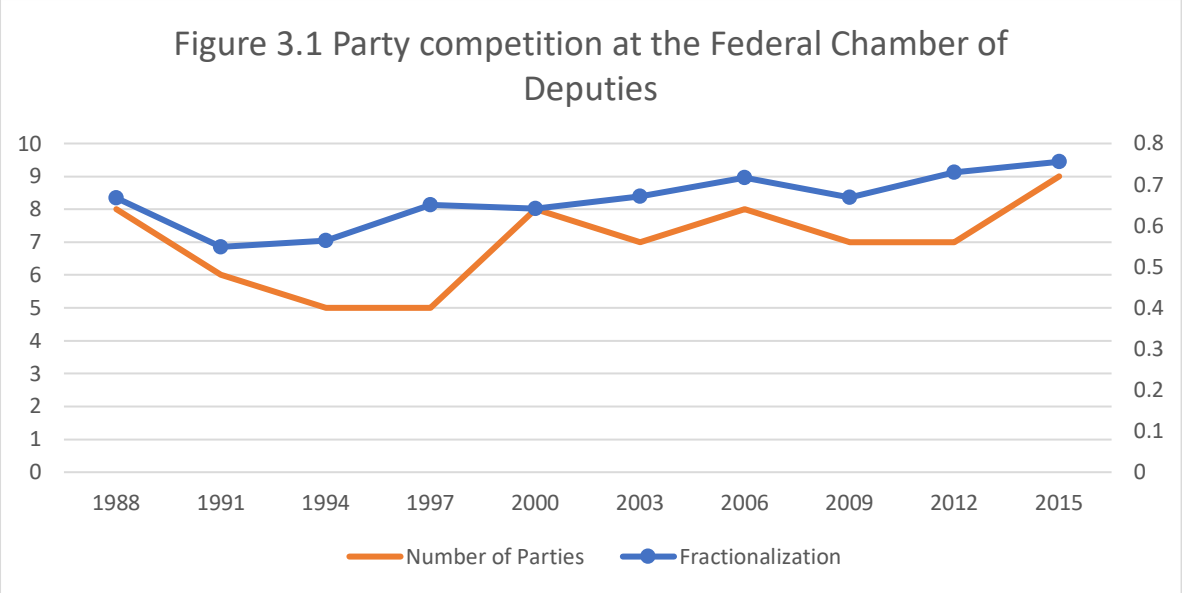
3.1. Emergence of Coalitions in the Mexican Party System

Mexico is an interesting case given the number of political changes that the country has undergone over the last thirty years, particularly its transition from a single-party hegemonic regime to a competitive and fragmented electoral democracy.

For the majority of the twentieth century Mexico was ruled by a single party, the *Partido Revolucionario Institucional* (PRI). After the Mexican Revolution, from 1929 until 2000 all the Presidents of Mexico belonged to the PRI. Contrary to other hegemonic regimes around the world, the PRI regime organised regular elections for all political positions, forbidding re-election and allowing for opposition political parties to exist and participate in elections. Nonetheless, the freedom and fairness of elections and political contestation was limited. Elections were normally rigged, voters were discouraged, either forcefully or subtly, from voting for other parties, and opposition political parties faced tight controls.[175]

Until the late 1970s the totality of the Senators belonged to the PRI and the same party held a supermajority in the lower house of the federal congress. Similarly, the totality of the governors and the mayor of the Federal District were PRI members, as well as 99% of the municipal mayors.[176] Political transition began to slowly occur during the 1980s and by 1997 the PRI had lost its majority in the lower chamber of the Federal Congress. After a historic election in July 2000, the right-wing party *Partido Acción Nacional* (PAN) defeated the PRI in the Presidential election, marking the transition to democracy at the national level.

[175] For a review of Mexico's political system, transition to democracy and the PRI, Magaloni (2006), Greene(2007) ,Cornelius, Eisenstadt and Hindley (1999) and Camp (2012) offer a comprehensive survey of contemporary events.
[176] Ochoa-Reza 2004.



Source: Author own estimations based on data from Instituto Federal Electoral (2018)

Before this transition occurred at the presidential level, political competition in Mexico was already on the rise. As liberalization began to gain momentum, political competition increased as well as the level of fragmentation of the party system.[177] This trend can be seen in Figure 3.1, which shows the number of parties represented in the lower chamber of the Federal Congress, as well as the level of fractionalization in that chamber. The figure shows the number of parties represented at the beginning of each legislature, which is elected for three years. While the number of parties has not varied significantly, the level of fractionalisation in the lower chamber of the federal congress has been constantly increasing, particularly after 1997. This trend reflects not only the plurality but also the level of political competition present in legislative elections. A larger fractionalisation index can be interpreted as diminishing the chances that a single party dominates Congress.[178]

Fractionalisation translated into electoral competition. During this early democratisation period between 1988 to 2000, three parties emerged as the main political contenders. Duing this period, the Mexican party system was robust and coherent as parties competed against

[177] Fractionalization correlates positively with democratization as shown by Cheibub and Saiegh 2004
[178] The fractionalization index used is that of Rae (1967), which estimates the probability that two members of congress randomly selected will belong to different parties. The index values range from 0 to 1, where 1 indicates that each randomly selected member of congress belongs to a different party.

each other, the population identified with and could differentiate party lines and party groups; each party invested in party building and in appealing to different electoral bases.[179]

Slowly, but gradually, the PRI began to lose space to its main competitors, the right-wing Partido Accion Nacional and the left-wing Partido de la Revolucion Democratica. Despite being opposition parties competing against a dominating hegemonic party in a transition period, throughout the 1990s the PAN and PRD did not coordinate or cooperate, nor did they form electoral alliances to defeat the PRI. Likewise, PRI, PAN and PRD engaged in the construction of party structures, electoral bases and partisan cleavages. For example, in an ideological/programmatic continuum, the population identified the PAN with right-wing and liberal views, while the PRD located to the left, with redistribution and national policies at the centre of their political message. As a result, the electorate identified and distinguished political parties from each other and attributed specific characteristics to each party, which lead to the creation of robust party brands.[180]

In conjunction, PRI, PAN and PRD consistently obtained over 80% of the vote in local and federal elections, with a similar pattern occurring in the elections for Federal and state congresses. This left little to no room for the rest of the parties in the system, which played a marginal role. For example, in the Presidential election of 1994 nine parties appeared on the ballot but two of them, PRI and PAN, concentrated 74% of the vote. By the late 1990s no party had a majority in the lower chamber of the federal congress and 40% of the Senators belonged to opposition parties. Likewise, by the year 2000, over 50% of the population was directly governed by the opposition, with the PAN governing nine states and the PRD five, including the government of Mexico City.[181]

Parallel to the rise in party competition at the national level, political changes also took place, especially at the subnational level across the Mexican federation. For the majority of the twentieth century coalition governments were completely absent in Mexico as a political strategy both at the national and subnational level. The unity of almost all left-wing parties in the 1988 presidential election represented one of the first democratic coalitions in Mexico.

[179] Dominguez and McCann 1995, 1996; Moreno 2009.
[180] Dominguez and McCann 1995, 1996; Moreno 2009.
[181] Ochoa-Reza 2004, and Loaeza and Prudhomme 2010.

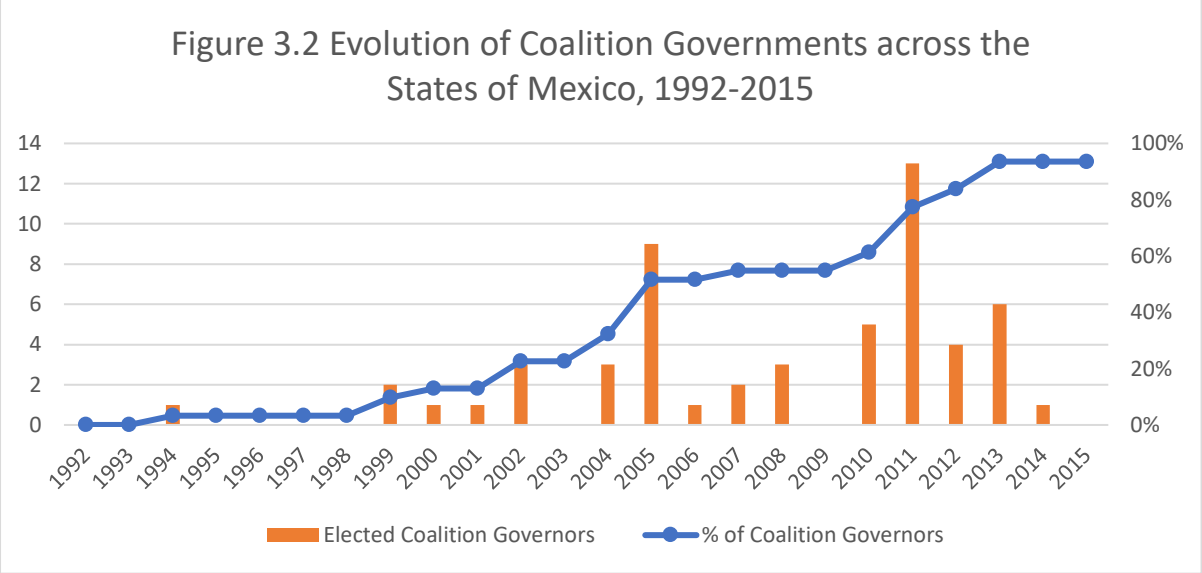
Electoral coalitions were initially explored during the 1988 presidential election. Cuauthemoc Cardenas, a former PRI member, and former governor of Michoacan, became the presidential candidate of the National Democratic Front, which included three left-wing parties. Although the election was ultimately won by the PRI candidate, this coalition showed that political alliances were a viable option to increase the chances of opposition parties to gain office and that a coordinated opposition could mount a serious challenge to the PRI.[182] Gradually, political alliances gained relevance as it became notorious that the PRI remained the most competitive party and that even if political competition increased, opposition parties were in a zero-sum game with one another.

The Mexican electoral system operates under a first past the post system voting system, which imposes a serious coordination dilemma to voters and opposition parties, particularly at the early stages of the transition to democracy. Until the 2000s Mexican voters faced a two-stage decision. First, they assessed if they wanted to continue supporting the PRI or opt to cast their vote for an opposition party. Secondly, they evaluated if an opposition party had the capacity to defeat the PRI and if that party was the one that represented their political preferences.[183] The challenges involved in these choices were reflected in the performance of opposition parties. The PAN and PRD performed well in urban areas but remained weak in less developed and populous regions since they lacked the organisational reach of the PRI in terms of structure, human resources or finances. This was evident in the 1994 presidential election where despite the economic, social and political turmoil that afflicted the country the PRI wiped out the opposition and achieved victory with 48% of the vote

At the state level, the first coalitions occurred in 1992 and 1994 when the PRI joined with two satellite parties to support their candidates for governor in the states of Aguascalientes and Morelos. However, for the rest of the 1990s there were no more victorious electoral coalitions at the state level. This would soon change. As the 2000 presidential election approached, opposition parties surveyed the possibility of a grand coalition in order to oust the PRI from the federal government. The possibility was abandoned but the PAN formed a coalition with the PVEM nominating Vicente Fox who won the election, marking the end of seventy years of

[182] Cantu 2019.
[183] Dominguez and McCann 1996, Morgenstern and Zechmeister 2001.

PRI dominance at the federal level. In 2001 when Vicente Fox, the first non-PRI president of Mexico in 70 years, began his first year as president, four of the thirty-one sitting governors were elected with the support of a pre-electoral coalition, three of them belonging to opposition parties that formed strategic coalitions to defeat the PRI. Gradually, the number of governors who achieved victory through this formula grew with coalitions becoming a strategic tool used initially by opposition parties to defeat the PRI.



Source: Author's own estimations based on subnational electoral data from Organismos Locales Electorales (available upon request)

After the 2000 presidential transition, subnational coalitions gained momentum and became the preeminent means to win subnational office, and gradually also becoming the most common form of government across the country. Figure 3.2 shows this evolution both in terms of the percentage of sitting governors that were elected through a coalition formula, as well as the number of governors elected each year that obtained an electoral victory via the support of several parties. The elections of governors across Mexico are defined by each local electoral institution and operate on a rolling basis. As the columns on the graph show, governors elected through a coalition formula became more common over time. Yet, the most staggering proof of the importance of coalition governments is shown by the percentage of governors across states in a single year that governed in coalition with other parties. In 1999, only three of thirty-one governors (~10%) governed with a coalition, but this number

significantly increases. By 2015, twenty-nine governors (~94%) did so via this institutional mechanism.

The Mexican federation is also a suitable case to analyse the policy effects of coalitions given the symmetric features of its electoral, party and constitutional systems across subnational units. This provides obvious advantages for a comparative analysis whose objective is to single-out the effect that the presence of a coalition government has in policymaking. The Mexican federal system is characterised by granting strong constitutional autonomy and power to states, with each having its own constitution, legislature and judiciary, as well as other agencies such as electoral bodies. Yet, despite constitutional autonomy, all state constitutions strongly mirror the federal constitution, cannot contravene federal laws, and are therefore very similar with each other. This symmetry is also observed at the level of electoral systems. The major features are the following:

1. Simple majority electoral system;
2. Coalitions are formally registered with the electoral institution prior to the election;
3. Closed lists;
4. Proportional representation for the subnational legislature;
5. No re-election for any position (six-year fixed term for the governor, three year for members of congress);[184]
6. Complete turn-over of the legislature after the end of the three-year period;
7. Strong presence of national parties across the country.

In short, Mexico has undergone a process of political changes including an increase in political competition, higher fragmentation and a transition to democracy. Furthermore, the political system transitioned from being dominated by single party governments to one in which multiparty coalitions dominate the political sphere at the subnational level. In less than two decades, electoral competition evolved from a party system with low competition where politicians and elected officials were directly loyal, accountable to and elected with the

[184] By members of congress I refer to *diputados,* both at the state and federal level. In the majority of the cases, both the legislative and the Governor are elected concurrently, so each gubernatorial term goes through a mid-term election for the legislative. In some extraordinary cases this has not been the case, either due to decision of local authorities to change the electoral calendar or to unforeseen circumstances such as the death of a sitting governor which forces the organisation of a second gubernatorial election, while the legislative stays. Since 2018, re-election is possible in Mexico, but this study does not cover the years beyond 2015.

support of a single party, to a fragmented party system with no cooperation between parties, and afterwards moving to a system where coalition making became the norm. This emergence of coalitions allows for a comparative analysis in order to test the effect of coalitions in a presidential country across space and time. Moreover, the Mexican setting offers a symmetrical institutional system consisting of thirty- one subnational units. Lastly, the policy outcomes of these states show a large level of variability, a feature that will be explored in the following chapters.

3.3. Coalition Dynamics

The formation and presence of electorally successful coalitions has increased, but the dynamics of coalition making have changed over the years, most particularly in their purpose and configuration. Between 2000 and 2004, coalitions were exclusively made up of opposition parties. This is clearly demonstrated in Table 3.1, which shows the number of coalitions by year and the parties involved in each one. During these years the PRI did not form part of any coalition government. Furthermore, in these years, coalitions were mostly formed with the objective of ousting the PRI from a state government as parties realised it was the only option they had of obtaining victory.[185] As a result, most of the coalitions that were formed were oversized and included parties from across the political spectrum. For example, one of the first successful electoral coalitions at the subnational level appeared in the state of Chiapas in 2000. In that election, eight opposition parties, including the PRD and PAN, coalesced behind a single candidate. The election was won by the coalition, defeating the PRI candidate by less than 6% of the vote.

After 2003-2005, the purpose of coalitions begins to change. The once reluctant PRI starts to coalesce with local parties and particularly with the PVEM, which in turn was a former ally of the PAN. As can be seen in Table 3.1, after this year and until 2010 the PRI becomes extremely successful in forming thirty-three of fifty-five subnational coalitions. Furthermore, of the twenty coalitions that won a gubernatorial election between 2010 and 2012, the PRI led seventeen of them. Therefore, coalitions are no longer an exclusive vehicle used by

[185] Hernandez Rodriguez 2009.

opposition parties to oust the PRI, but rather a vehicle used by all parties to remain or access power. This has influenced the characteristics of the coalitions, such as their size, but particularly their configuration. Regarding coalition size, the majority of them involve two or three parties (78%), although coalitions of four or more parties are not that uncommon (21%).

Table 3.1. Electoral Coalitions Across Mexican States by Year and Member Parties

Year	Total coalitions	New coalitions	PRI	PAN	PRD	PVEM	PANAL	PT	Conver.
1993	0	0	0	0	0	0	0	0	0
1994	1	1	1	0	0	0	0	0	0
1995	1	0	0	0	0	0	0	0	0
1996	1	0	0	0	0	0	0	0	0
1997	1	0	0	0	0	0	0	0	0
1998	1	0	0	0	0	0	0	0	0
1999	3	2	0	0	2	1	0	2	0
2000	4	1	0	1	1	0	0	1	0
2001	4	1	0	1	1	1	0	1	1
2002	7	3	0	2	2	3	0	2	1
2003	7	0	0	0	0	0	0	0	0
2004	10	3	3	0	0	3	0	1	0
2005	16	9	6	1	2	6	0	4	2
2006	16	1	1	0	0	1	0	0	0
2007	17	2	0	1	1	0	1	1	1
2008	17	3	1	1	1	1	1	1	1
2009	17	0	0	0	0	0	0	0	0
2010	19	5	5	0	0	2	3	0	0
2011	24	13	8	4	4	8	7	3	4
2012	26	4	4	0	0	4	3	0	0
2013	29	6	3	1	2	3	2	2	2
2014	29	1	0	1	1	0	1	0	0
2015	29	0	0	0	0	0	0	0	0
Total	276	55	32	13	17	33	18	18	12

*Mexico City is not included in the analysis since it was not a state until 2016.

Source: Author elaboration using electoral data from the local electoral institutions.

Although the size of coalitions is relatively constant, their composition is not. Table 3.2 shows the number of coalitions by party, including how many times they have cooperated with one another. The diagonal of the matrix is the total number of coalition governments, and the numbers are the same as those displayed on the last row of Table 3.1. The rest of the numbers

in each party column indicate how many times those parties have cooperated.[186] The table can therefore be seen as showing the political strategies followed by the parties and the cooperation patterns.

The first thing that should be noted is that with the exception of the PRI, which does not cooperate with its main rival's PRD and PAN, all the parties have cooperated with each other on at least one occasion. This has important implications regarding the formation of coalitions as well as regarding their goals and motivations, particularly since coalition theory predicts that ideological closeness between parties is one of the main predictors for cooperation to emerge.[187] The parties included in the table have different ideological stances and are spread out over the political spectrum. For example, the PAN is mostly considered a right-wing party with neoliberal ideas while PT and Convergencia were formed under a communist and social ideology, favouring state intervention. Despite this, the PAN has been in four coalitions with the PT and in five with Convergencia. Similar trends can be seen with the rest of the parties, which raises doubts regarding the ideological consistency of the coalitions and the motivations and goals on joining a coalition if ideology is not necessarily a predictor. In this regard, Mexican parties' dynamics of coalition making resemble results to coalitions made in other countries, such as Brazil, where ideological affinity had little to no part in coalition making decisions.[188]

Table 3.2. The Dynamics of Coalition Partnerships

	PRI	PAN	PRD	PVEM	PANAL	PT	Convergencia
PRI	32						
PAN	0	13					
PRD	0	7	17				
PVEM	28	3	4	33			
PANAL	13	5	2	9	18		
PT	5	5	12	9	1	18	
Convergencia	0	4	12	2	1	8	12

Source: Author estimations based on electoral data.

[186] Cooperation numbers between parties are not exclusive and these will not add-up to the total number of coalitions a party has been into, which is shown in the diagonal of the table.
[187] Riker 1962, Laver and Schoefield 1990.
[188] Desposato 2006.

The importance of coalition making as a political strategy to access power, particularly for small parties, is best exemplified by the case of the *Partido Nueva Alianza* (PANAL). The party was formed in 2005 by members of the Sindicato National de Trabajadores de la Educacion (SNTE), the largest trade union in Latin America, comprised exclusively of education workers. Right after its formation, the party quickly began to cooperate with other parties, and in 2007 formed part of a winning coalition reaching a state government. Since then, it has formed part of nineteen coalition governments, a significant number for a newly formed party, even larger than older parties such as the PT. Furthermore, PANAL has cooperated with all major parties, which can be seen on Table 3.2.

3.3.1 The Process of Coalition Making by the Formateur

Coalitional theory assumes that the formateur is the party that forms the coalition, decides its composition, keeps the coalition together (or not), manages the coalition by distributing the toolkit, dictates the political and budgetary orientation of the government, and profits the most from the coalition.

I challenge this view, mainly by highlighting the role that accompanying parties have. In doing this, I highlight the multiple benefits that membership to the coalition provides to these parties, and in some instances benefiting even more or at the expense of the formateur. This can be interpreted that formateurs are naive or the the reasons for why formateurs agree to pursue a coalition in the first place can be questioned. Especially, if we consider that before 2006 the three formateurs (PRI, PAN and PRD) had almost 90% or more of the vote across elections, the need for coalitions is not straightforward. For example, as case studies in Chapter 7 will describe in more detail, in some states, opinion polls showed that the PRI had over 60% of voting intentions six months before an election and did not needed a coalition. Yet, a coalition was eventually formed.

Although local electoral prospects were important, coalition formation was more an electoral calculus and an electoral strategy of the national leadership, who negotiated with other parties, brokered the deal, the commitments that the pact involved and enforced the coalition to its candidates across the country. Particularly, this was true for the PRI.

I interviewed former President of Mexico (1988-1994), Carlos Salinas de Gortari. During his tenure, the first pre-electoral coalition of the PRI at the state level was brokered in the state of Aguascalientes, in a context when the PRI did not needed a coalition. When asked why a coalition was formed, President Salinas replied the following.

> *"Why will the PRI resort to them (minor parties), as you rightly say, in places where it did not needed a coalition to win according to polls? Well, because it was a way of opening the space. Literally, of not closing itself to the traditional structures of the party, instead recognizing new interlocutors, new priorities and a new social reality.*
>
> *In those circumstances, the PRI was one step ahead. And what does it mean? If at that moment it did not needed alliances to win, nevertheless there was a new social reality that would later be manifested electorally. And the PRI was ahead of it, welcoming it".*[189]

Despite not acknowledging explicitly, the decision to pursue a coalition was of the party leadership, not of the candidate. The PRI knew it could win alone, but a coalition was pursued as a political strategy, decided by the party leadership at the national level.

As political competition increased, the context in which coalition pacts were formed slightly changed, but the main characteristic -decision taken at the national level- remained. This insight can be confirmed by newspaper reports on coalition pacts.

In 2017, as the PRI prepared for the presidential election of July 2018, the national leadership announced that it has approved a national coalition with the PVEM and the PANAL. The 2018 was one of the largest elections in the history of Mexico, with elections for 500 members of the federal parliament (diputados), 128 federal senators, 1,580 municipal mayors, 9 state governors and elections to renew 27 state congresses. In all of these elections, the PRI would go in a coalition ticket with PVEM and PANAL, regardless of the electoral and political context present in each state, municipality or political district.[190]

[189] Interview Carlos Salinas de Gortari, 2018.
[190] El Economista 2017.

This behaviour was not exclusive of the PRI. In 2021, with the overwhelming power of Morena, who had risen to power in 2018, the PAN and PRD decided to coalesce with the PRI, something that had never occurred in the past. This election involved 15 state government races, and renewal of the lower chamber of the federal congress (500 diputados). The PAN leadership approved for an alliance in 158 electoral districts and in the state government elections.[191]

3.4. Description of Mexican Political Parties

The previous section showed the heterogeneous nature of coalition formation in Mexico. In order to provide more context and substantiate the implications that coalitions entail, this section describes the seven political parties that made up the bulk of the Mexican Party System between 1990 to 2015. The parties that will be described are the PRI, PAN, PRD, Partido Verde Ecologista de Mexico (PVEM), Partido del Trabajo (PT), Convergencia Ciudadana/ Movimiento Ciudadano (MC) and Partido Nueva Alianza (Panal). These parties were chosen since together they concentrate over 90% of the overall vote across the federal and state elections that occurred in the period under analysis and because they were the only parties that held a national electoral licence during the period. The objective of this section is to provide further supporting evidence regarding the level of institutionalisation of each political party beyond the macro trends previously described. The description of each party will include a brief history of their origin and formation, policies and ideology linked to each party, their regional and social identification in the country, and the characteristics with which voters identify them, such as valence issues.

Before describing each party, it is useful to mention a number of stylised facts about the Mexican party system that emerged since the transition to democracy began in the 1980s. The first one is that in a relative short amount of time, the Mexican party system moved from hegemony and limited competition, to a multiparty system with several competitors, parties of varied sizes and multiple coalitions. After 1988 and until the late 1990s, the Mexican party system was dominated by three parties, PRI, PAN and PRD. However, rather than competing

[191] El Pais 2020.

against each other across all the territory, electoral competition was split across regional divisions.[192] The first region included Mexico City, the southeast and southwest, where the PRD competed against the PRI for political dominance. In the second region, which included those states that shared a border with the United states and those in the Bajío region (center west), the PAN fought with the PRI. The second stylized fact is that electoral competition has increased in the party system, with vote shares fragmenting and parties experiencing declining and higher vote variation. This can be appreciated in the vote share obtained by the PRI, PAN and PRD over the years. For example, in 1991 these parties obtained over 80% of the vote share on the federal election, whereas in 2018 their combined vote share was roughly 40% of the total vote. The third stylised fact, linked to the previous one, is that affinity and identification with political parties has steadily declined. For example, in 2006 about 50% of voters had a clear identification with a political party, while in 2018 less than 20% identified with any party. The last stylized fact is that until the 1980s, political parties had specific social bases and cleavages, as well as identifiable and differentiable ideologies. However, as competition and fragmentation began to rise, parties moved out from these patterns and began to act like catch-all parties.[193]

3.4.1 The Partido Revolucionario Institucional

The PRI was formed in 1929 albeit with a different name, the Partido Nacional Revolucionario, by then president of Mexico Plutarco Elias Calles. An important distinction of the PRI is that it was not formed as a party to compete for power, but instead was formed by those in power with the intention of being a complement of the post-revolutionary regime, a vehicle of organisation and a two-way channel of communication and control.[194]

The PRI was conceived as a centralised party organisation since its inception, with the objective of taking power away from regional leaders, generals and caciques that dominated Mexico after the revolution, which were a source of instability and conflict.[195] In a way, the PRI was created to bring political stability after the turmoil of civil war and to avoid further

[192] Klesner 2005.
[193] Klesner 2005.
[194] Meyer 1989.
[195] Langston 2017.

conflict associated to the competition, distribution and access of political power. The rationale was that if a centralised political party controlled access to offices, instead of conflicts exploding and generating civil unrest, assassination or guerrillas, these conflicts would be dealt internally, and those who were outside of the party could be side-lined with no opportunity to take part of politics or the public administration.

Due to this nature, the PRI has always been an inclusive, mass-based, multiclass party with a diverse ideology that included multiple groups and viewpoints. The PRI was organised like an umbrella organisation, arranged around "sectorial" groups such as labour unions, blue-collar workers and peasant groups. In terms of ideology and policy, until the mid-1950s the party proclaimed its revolutionary goals, state participation, land reform, provided mass public education as well as anti-imperialism and pro-labor views. The clearest example of this was the process of land reform and the expropriation of oil companies carried out by President Lazaro Cardenas in 1938. However, the PRI Ideology ceased to matter after the 1950s, instead turning to pragmatism and macroeconomic results, with revolutionary ideals being more of a discursive tool.

Political and public administration career progression began to be determined by personal loyalty to certain groups, and by performances in the federal administration instead of work within the party. Contrary to what occurred in Soviet and socialist countries, bureaucracy controlled the party and not vice versa. Since the PRI remained a mass-based and multi-class party where ideology was no longer a relevant factor, a system of distribution of quotas of political positions, particularly in the federal and state congresses, between the different groups was introduced in order to maintain party unity, control and order across the ranks.

By the 1980s, revolutionary ideas such as state intervention or pro-labour views had all but faded. The PRI was controlled by "technocrats", individuals from urban areas, with university degrees and postgraduate studies in foreign universities, with little to no party experience, who favoured deregulation, privatisation, laissez faire and free trade policies.

Independent of their ideological fluctuation, the PRI organisation remained relatively constant. The party was a top-down organisation in which all power was placed in an external individual. The president of Mexico was the de facto leader of the PRI, acting as a third-party enforcer who punished defectors and distributed goods. Irrespective of the organisation of

the party, the multiple sectors that composed it, the system of quotas or power groups, the president was a leviathan with veto powers over all candidate nominations for all political offices in the country, including his eventual successor. Once the PRI lost the presidency in 2000, these enforcement attributions were decentralised to state governors, who then became the most prominent actors in the PRI, operating like viceroys within the boundaries of their regional governments.

Across all its history, but most notably after the 1980s, the PRI was particularly strong in the peripheries of Mexico, in rural and sparsely populated towns, among uneducated and poor population sectors. Until the 1970s, Mexican economic policies under PRI governments was able to deliver high growth rates with low inflation, distribute wealth, urbanise the country and allow the growth of the middle-class, reasons that gave the PRI the support of the overall population election after election. In a way, the PRI's main appeal to the population was its capacity to govern, a characteristic that none of its competitors had, largely because competition was limited. The PRI also based its appeal to voters in the distribution of resources and clientelism, particularly as ideology ceased to be part of the party's organisation.[196]

The PRI's capacity to govern began to fade with sustained economic crises, as well as with opposition parties' ability to win local governments across the country, eventually losing the presidency in 2000 to its long-time rival, the PAN. As a proof of their ideological transformation, while in opposition the PRI supported the PAN administration's neoliberal agenda, even when these policies directly afflicted the interests of PRI core constituencies. Likewise, the PRI began a process of coalition-making with minor parties in order to regain electoral competitiveness, even if these alliances were done with parties with whom it shared no ideological or programmatic similarities, behaving like a catch-all party.

Thanks to its coalition strategy, internal reorganisation and popular disenchantment with PAN administrations, the PRI regained the presidency in 2012 under former governor of the state of Mexico, Enrique Peña Nieto. However, his administration was marred by corruption, an incapacity or unwillingness to deal with drug-related violence and with social protests. In the

[196] Magaloni 2006.

federal election of 2018, the PRI, once a hegemonic party, plummeted obtaining 17% of the vote share.

3.4.2 The Partido Acción Nacional

The PAN was founded in 1939 by a group of businessman, professionals and educators with strong links with the catholic church, who decided to form their own political group alienated by the PRI's move to socialism, deeper participation of the state in the economy, and curtailing of religious freedoms after the Cristero war.[197] Created from opposition in a post-revolutionary country, the PAN and its members acknowledged that accessing power was close to impossible given the tight grip that the PRI-regime held over politics in the country.

Due to this, in its early era and until the mid-1970s, the PAN decided that its role would be in opposition, labelling itself the "loyal opposition". Across these decades the PAN was characterised by the PRI as a party linked to traditions and conservatism, opposed to the revolutionary ideas held by the party in power. The PAN's role in opposition was difficult and marred with dilemmas. As an opposition party in a regime dominated by a hegemonic party that organised elections, the PAN's participation legitimised the regime and the electoral outcomes, even if elections were not fair or competitive. In fact, PAN supporters and candidates were normally threatened, violence was used against them, people that wanted to vote for them were impeded or their ballots were destroyed. On the other side, the PRI-government "sanctified" the PANs actions and intentions.[198]

The PAN decided not to compete in the presidential elections of 1976, which marked the shift from an ideological opposition party with no real intentions of accessing power, to an electorate alternative. Parallel to the socioeconomic changes that Mexico was experiencing, such as economic crises, social protests and urbanisation, the PAN became a vehicle of protest against the authoritarian regime. In doing this, the PAN ceased to be a factor of authoritarian stabilization, instead turning into a destabilizing force.[199]

[197] Loaeza 1999.
[198] Loaeza 2010 pp.13.
[199] Loaeza 2010.

Gradually, the PAN began to be seen by disappointed and disaffected sectors as an alternative to a PRI that adopted populist policies including the nationalisation of the financial sector and an increase of government current expenditure financed by debt acquisition. Middle-class and businesspeople in urban areas began to support the PAN, and slowly the PAN started to obtain electoral victories, particularly in cities of the north of Mexico close to the border with the United States. The clearest example of the resurgence of the party was that a PAN candidate was the first to dethrone the PRI from a state government in 1989 in the state of Baja California.

This new saliency for the PAN gave the party a larger support base, new constituents and militants, but it also introduced a tension within the party elites. Despite its electoral victories at a handful of cities, mainly in the north and centre of the country, it would not be enough if the PAN wanted to challenge the PRI at the national level, or if it wanted to attract a more plural and diverse electoral base across Mexico and its regions.

The PAN's ideology has always been centred in the education of the population around traditional catholic values, entrepreneurship and a criticism of the PRI style of government such as corruption, cronyism and mismanagement. However, from the 1980s, new adherents pushed for the primacy of electoral strategy in order to defeat the PRI over any ideological focus the party might have.[200] This new group, called neopanistas, introduced new themes such as free-market orientation, trade and limited state intervention, and were ultimately responsible of the PAN victory for the presidency of Mexico in 2000, defeating the PRI after 70 years in control of the federal government. Vicente Fox, the PAN candidate in 2000, side-lined the PAN's ideological traditions, instead running a pragmatic campaign that exploited the pro-regime--anti-regime cleavage that emerged in the Mexican electorate after the 1980s, positioning him and the PAN as a viable opposition, with the objective of attracting large groups of voters.[201]

Eventually the PAN started to behave like a catch-all party and governed Mexico between 2000 and 2012. However, the conflict between traditionalist and pragmatists remained in the party, which caused internal fractures and defections, but also caused electoral losses since

[200] Mizrahi 2003; Shirk 2005; Klesner 2005.
[201] Klesner 2005.

voters did not clearly see what the PAN stood for. Likewise, large parts of the Mexican population opposed its conservative views regarding education and family values, such as anti-abortion policies. Similarly, the PAN's flag of honesty and efficacy was tarnished during its time in office at the national or subnational level, which posed further difficulties when campaigning, disappointing voters and leaving the party open to criticism from other parties.

Regarding its voter profile, the PAN performed strongly in state capitals, urban populations, middle-class and more educate voters. It also performed strongly in north-eastern states and those in the centre west, particularly in regions with more catholic populations.

3.4.3 *Partido de la Revolución Democrática*

Until the 1980s, left-wing political parties were persecuted and forbidden from competing in elections. Most of them where legalised in the 1980s, coming together for the 1988 presidential election forming a grand coalition of parties that supported Cuauthémoc Cardenas candidacy for the presidency, a former PRI governor that renounced the party in disagreement of the neoliberal turn of the party and whose father wasthe former president of Mexico that expropriated oil.

The eventual winner of that election was the PRI candidate, but the process was and remains controversial as it was marred by corruption, accusations of being rigged and that the real winner was Cardenas. After 1988, the different left-leaning groups, leaders and factions that supported Cárdenas came together deciding to join forces by forming the PRD.

Since its inception, the PRD ideology, organisation and political views have been loose and mixed. Although originally founded as the result of a coalition of political parties, in reality the PRD has strong links and relied heavily on former PRI members who left due to discontent with the neoliberal turn that the PRI took in the 1980s.

In terms of ideology, the PRD has always criticised the neoliberal synthesis linked to the Washington consensus and the development strategy pursued by federal governments since 1982 centred on privatisation, low salaries for an export-oriented economy and inflationary targets. Likewise, revolutionary nationalism, such as a more prominent role of the state, is one of their main policies. Nevertheless, an ideological placement to the left of the PRI and a

nationalist message failed to gain traction in the population in the 1990s, delivering scant electoral victories. Only at the end of the 1990s when the PRD pursued a non-ideological progressive catch-all agenda, the party started to win significant political victories, most importantly in Mexico City.

During the 2000s the PRD's political presence began to grow thanks to two political strategies. The first one was that the PRD took advantage of the PRI's internal struggles, nominating disaffected but popular members to state governments that were able to unseat their former party. The second was that that the PRD began to form coalitions with other parties to increase its electoral chances, even forming coalitions with the PAN.

In 2000, Andrés Manuel López Obrador, former national leader of the PRD became the mayor of Mexico City, and with it the most prominent figure of the PRD at the national level. López Obrador pushed for the PRD to adopt a more radical stance, advancing revolutionary ideas of social change, looking for the support of popular sectors, urban poor, workers and peasants.[202] Eventually López Obrador was the PRD presidential nominee in 2006 and 2012, losing both elections, and leaving the party after 2012 in order to form his own party.

Since its creation, but particularly since López Obrador took control of the party, internal disputes dominated the PRD's political life. These groups were dubbed "tribes" and they fought with each other for political control of the party. The different fights between the different factions had two outcomes. The first one was that infighting slowly consumed the PRD, since the party had no mediator or third-party leviathan style enforcer like the PRI had. Conflict for political control was gruesome, stopping the party from moving forward and with the different factions not cooperating or communicating between them. Secondly, these continuous infighting took a toll in the PRD's rank and file, as well as in the electorate. Since the only opportunity to move forward in the party structure was to be part of a tribe that controlled the party at a certain time, progress was slow. Therefore, members were interested in their own progress or of their group, rather than the growth of the party. Likewise, adherents got tired of waiting and of perpetual conflict, abandoning the party. A similar process occurred in the electorate, as the party was always shown in the news as in perpetual conflict, being led by perpetual leaders. Similarly, fighting between the different

[202] Bruhn 1998 and 2004.

groups prevented the party from having a coherent and robust agenda that could appeal to the general public, particularly to those in norther states that were not attracted by the radical message of social change of López Obrador.

3.4.4 Accompanying Parties

Four other parties formed the bulk of the Mexican party system until 2015, the Partido Verde Ecologista de México (PVEM), Partido del Trabajo (PT), Movimiento Ciudadano/Convergencia (MC) and Partido Nuevo Alianza (Panal). All of them have been prevalent parties at the national and subnational level, continuously competing in elections. Nevertheless, none had ever gained more than 8% of the national vote in a federal election and only one of them has won a state government election on their own.

Research on accompanying parties in Mexico is almost non-existent. However, the small literature that exists on them highlights a few aspects of importance. The first one, is that these parties have little to no ideological grounding, behaving in a similar manner to parties for rent. The second, is that these parties have a loose institutional structure, do not have a defined strategy regarding the establishment of linkages with the citizenry, or in building a voter base or rank and file membership. Third, that their strategy of affiliation of new members relies in the distribution of material resources, that members join looking for rapid benefits such as an electoral nomination, political power or resources, and are not driven to the party by ideological incentives. The following description of these parties also show that party life is dominated by a small party elite and decisions taken for their benefits.

The PVEM is perhaps the strongest of the accompanying parties. It was formed in 1986 by entrepreneurs and businessman from Mexico City. The party has always been controlled and managed by the González Torres family and the party's most important political positions, have been allocated to members of the family as well as to people strongly linked to business groups. One example of this was the composition of the PVEM Senate caucus in 2012. During that legislature the party had 9 senators of which 4 had direct links with the Azteca group which controlled the second largest media outlet in Mexico. Despite its green label, the party has always had a fluid ideology, for example supporting the death penalty, privatisation of health care, supporting mass tourism, or the deregulation an investment in oil and fracking.

In the last fifteen years, the party has been able to increase its political power and number of representatives in congress. For example, in 1997 the party had 6 members of congress (*diputados*) and in 2012 they had 29, being the fourth largest political group. This increase was largely done due to the coalition strategy pursued by the party.

The PVEM coalesced with the PAN for the 2000 federal election and helped the PAN defeat the PRI. However, two years later it called the alliance off, instead joining the PRI. In exchange for their support, the PVEM was guaranteed the distribution of a number of seats to the party via proportional representation seats, independent of the actual electoral contribution of the PVEM, which allowed the party to increase its political power even if it did not increase its vote base. The PVEM coalesced and was an ally of the PRI between 2003 and 2018, although fractures began to emerge after 2012. After the electoral defeat of their joint candidate in 2018 and the new electoral dominance of Morena, the PVEM broke its alliance with the PRI, instead joining Morena, even ceding some of its own members of congress to Morena's parliamentary group in order for Morena to have a majority.

Movimiento Ciudadano, originally called Convergencia por la Democracia, was formed in 1999 by Dante Delgado, former PRI governor of the state of Veracruz. Delgado remains the national leader of the party. Ideologically, they identify with social democracy and center-left views. Similar to the rest of the accompanying parties, they relied on coalitions to maintain the party's electoral register, and to remain competitive electorally in the country. In 2018, it won the state government of Jalisco, the first minor party to ever win a gubernatorial race by itself. In the federal elections of the same year it obtained 28 seats in the lower chamber of the federal congress and 9 seats in the senate.

The Partido del Trabajo was formed in 1990 based on an ideology linked to socialism, communism, anti-imperialism, the support of labour movements and working-class voters. In 1994, the party was the first in Mexico to nominate a woman to the presidency of Mexico. The party has always had a small representation in the federal congress and like the rest of the parties in the party system, after 1997 relied heavily in multiple coalition agreements, even joining forces with ideologically antagonist parties such as the PAN. After 2006, the party became more radical in its ideology, with some of its members supporting the North Korean and Venezuelan regimes. They were part of the coalition that nominated Andres Manuel Lopez Obrador in 2018.

The Partido Nueva Alianza (Panal), was created in 2005. The party originated from an internal division in the PRI between then national president of party Roberto Madrazo and the secretary general Elba Esther Gordillo, who was also the national leader of the National Union of Educational Workers (SNTE), the largest labour union in Latin America. Gordillo decided to abandon the PRI and pursue the formation of her own party. Therefore, since its inception the Panal had strong links with the SNTE and had an ideological mixture of economic liberalism and affinities with corporatism. Given its links to the SNTE, Panal had a significant regional presence across the country, which allowed it to compete either on its own or by coalescing with different parties. For example, both in 2006 and 2012 the party nominated its own presidential candidate. Similarly, the Panal had an important organisational structure, possibly more developed and institutionalised than other accompanying parties, in which candidates came from within their ranks. Likewise, the party had a programmatic orientation towards educational policies and the protection of public sector workers.

3.5. Assessing Party System Institutionalisation in Mexico

In this section I will discuss the Mexican party system and the parties that comprise it, arguing that its level of institutionalisation is lower than the level currently assumed by the literature. As will be discussed, the previous conclusion was most likely reached due to the party system configuration that emerged in Mexico at the dusk of the 1980s as the country slowly adopted a competitive electoral system, opposition parties began to challenge the Partido Revolucionario Institucional (PRI) hegemony and with dynamics of competition clearly differentiable between party brands. However, this process of identifiable competition patterns did not last, with diminishing levels of satisfaction with democracy, patterns and dynamics of competition being more erratic, as well as declining party's organisational structures and their linkages with voters. In part, I reach the conclusion that institutionalisation has lowered due to the effects that coalitions create in which once parties enter a coalition, even if they are relatively institutionalised parties, their incentives change albeit at a lesser rate that non-institutionalised one.

The Mexican party system has been labelled as one of the most institutionalised in Latin America, and the political parties that make up the system as having mid to high levels of

institutionalisation, organisational structures and party building.[203] For example, Jones (2011) developed an index of party institutionalisation for Latin America composed of four categories: electoral volatility, elections legitimacy, party(ies) organisation and party roots, with two of the categories that define the level of institutionalisation of a country being directly related to institutional characteristics of the parties. Regarding Mexico, Jones assigned an overall score of 82/100 to party organisation and 66/100 to party roots.

Table 3.3. Latin American Political Party Institutionalisation Index

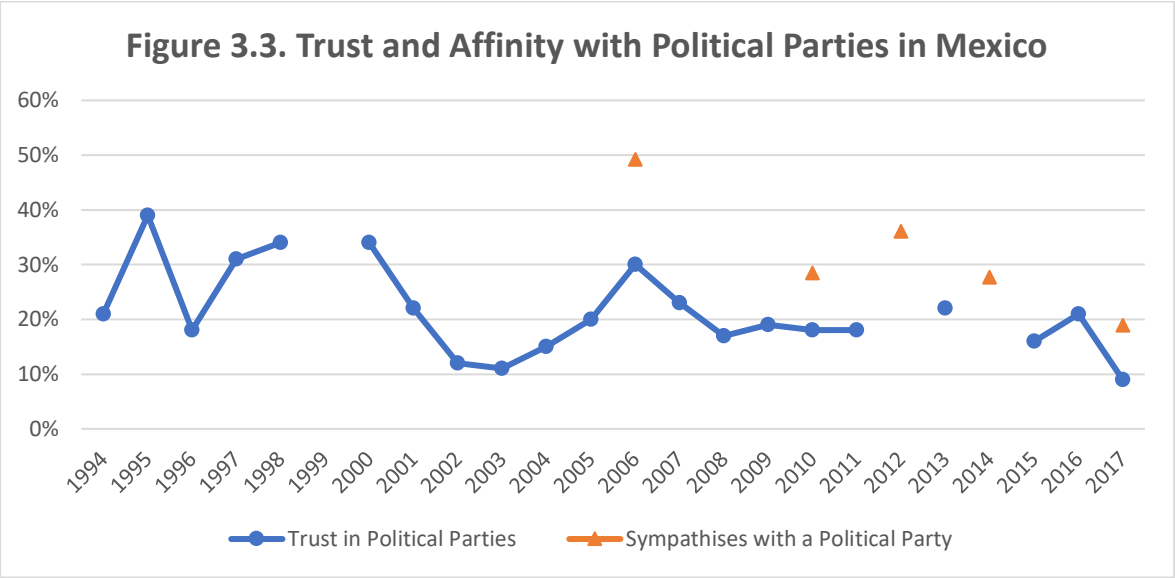
Country	Party Institutionalisation Index	Electoral Volatility	Party Roots	Party & Election Legitimacy	Party Organisation
Uruguay	80	77	80	66	97
El Salvador	75	89	71	43	98
Honduras	75	94	76	40	82
Dominican Republic	73	73	89	48	80
Panama	73	86	76	43	79
Chile	71	97	55	54	78
Argentina	69	81	56	47	91
Paraguay	68	72	89	36	73
Nicaragua	67	69	76	36	86
Mexico	**65**	**76**	**66**	**37**	**82**
Costa Rica	64	74	71	51	61
Brazil	61	85	45	37	76
Venezuela	57	53	57	55	65
Ecuador	52	57	59	28	64
Colombia	51	64	56	38	46
Peru	50	43	58	34	67
Guatemala	44	41	51	36	49
Bolivia	43	26	68	29	51
Mean	63	70	67	42	74

Source: Taken form Jones (2010).

As already discussed in the previous section, electoral and competition dynamics significantly changed in Mexico after the 1980s, with three ideological distinct parties becoming the main competitors. These three parties (PRI, PAN and PRD) competed regularly, invested in their party brands and party cadres, and did not cooperated with each other. In other words,

[203] Mainwaring 2018; Jones 2010.

competition was stable allowing voters and parties to form expectations of the party system and of political competition (who the players/competitors were, which candidate was associated with which party, what they stood for, who held which offices). Despite this a priori high institutionalisation of the party system and robustness of party structures, the level of PSI in Mexico can be put into question if we look at the perceived legitimacy of elections, the diminished level of trust in democracy, the population's overall identification and trust in political parties, and the stability of competition dynamics between political parties.



Source: Latinobarometro 2017.

Since the creation of an independent electoral commission in 1990, several election cycles have been organised in Mexico, which have been monitored by an autonomous entity with the participation and oversight of non-governmental organisations including international observers. This increased trust and guaranteed the legitimacy of results. Nevertheless, trust electoral results suffered a setback, particularly since the highly disputed 2006 presidential election which was marred by accusations of fraud and in which the runner-up demanded a recount, never accepting the result and accusing the electoral institution of being biased. After the 2006 election, it is now common that multiple candidates declare themselves as winners before official results are published, for the legitimacy of elections to be contested

at the tribunals, and for the official results to be postponed after a judicial trial takes place and validates the election.[204]

Even though parties enjoyed high levels of trust across the 1990s, reaching a peak of 40%, trust in political parties has declined since the 2000 transition, with current levels of trust of less than 10% (Figure 3.3).[205] After the PRI's defeat, Mexico enjoyed a democratic bonus in which the population had high hopes for democracy as a form of government, and trusted democratic institutions. For example, according to surveys, in 2002, 63% of respondents preferred democracy to any other form of government. Likewise, in 2006, 50% of voters had a clear affinity with a political party. By contrast, nowadays, the majority of Mexicans have little to no trust in political parties or in democracy, with survey polls indicating that less than 10% trust political parties and less than 20% identify themselves with a political party.

Another aspect that puts into question the level of institutionalisation of the Mexican party system concerns the stability of competition, which is the main building block of PSI.[206] Highly institutionalised party systems are those in which parties compete and cooperate over time in consistent patterns along ideological grounds and do not engage in odd and inconsistent alliances with their competitors. This has hardly been the case in Mexico, particularly since 2006, as coalition making has become the norm in the electoral arena with parties making multiple, complex and diverse coalitions. While coalition making is not necessarily a negative trait of a country's PSI, erratic coalition dynamics are.

As Table 3.4 shows, the affinity and identification with political parties has steadily declined in Mexico in tandem with the growing adoption of coalitions by political parties. Furthermore, national fidelity with parties, particularly of PRI, PAN and PRD, is erratic. Growing when they are in power and decreasing when they are defeated, which can be an indicator of weak attachments and political brands.

[204] Hernandez-Huerta 2020.
[205] Latinobarometro, various years.
[206] Mainwaring 2018.

Table 3.4. Level of Sympathy with Political Parties in Mexico						
Do you sympathise with a political party?						
	2006	2010	2012	2014	2017	2019
Yes	49.2%	28.5%	36.1%	27.7%	18.9%	19.8%
No	50.8%	71.5%	63.9%	72.3%	81.1%	80.2%
If you do, with which party do you sympathise?						
PAN	35.8%	28.7%	43.1%	23.0%	33.0%	8.6%
PRI	27.7%	52.8%	38.0%	54.6%	26.2%	12.0%
PRD	34.1%	13.3%	17.2%	17.8%	6.5%	3.4%
PVEM	0.1%	1.9%	0.6%	0.7%	2.9%	0.3%
PT	0.4%	1.7%	0.8%	1.0%	1.1%	1.7%
Panal	0.9%	0.9%	0.0%	0.5%	0.0%	0.0%
PASC	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Otro	0.6%	0.5%	0.2%	0.0%	1.1%	1.0%
Morena					27.6%	71.1%
Convergencia	0.0%	0.2%	0.2%	2.5%	1.8%	1.7%

Source: Lapop 2006-2019

3.5.1 Assessing Institutionalisation of Mexican Political Parties

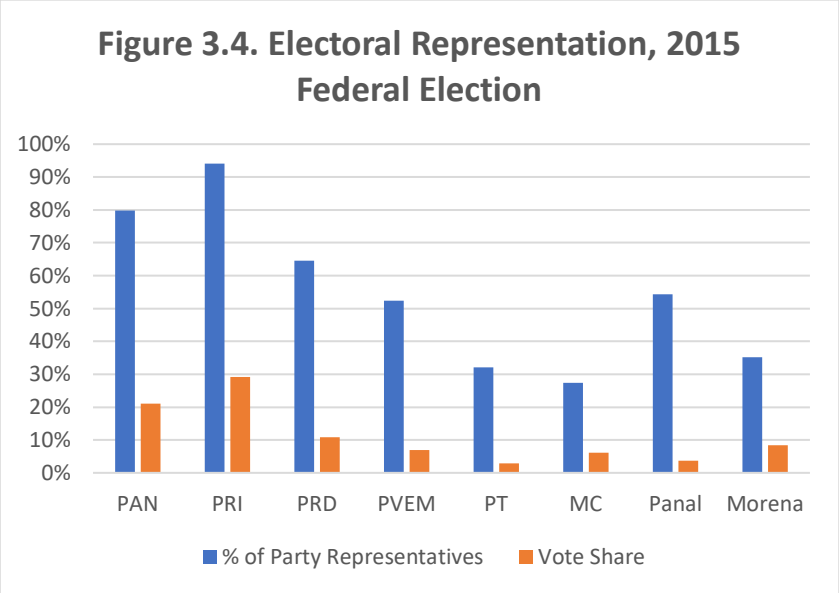
Independently of the party system as a whole, how can we assess the level of institutionalisation of Mexican political parties? As already mentioned, both Jones (2011) and Mainwaring (2018) categorise the Mexican party system as highly institutionalised due to the perceived high level of institutionalisation of its political parties, particularly their internal structures. In this section I will look at four categories which will give us a better sense of the level of institutionalisation of Mexican parties. The categories are parties' organisational structures and links with the population, territorial penetration, internal governance mechanisms, and party switching and defections.

It is hard to argue that Mexican parties are currently organisationally robust or that they have strong roots, both among the electorate and their own cadres. Since the electoral reforms of 1996, which guaranteed an inflow of federal transfers to political parties to cover their expenses, political parties ceased to depend on member contributions and thus stopped to invest in party building.[207] As a result, investment in party formation and recruitment dropped. Although it is almost impossible to know the precise number of people affiliated to political parties, since parties do not have reliable records, it is possible to approximate

[207] Weldon 2006; Muñoz-Armenta et. al 2013.

parties' organisational capacity, territorial penetration and support across the country if we use the number of representatives each party has in an election as a proxy.[208]

Mexican electoral laws allow political parties to have representatives in each installed *casilla (voting station)* across the country to oversee the vote count. Since Mexico is a large country, both in geographical and population terms, it is challenging for parties to have representatives in each ballot box, some of which are in remote places or in small towns. For example, in the 2018 federal election, 156 thousand ballots were installed across the country. In theory, the challenge of having a party representative at each ballot should be overcome if a party has a functioning territorial structure, such as municipal committees from where to deploy party adherents that will work as party operatives that oversee each ballot.



Source: Author´s estimation with data from Instituto Nacional Electoral, 2018.

Figure 3.4 shows this information for the federal election 2015 when the lower chamber of the federal congress was renewed. In this election ten political parties had a federal licence which allowed them to register candidates in all 300 federal districts across the country. As can be noted, only two political parties (PAN and PRI) had representatives in over 75% of the polling stations across the country and three more (PRD, PVEM and PANAL) had representatives in half of the polling stations. While the average of party representatives is

[208] For example, until May 2019 the PRI official register of affiliates totalled 6.5 million. However, after a revision by Mexico's electoral authority, this number decreased to 1.1 million, with thousands of inconsistencies and duplicate records (Animal Politico 2020).

somewhat high (45.6%), the number of party representatives is most certainly inflated. As already discussed, Mexican politics is currently dominated by complex electoral coalitions and these coalitions allow smaller parties to free-ride on larger parties (particularly the PRI and PAN). Since smaller and larger parties support a single candidate, smaller parties use their formateur's organisational structures or even use members of their coalition partner as their representatives, which inflates their real figure of ballot representatives. Likewise, political parties can pay or employ people that are not affiliated to their parties as their party representatives in rural/remote areas. For example, political parties use brokers as their representatives and use them for two purposes: be their representatives and monitor their voters/clients[209].

Traditionally, Mexican parties were characterised by having strong organisations. In particular this was the case of the PRI. Since its inception, the PRI was a deeply institutionalised political party, in which the party organisation and its members were divided by sectors such as peasants, farmers, industrial workers, blue collar and bureaucrats. As mentioned in the theoretical section, a party with an institutional organisation can better solve collective action problems, appeal to voters with a programmatic electoral program, has strong links with the electorate and has a party base which is nurtured. Currently, Mexican parties do not possess any of these characteristics.

Both party roots and organisations have weakened in Mexico, particularly regarding the links they establish with voters. In general, leaders of political parties are perceived to be extremely corrupt, and of serving only their own interests.[210] Furthermore, parties have abandoned programmatic programs and policies as well as the development of party cadres, instead adopting clientelistic policies and catch-all strategies.[211] For example, in the 2018 federal election that elected a new president and renewed the federal congress, 45% of voters were offered or received some type of benefit in exchange for their vote.[212] Recent empirical research has also documented the delivery of clientelistic strategies and programs over the last twenty five years by different political parties and public administration governments.[213]

[209] Stokes et al. 2013.
[210] Lapop 2004.
[211] Klesner 2005.
[212] Lapop 2019.
[213] Magaloni 2006; Molinar and Weldon 1990; Stokes et al 2013; Larreguy et al 2016; Hernandez and Jarillo 2008.

Over the last 10 years, and most likely intertwined to the adoption of clientelistic strategies, identification and support for political parties has decayed, experiencing large levels of electoral volatility. Furthermore, voter identification with specific political parties have fallen (Figure 3.3., Table 3.4 and 3.5) which indicates that interest in joining a party has fallen as well as the number of affiliates.

Another aspect of party's weakening level of institutionalisation concerns collective action related to party discipline. Institutionalised parties actively promote collective action, in particular delegating power to leaders so they can discipline members and enforce the rules.[214] For disciplining to be enacted parties must have organisational arrangements such as laws, rules and internal procedures that guarantee that punishments are enforced and that costs of free- riding are high. One way in which we can measure the effectiveness of cohesiveness is party abandonment and switching. In theory, switching between parties should involve high costs for those that decide to do so. Parties should discourage their ranks from switching since abandonment involve secession of the benefits attached to a party label.[215] Likewise, switching should be difficult and we should expect that parties will invest in their own rank and file, rather than adopting or automatically giving candidacies to politicians of other parties, facing punishments from voters and their members if they do so. Parties should also be hesitant of adopting switchers due to the costs and risks involved. Outsiders and switchers are less accountable to their parties, less likely to engage in party building, more likely to have severe conflict with the legislature and more likely to attempt to undermine democracy. Likewise, they are more prone to favour radical policy changes with shorter time horizons.[216]

Since 1997, party abandonment and switching has become a common practice in Mexican politics, particularly in non-PRI parties which have nominated large numbers of former PRI members.[217] Thirteen former PRI members where elected governors with the support of opposition parties, with all of them having strong ties to the PRI. Furthermore, eight of them

[214] Keefer 2011.
[215] Cox and McCubbins 1994.
[216] Mainwaring 2018; Flores-Macias 2012; 0'Dwyer and Kovalcik 2007; Lupu and Riedl 2013.
[217] Kerevel 2014.

abandoned the PRI shortly before the election happened and immediately switched and were nominated by another party.

Table 3.5. Overall Vote Share Received by Candidates to the Federal Chamber of Deputies*

Party	PAN	PRI	PRD	PT	PVEM	MC	Panal	Morena
Year of Formation	1939	1946	1989	1990	1993	1996	2005	2014
Vote share 1997	26%	38%	25%	3%	4%	-	-	-
Vote share 2009	28%	37%	12%	4%	7%	2%	3%	-
Vote share 2012	26%	32%	18%	5%	6%	4%	4%	-
Vote share 2015	21%	29%	11%	3%	7%	6%	4%	8%
Vote share 2018	18%	17%	5%	4%	5%	4%	2%	37%

*Total votes received by Federal Members of Parliament (Diputados) candidates by party in each federal election.

Overall, recent political evidence points toward a lower level of PSI and of institutionalisation of political parties in Mexico. In the following section I will further delve into the individual characteristics of the six main political parties that compose the party system in Mexico with the objective of better labelling their individual level of institutionalisation.

3.6. Index of Institutionalisation

In the theoretical section I argued that party institutionalisation was a function of three pillars. In this section, I use the Democratic Accountability and Linkages Project (DALP) data from Mexico as supportive evidence for this argument as well as observing how DALP data correlates with the description of party's level of institutionalisation presented in this chapter. Although DALP only has data for five Mexican parties, its results are not only useful but complementary (Table 3.6).

Table 3.6. Organisational Characteristics of Parties

Party	Balance of Power for Selection of Candidates[1]	Balance of Power for Electoral Strategy[2]	Linkages to Unions[3]	Linkages to Business and Professional Associations[3]	Linkages to Urban Neighborhood or Rural Associations[3]
PRI	2.526316	1.526316	0.9	0.05	0.05
PAN	3	1.578947	0	0.85	0
PRD	2.473684	1.684211	0.15	0	0.85
P.V.E.M	1.235294	1.142857	0	0.25	0.3
Convergencia	1.4	1.333333	0.1	0.1	0.3
Average	2.127059	1.453133	0.23	0.25	0.3

Source: Democratic Accountability and Linkages Project 2014

1: [1]National Party Leaders Control the Process of Candidate Selection, [2]Regional/state-level party organizations control the process of candidate selections, [3]Local/municipal actors control the process of candidate selections.

2: [1] National party leaders control the process of candidate selections, [2] Regional/state-level party organizations control the process of candidate selections.

3: The party has strong linkages to a particular organization? [0] No, [1] Yes.

I argued that one of the main attributes that defines a party's level of institutionalisation has to do with its internal characteristics, such as its ability for cohesiveness and the relationship/influence that the party has with other organisations. DALP data shows that there are differences between large and small parties regarding the level of decentralisation of decision making. While big parties (PRI, PAN and PRD) allow regional/local branches leeway on candidate selection decisions, this decision is taken primarily by national authorities in the case of PVEM and Convergencia. Nevertheless, the balance of power in terms of policy position and electoral strategy is strongly centralised across all the political spectrum in Mexico. There are also differences between parties in terms of the linkages they have with external organisations which is consistent with their histories, particularly for the larger ones. The PRI used to rely largely, but not exclusively, in unions to deliver its political strategies, while the PAN has historically have strong links with professional associations and religious organisations. Regarding the PRD, it relies on grassroots urban organisations (Table 3.7).

Table 3.7. Party's Provision and Linkages Strategies

Party	Effort to Attract Voters by Providing Consumer Goods[1]	Effort to Attract Voters by Providing Preferential Public Benefits[1]	Effort to Attract Voters by Providing Preferential Employment Opportunities[1]	Effort to Attract Voters by Providing Preferential Government Contracts or Procurement Opportunities[1]	Which Groups of Voters the Party Primarily Target[2]
PRI	3.75	3.55	3.421053	3.526316	2.3
PAN	2.7	2.8	2.789474	3.105263	2.526316
PRD	3.35	3.3	3.105263	3.157895	2
P.V.E.M	2.142857	2.214286	2.214286	2.333333	1.928571
Convergencia	2.692308	2.714286	2.571429	2.416667	1.8125
Average	2.927033	2.915714	2.820301	2.907895	2.113477

Source: Democratic Accountability and Linkages Project 2014

1: [1] A negligible effort or none at all, [2] A minor effort, [3] A moderate effort, [4] A major effort.

2: [1] Primarily to it partisan loyalists, [2] Primarily to strategic voters, [3] Both loyal and strategic voters.

Regarding their actual policy behaviour, parties do not significantly differ in their strategies. Mexican parties are primarily targeting strategic voting groups, while placing their core supporters second. We can observe that this is especially true for larger parties, while smaller ones put more attention to their core groups. Considering the rising level of fragmentation in the political system and the low identification that voters have with parties, the DALP results support the discussion of the previous sections. Mexican parties have become more fluid in terms of the policies that they pursue. As the data shows all parties are following a mixed strategy, which is similar to a catch-all party behaviour. Parties do not radically differentiate themselves in terms of what they offer or provide to voters with minor to moderate efforts to provide different linkages strategies whose range goes form the provision of particular goods to providing government contracts.

Despite this portfolio strategies, we can observe some slight differences that give us information about party's preferences. For example, the PAN favours the least the distribution of targeted individual goods, while it prefers favouring its supporters with contracts and access to procurement opportunities, which is in line with the strong links it has with business groups (Table 3.7 and 3.8).

Table 3.8 .Party's Policy Positions

Party	Social Spending on the Disadvantage[1]	State Role in Governing the Economy[2]	Public Spending[3]
PRI	4.222222	5.157895	4.263158
PAN	5.388889	7.31579	6.052631
PRD	3.277778	3.631579	2.684211
P.V.E.M	5.785714	5.642857	5.076923
Convergencia	4.428571	4.384615	3.6
Average	4.620635	5.226547	4.335385

Source: Democratic Accountability and Linkages Project 2014

1: [1] Party advocates extensive social spending redistributing income to benefit the less well-off in society. [10] Party opposes extensive social spending redistributing income to benefit the less well-off in society.

2: [1] Party supports a major role for the state in regulating private economic activity to achieve social goals, in directing development, and/or maintaining control over key services. [10] Party advocates a minimal role for the state in governing or directing economic activity or development.

3: [1] Party supports extensive public provision of benefits such as earnings-related pension benefits, comprehensive national health care, and basic primary and secondary schools for everyone. [10] Party opposes an extensive state role in providing such benefits and believes that such things as health insurance, pensions, and schooling should be privately provided or that participation in public social insurance programs should be voluntary.

Table 3.9. Party's Values

Party	Overall Left-Right Placement[1]	Liberal vs. Conservative values[2]	Traditional Authority, Institutions and Customs[3]	Poverty Reduction vs Income Distribution[4]	Value of Democracy[5]	Abortion[6]
PRI	5.421052	4.421052	4.647059	5.111111	5	4.789474
PAN	8.105263	8.473684	7.388889	3.944444	7.473684	9.263158
PRD	2.578947	2.526316	2.833333	5.5	3.947368	1.736842
P.V.E.M	7.0625	6.764706	6.9	4.0625	6.058824	7.1875
Convergencia	3.8	3.75	4	5	6	3.5
Average	5.393552	5.187152	5.153856	4.723611	5.695975	5.295395

Source: Democratic Accountability and Linkages Project 2014

1: [1] Party is best located at the "left" of the national political spectrum based upon its overall policy positions and ideological framework. [10] Party is best located at the "right" of the national political spectrum based upon its overall policy positions and ideological framework.

2: [1] Party supports liberal values. [10] Party supports conservative values.

3: [1] Party advocates full individual freedom from state interference into any issues related to religion, marriage, sexuality, occupation, family life, and social conduct in general. [10] Party advocates state-enforced compliance of individuals with traditional authorities and values on issues related to religion, marriage, sexuality, occupation, family life and social conduct in general.

4: [1] Party supports poverty reduction at the expense of income redistribution. [10] Party supports income redistribution at the expense of poverty reduction.

5: [1] Party values democracy according to substantive accomplishments. [10] Party values democracy independently of substantive accomplishments.

6: [1] Party opposes abortion. [10] Party is in favor of abortion.

Perhaps the largest differences are in the views of specific topics and the ideology that each party has. According to the DALP data the PAN and PVEM are the more conservative parties. For example, both of them oppose abortion and if in government would install traditional and normative societal values. The PRD is on the other side of the spectrum, in favour of abortion, state participation in the economy, liberal values an evaluating democracy relative to its accomplishments.

It is noteworthy that despite these ideological differences, the PAN has cooperated with Convergencia and the PRD, while it only cooperated marginally with the PVEM. On the other hand, the PVEM was, until 2018, a loyal ally of the PRI.

In sum, DALP data suggest that the largest institutional differences between parties are in their ideological views and in certain areas, their organisational characteristics. Despite some strong differences in their political positions, most parties are following similar strategies, although with particular differences.

Based on the DALP data and this chapter's discussion, I propose an index of institutionalisation of Mexican political parties (Table 3.10). As can be noted most parties' have weakly developed components. For example, the PRI remains a party with a strong organisational capacity, which is an inheritance of its hegemonic past. However, it no longer has a clear policy position, and the party depends on third-party enforcers, which can be either the president or a governor, to maintain party discipline. However, in the last decades the party has shown that it mostly works for its elites and not for its base. The PAN has a stronger, but still ambivalent policy and programmatic position. Its territorial organisation is less developed than that of the PRI but has some strong aspects such as a trusted record of members. Perhaps the PAN's strongest asset is in cohesiveness, even if this has caused internal disputes. Regarding the PRD, although the party was founded with a clear ideology and policy position, both have completely vanished, largely due to the party strategy of coalitions and due to the weak organisational and collective action capacity, which led to permanent internal battles and creation of factions. Regarding the accompanying parties, with the exception of the PANAL, which has a strong organisational capacity and a relatively clear position thanks to its links to the education workers union, all of them have weakly institutional capacity. The clearest example is the PVEM, which coalesces with the party that

best serves its interests, operates for an elite, and has a fluid policy, ideological and programmatic position, despite its "green" label.

Table 3.10. Party's Index of Institutionalisation

Institutionalisation Component	PRI	PAN	PRD	PVEM	PANAL	PT	MC
PolicyPosition-Program	Fluid	Medium	Weak	Weak-Fluid	Medium-Strong	Medium-Weak	Fluid
Organisational Capacity	Strong	Medium	Weak	Weak	Strong	Weak	Weak
Collective Action	Medium-Weak	Strong	Weak	Weak	Weak	Weak	Weak

There are three possible variables: weak/fluid, medium and strong. Weak/fluid implies that the party lacks an identification in a certain category. For example, the PRI has a weak/fluid policy position program since it uses multiple linkages strategies with voters, behaving like a catch-all party. Although the PRI electoral strategy is centrally defined by its elite, it does not have a cohesive, homogenous policy program/position that is consistent with the party's manifesto or ideological views. On the other hand, the party has the strongest organisational capacity in Mexico, thanks to its support from grassroots organisations, deep penetration and representation of the party across municipalities, and power to mobilise its base. Despite the strong organisational capacity, the party has medium to weak levels of collective action since decision making is deeply centralised, the party serves and is controlled by an elite, accountability is low, which allows leadership to use the party for personal benefits or changing the party's views.

Contrary to the PRI, the PAN is the party with more collective action within its organisation, with members holding considerable amounts of power, accountability and check and balances. Although the party has strong values, defined ideology and policy position in certain topics, it also delivers mixed linkage strategies to attract sparsely voting groups, reason for which it has mid-levels of policy/programmatic position. Since the party has strong links and influence from external organisations like the church or business groups, and does not have strong territorial penetration, it also has mid-levels of organisational capacity.

This index, and the previous discussion, help us in defining the policy expectations we expect each party to have. I expect the PRI's mark to be in non-programmatic expenditure; I expect the PAN to behave in a more programmatic fashion, relative to other parties. Yet, I also expect that given its links to business groups it will behave in a non-programmatic way in areas of the budget that can be suited to benefit business groups; I expect the PRD to behave in a non-programmatic way particularly noticeable in budget areas targeted to neighbourhood/rural organisations which compose their core voters. Regarding the PANAL, I expect it to push programmatic expenditure, particularly in education. Finally, I expect both PVEM, PT and MC to be non-programmatic although PVEM can spend programmatically in environmental programmes.

4. Overview of Mexico's Expenditure Dynamics

The theoretical section laid out several implications regarding the effect that coalition governments have on public policy, particularly across government expenditure and budgeting. This chapter will discuss the evolution of public expenditure and budgeting at the subnational level in Mexico, relating the evolution of these variables to the expectations laid out in Chapter 2.

The previous chapter focused on the political change that Mexican democracy has undergone, with an emphasis on political coalitions and the party system. Parallel to these changes, Mexico also underwent deep political economic changes, particularly since the 1980s. These changes included deep macroeconomic crises, hyperinflation, a move to international trade and a process of fiscal decentralisation which changed the role of subnational units and government expenditure dynamics.

The chapter will be divided into two subsections. The first section will discuss the budgetary capacity and fiscal importance of Mexican states, the dynamics of subnational expenditure since the 1990s, how the budget is distributed and how the priorities of expenditure have evolved over time. Similarly, it will show variation in expenditure allocation between the states. This section will thus introduce and define the main dependent variables of this thesis, which will be further analysed in Chapters 5 and 6.

The overall goal of this chapter is to discuss the dynamics of public expenditure and budgetary dynamics at the subnational level in Mexico. It will show the considerable level of variation that exists in public expenditure at the aggregate level, and expenditure across different budgetary categories. The chapter will lay-out three implications. First, that budgetary variations are not purely explained on economic grounds. Secondly, that there are meaningful differences between expenditure categories, especially on the time-horizon of the expenditure and on the programmatic orientation that each category has. Finally, the chapter suggests that government type (coalition or unitary) explains part of the observed variation. Specifically, that coalitions lead to a focus on less productive and short-term oriented forms of spending.

4.1 Dynamics of Subnational Expenditure

This section will present a brief history of fiscal federalism in Mexico since the 1990s. First, I will offer some background information on the case, and explain the technical terms that will be used throughout the thesis. Second, I will present a picture of fiscal federalism, particularly how it has significantly affected the states of Mexico and their patterns of expenditure priorities over the last twenty-five years. Specifically, I will show that there is large variation in expenditure patterns between states. Moreover, expenditure patterns follow broad trends, which are identifiable once I disaggregate total expenditure into relevant categories. On the one hand, states spend large parts of their budget on short term investments that are mostly non-productive. On the other, long-term investment in public goods have stalled despite an increase in aggregate levels of disposable budget. These differences between productive and non-productive spending are starker when viewed by type of subnational government.

Mexico is one of the twenty biggest economies in the world, and an economically and politically heterogeneous country. It is a deeply unequal country in terms of income distribution, with a Gini coefficient of 48.2 which includes a large variance of income inequality between the states. [218] Likewise, heterogeneities between the states are also observable when measured by their Human Development Index (HDI) which measures development through a multidimensional scope which health, education, services and living conditions. Through this measure, nine states have very high HDI levels, similar to western European countries, and eight states, home to thirty per cent of the national population, have low levels of HDI. These disparities are reflected in the heterogeneous socioeconomic conditions of the thirty-two states that conform the Mexican Federation. In 2015 eight states concentrated 57% of all economic activity.[219] Likewise, economic differences are noticeable in the production structures of the states. For example, only five states account for 52% of all national exports, with all of them located on the border with the United States [220]. Similarly, the differences between the states are not only economic but also social with high poverty

[218] World Bank 2021.
[219] Mexico City, State of Mexico, Nuevo Leon, Jalisco, Veracruz, Guanajuato, Campeche and Coahuila.
[220] INEGI 2017, Cuentas Nacionales . The states are Chihuahua, Baja California, Coahuila, Nuevo Leon and Tamaulipas.

and inequality levels particularly in the south-eastern region, where over thirty per cent of the population lives in extreme poverty.[221]

Due to these disparities, the needs, priorities and demands of each state can be radically different. For example, in the northern states the demands for adequate roads and infrastructure are more pressing, while in the south the provision of basic infrastructure such as water, sewage and poverty aid takes pre-eminence. Yet, only in the 1980s Mexican states began to obtain fiscal and administrative independence to address their own needs and demands. For most of the 20th century, Mexico's subnational budgetary decisions, including public infrastructure investment, were centralised and dominated by the federal government.[222] Under this centralised system, public expenditure was subject to high political manipulation, strongly associated to the one-party rule that prevailed until 2000. Budgetary decisions such as the building of hospitals or roads were decided vertically and used as a way to discipline, punish or reward certain states or politicians. In other words, the rationale behind budgetary decisions had little to do with the particular socio-economic needs of each state. Similarly, before the 1980s there was not a transparent system of federal transfers in place. Allocation of resources worked through a highly discretionary system in which money was allocated in order to maintain party discipline and electoral gains and could be reallocated in order to punish or reward certain regions and politicians.[223]

By the mid-1980s a process of fiscal, political and administrative decentralisation was already underway. This process was accelerated by an economic crisis that included hyperinflation, debt defaults and null economic growth. The ruling PRI was experiencing severe difficulties steering the economy and began to face serious pressures in favour of democratising reforms. Both problems stemmed in part from the highly-centralised system of public expenditure and budgetary allocations.[224] For example, local administrations were particularly weak, vulnerable, and dependent on federal transfers, and on the fluctuations of the political climate at the federal level. To fend off political pressures from states where the opposition was becoming increasingly popular, and in order to improve the efficiency of budgetary

[221] CONEVAL 2017.
[222] Hernandez 2009.
[223] Diaz Cayeros 2006, Diaz-Cayeros, Magaloni and Weingast 2003, Hernandez 2009.
[224] Cabrero 2004, Grindle 2009, Faletti 2010, Beer 2012.

allocations, the federal government launched a decentralisation process, introducing a national system of fiscal coordination. This decentralisation process culminated in 1997 with the constitutionalisation of a series of fiscal redistribution formulas based on state level socioeconomic, development and population indicators. Largely, this legal formalisation of the redistribution system was promoted by opposition political parties (PAN and PRD) in exchange for their legislative support for constitutional reforms, since these parties were consolidating their presence across the country. By formalising the transfer of resources, the goal was to insulate fiscal transfers from political manipulation since the federal government was controlled by the PRI.

Under this new system, the administrative responsibilities of the states increased as well as the available resources they had. Importantly, as a result of this process all the states renounced their rights to collect and impose major taxes and delegated this role to the federation. This implied that states effectively lost their fiscal autonomy to impose major taxes, or modify the tax rate, and their fiscal capacities were narrowed to the collection of property and land related taxes. In return the federal government committed to levy major taxes, such as value added or income taxes, and guarantee the constant flow of non-conditional resources to subnational governments. Furthermore, the transfer mechanisms and rules that dictated the fiscal coordination system between the states and the federation were defined in a series of laws in order to provide discipline and stability and decrease political manipulation.[225]

By 1997, the Mexican congress had passed legislation that deepened the level of decentralization and allocation of funds to the Mexican states, municipalities, and the federal district. This reform created two different transfer mechanisms, *Aportaciones Federales* and *Participaciones Federales.* Both *Aportaciones* and *Participaciones* have similar objectives: to increase the level of autonomy of subnational units, to increase the level of public expenditure, the provision of public goods via infrastructure (such as roads, damns, water provision, and sewage), health, and the quality of the services, tailoring each area of the

[225] See Cabrero 2004, Grindle 2007 and Falleti 2010 for a comprehensive discussion of the decentralisation process in Mexico. Information regarding the Sistema Nacional de Coordinacion Fiscal is available at its webpage and at the webpages of the Mexican Treasury and the Mexican Congress.

budget to the specific needs of the local population. However, there are significant differences between these two types of transfers.

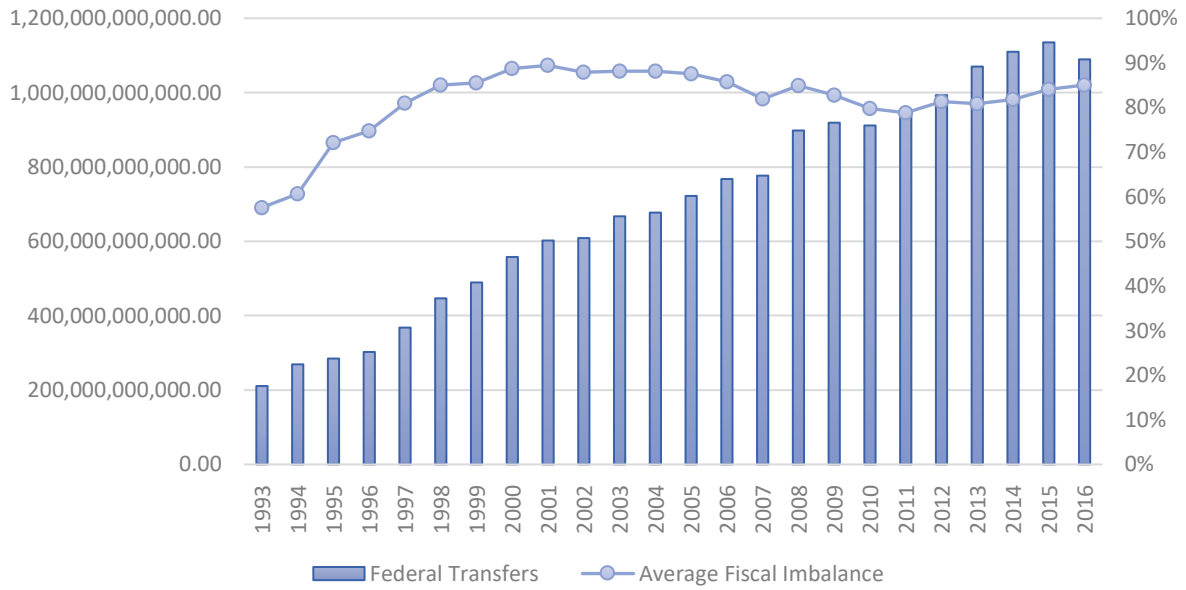
Aportaciones are earmarked, non-discretionary transfers that are allocated to specific projects. In theory, neither the state governor nor the state legislature can decide how they are used. These transfers are approved by the Federal Congress as part of the federal budget. The money can be allocated to projects such as education development projects, healthcare, public security, financial strengthening, and public infrastructure construction such as roads, schools, hospitals, parks or sewage systems. It is important to note, however, that the funds from *Aportaciones* do not include money for poverty alleviation programmes, such as conditional cash transfer programs, which are administered directly by the federal government.

Participaciones, on the other hand, are derived from the total amount of federal taxes collected each year, including taxes from oil, transportation and gasoline. Crucially, the resources transferred to each state are not earmarked, so its use can be discretionary. Governors only need the approval of the state legislature to make use of this money. As a result, although the federal fiscal coordination law recommends that these resources should be used for productive projects such as infrastructure or health services, there are no legal limits to the discretionary use of the funds.

Both funds, their compositions and formulas are defined by federal laws. The monetary overall amounts of each fund, their internal composition and amounts channelled to each state form part of the *Presupuesto de Egresos de la Federacion,* which is the annual budget of the Mexican federation, which has to be discussed, voted and approved by the lower house of the federal congress. Regarding *Participaciones*, since they are non-earmarked resources to use in a fairly discretionary manner by states and municipalities, the amounts that each state receive are defined by a number of formulas and variables. Since the states of Mexico conform a federation, there is reciprocity between the states and the law reflects this. As a result, social variables, such as poverty levels, are the ones that defines the quantities that each state receive of *Participaciones*, which means that the more impoverished states (particularly those form the south-east region) receive a larger share of *Participaciones*. All of the funds are allocated from the federal to the state level. Transfer and reception of the funds

across the year follows an open and transparent process, in which the federation (the federal government) has to made public through official and public records (*Diario Oficial de la Federacion)* that federal funds channelled to each state and the amounts. If the federation fails to deposit these funds to any state in the dates marked by the law, the federation incurs in an offence which is in theory punished by the Congress and the Federal Audit.

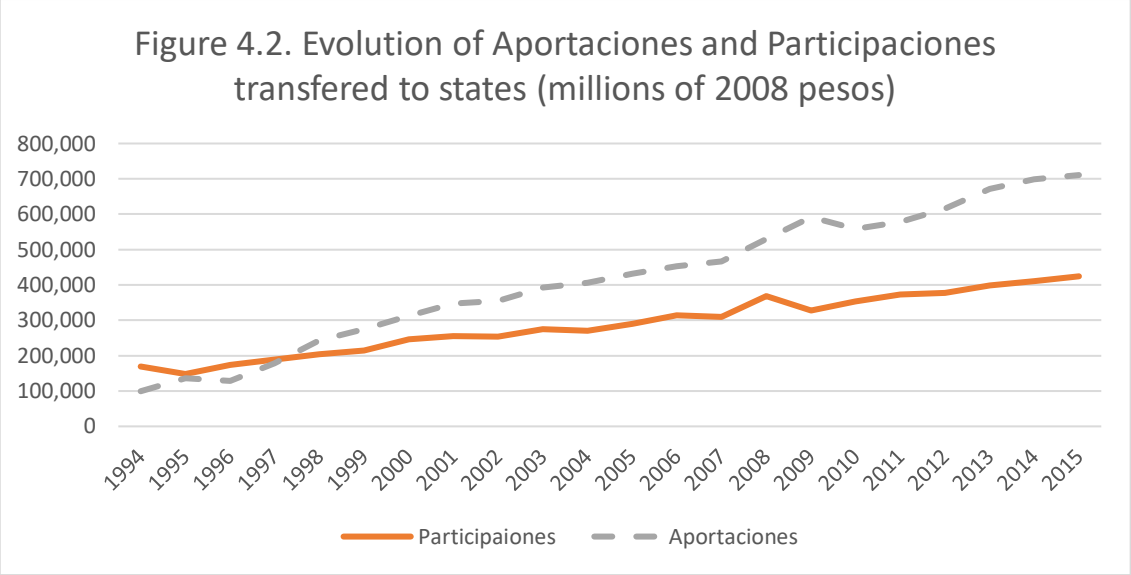
Figure 4.1. State's Dependency on Federal Transfers



Monetary values expressed in 2008 pesos. Source: Author own estimation based on data of INEGI.

How important are Aportacione and Participaciones? Both funds represent over 90% of the fiscal transfers that are channeled to states, which in turn represent, on average, over 90% of their budget. As figure 2 shows, the amount of Federal Transfers from Participaciones and Aportaciones have increased constantly and significantly since 1997. Even though the Mexican economy has not grown consistently over the last 20 years, the growth rate of federal transfers is rising overall. Only during the 2008 crisis there was a slight decrease on these transfers, but they quickly recovered.

Aportaciones, which are earmarked transfers for public investment projects, amount to more than 50% of federal transfers that state receive. Despite the strong mandate that this 50% has, the results have not followed suit.



In theory, we would expect provision of public goods to increase over time across the states of Mexico, particularly if we consider the volume of money that they represent. Aportaciones are not only labelled but monitored by the Auditoria Superior de la Federacion (Supreme Audit Oversight Institution of the Mexican Government). Despite these regulatory locks public investment, as a percentage of total budget, has remained at the same levels over the last 20 years.

The Federal Audit has proven to be unsuccessful for two reasons. The first, is that the Federal Audit is not an independent body. Instead, it is officially part of the Mexican Lower Chamber (Camara de Diputados), which appoints the Auditor Superior who heads the Auditoria. Furthermore, the Camara de Diputados approves the actions of the Auditoria, including the yearly fiscalización de la cuenta pública federal (audit to the federal public budget), in which the federal budget, including all its programs, projects and the federal transfers, is audited. As can be noted, the Auditoria, and its actions, are involved in a highly political and contentious environment. The budget is a political process, in which many interests are at play and where all parties obtain benefits. Although corruption and misattribution of resources is a popular theme that can always be played in a debate, a speech or in a political campaign, that does not necessarily translate to legal action. Given the context of coalitions, all parties are involved, in one way or another, in state governments. In the same manner, they all benefit from the inflow of resources and therefore, it is not in their interest to point

fingers and audit how federal funds are being used in a rival government since a rival party can do the same in the future. It is easier to turn a blind eye.

The second reason is that local auditorias are, like the federal one, not independent. They operate in the same manner, being part of the state congress. If the federal auditoria or the federal congress suspect that a governor is misattributing federal resources and decides to act, their success rely heavily on the reports of the local audit. As already mentioned, at the subnational level, there is a democratic deficit in which the governor is overpowered, and the balance of power is tilted to the executive side. Likewise, political actors, such as local members of congress and other public officials, face little to no benefits in challenging or making a stand to the governor, who can persecute them and annihilate their political careers. In this context, it is unlikely that the local auditoria will look deep on how federal funds are being used or allocated.

Recent events in the state of Veracruz, show the political dynamics of federal funds and the limits of audits. Cesar Duarte was elected governor for the period 2010-2016 with the support of a coalition between the PRI and Partido Verde. In the final years of his tenure, there were public upheavals and accusations of misattribution of federal funds. Public services, particularly the health sector, and salaries were facing disruptions. Public pressure began to raise at the local and national level and Duarte left the government, and went into hiding, weeks before his term finished. An investigation by the federal government began, which showed multiple irregularities and millions of pesos missing from the treasury. The same investigation also showed that the local congress has approved the government budget, and the local auditoria did not find any irregularities, despite the documentation clearly showed otherwise. Duarte was eventually arrested. However, these actions were discrete, and originated more by public pressure than from political commitment or from improved procurement practices, as well as to please public opinion. Likewise, the arrest of Duarte and the misspending findings did not extend to better spending practices, increased oversight of the budget to other states of Mexico, or to better legislation. Accusations of corruption and budget embezzlement continue to abound in Mexico, but only once a governor finish its term.

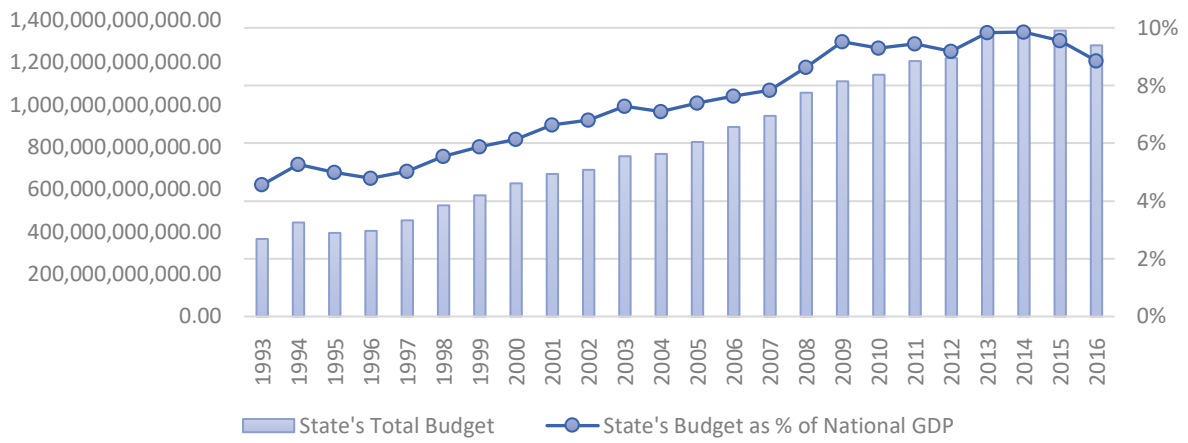
The importance of the system of federal transfers is significant in terms of the gross monetary value that they represent as well as for their share of states' budgets. Indeed, federal transfers represent the majority of a state's budget. As the bar chart on Figure 4.1 shows, the total value of federal transfers has consistently increased since 1993, which now represents the main source of income for states. This increase in monetary transfers came at the expense of the federal government, who retreated as the main economic actor on Mexican public finances, conceding more economic protagonism to the federation. The increase in fiscal resources available to the states is also important if we take into account the irregular economic growth of Mexico since the 1980s. Even though the Mexican economy has not grown consistently over the last 20 years, the growth rate of federal transfers is rising overall. Only during the 2008 global financial crisis was there a slight decrease in the amount of these transfers, but this recovered quickly afterwards. Fiscally, the previous process has been possible due to the retreat of the federal government as well as the inflow of oil revenues. The large inflow of resources augmented the operational capacity of states as well as their fiscal autonomy and budgetary decision-making. However, it also increased the dependency of subnational budgets on the inflow of federal transfers. As a result, the current system of transfers has created a large vertical fiscal imbalance in the states and a large dependency on federal transfers, which resulted on the abandoning of revenue generation and local taxing efforts.[226] Currently, over 80% of the budget of the average subnational government is comprised of federal transfers, although in some states it reaches 95%, as can be seen on the plotted line on Figure 4.1.

The most significant result of the decentralisation efforts in Mexico has been the large amount of resources that have been transferred to the states and their municipalities. Because of the inflow of resources, states have increased their significance as economic actors particularly in terms of public expenditure. Since the process of fiscal decentralisation began, the role of states as economic agents has increased significantly, as they began to spend more and in a direct manner. At the beginning of the 1990s, the combined expenditure of states represented around 1% of national GDP. As federal transfers increased, so did the importance of states in the national economy. In twenty years, the total expenditure of states tripled, and

[226] Vertical imbalance is defined as the percentage of a state budget derived from non-tax sources such as transfers, aid or oil revenues.

it now represents almost 10% of national GDP. This evolution can be seen in Figure 4.3, which shows subnational budgets, the amount of the total expenditure in the hands of the states, and their relative importance on the economy.

Figure 4.3. Subnational Expenditure



Monetary values expressed on 2008 pesos. Source: Author own estimation based on data of INEGI.

The combination of higher resources and decentralisation allowed states to allocate their budget independently, leading to budget dynamics fluctuating over time and across the country. Using official data from the Mexican government, which divides subnational expenditure using a number of categories that are comparable across states and across years, it is possible to analyse the overall subnational dynamics of budget expenditure. Figure 4.3 plots the average distribution of expenditure between 1993 to 2015 by category of expenditure.

The Mexican Government aggregates public expenditure over eleven categories, depending on the nature, purpose and orientation of the expenditure. I concentrate on four of them which represent over 70% of the budget but also represent the bulk of the policy budget. The four main categories are “salaries”, “subsidies and transfers”, “public investment” and “public debt”. The definition of each category is as follows:

- Personal Services (*Servicios personales*): It includes the spending on public sector workers: salaries, allowances, benefits and social security contributions, labor

obligations and other benefits derived from an employment relationship. Payments in this category include those to permanent and non-permanent workers of the government (contractors, transitory workers) .

- Transfers, assignments, subsidies and other forms of aid (*Transferencias, asignaciones, subsidios y otras ayudas*): Direct or indirect monetary transfers to the public and private sectors, agencies and state-owned companies as part of their economic and social policy projects, in accordance with development strategies and priorities for the sustainability and performance of their activities.

- Public Investment (*Inversion Publica*): Money for public works contracts and productive projects, as well as promotion of projects. Includes expenses for pre-investment studies and project preparation (procurement).

- Public Debt (*Deuda Pública*): Money destined to cover government obligations to service domestic public debt. It includes the amortization, interest, expenses and commissions associated with the public debt, as well as expenses related to the issue and / or contracting of debt. It also includes debt issued during previous fiscal years.

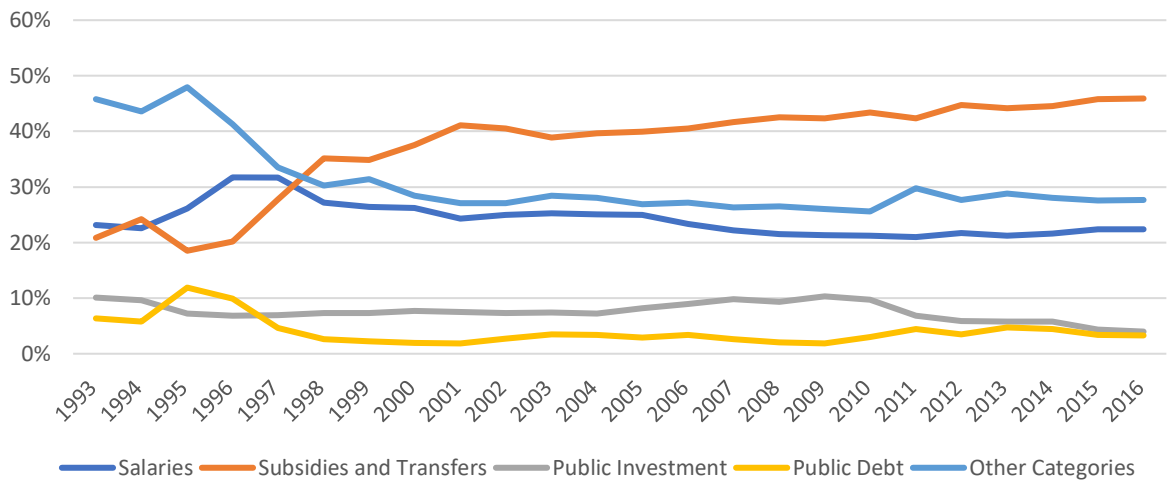
Table 4.1, located at the end of the chapter, describes these variables and provides examples of programs and projects included in each category, as well as the expected orientation and time frame of each category.

By the early 1990s, over forty percent of the combined subnational expenditure was concentrated in two categories: salaries and subsidies and transfers. Public investment, on the other hand, represented roughly ten percent of total expenditure. One of the main goals of decentralisation was not only to provide fiscal autonomy to states but to increase budgets in order to raise investment in public infrastructure across Mexico. With the large inflow of resources that came with decentralisation and considering that in principle transfers should be devoted to investment and public goods, we would expect to see an increase in the relative importance of public investment. As can be seen on Figure 4.4, this is not what happened. Average public investment of Mexican states, measured relative to total expenditure, has

remained in similar levels for twenty years, remaining below ten percent of aggregate subnational expenditure. In fact, the pouring of resources and increase of budgets across the states of Mexico had a reverse effect. Subnational expenditure on subsidies and transfers began to increase consistently, doubling in ten years with expenditure in this category comprising almost fifty per cent of subnational expenditure on average. This is not a minor move, particularly if we consider what projects, policies and programs delivered are considered in each category and their time-horizons. [227]

It is important to acknowledge that most of the change in the average distribution of the budget across the categories occurred between 1995-2000, before the emergene of coalition took place. Yet, as will be shown in figure 4.6, there is plenty of within variation in the distribution of state's budget, particularly after 2000.

Figure 4.4. Mean Percentage Distribution of States Budget



Source: Author own estimation based on data of INEGI.

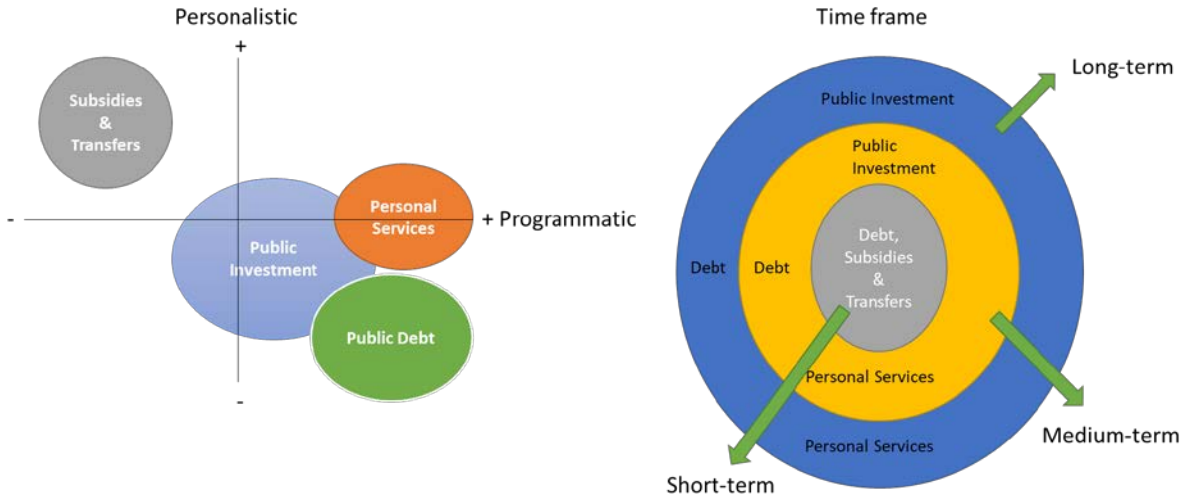
The implications for each expenditure category are different as well as the time horizon of each policy or project included in each category. For example, "Personal services" includes salaries of government employees. The size of the public sector, particularly government employment, has been used as a proxy for unproductive expenditure (for example, patronage), but also to highlight how different parties use it when they are in power. Public investment, while it can be inefficient and subject to pork, on average implies longer-term

[227] Although not shown, dynamics in per capita terms follow the same trend.

investments such as the construction of roads, or investments in education and health. Transfers involve short-term horizon expenses that are highly tailored, targeted, excludable, and most likely political in nature.

Figure 4.5. represent each expenditure type in a diagram involving its orientation and its time frame. As discussed in chapter 2, I define "programmatic" in a spatial manner rather than in a unidirectional and discrete form. Therefore, one type of expenditure can have different "intensities". For example, personal services, which encompass most of the public employment and payment to the bureaucracy are highly programmatic and non-personalistic, by using codes, procurement process, competition process and open tenders. However, one politician can use public employment as a policy program or assign bureaucratic positions discretionary to people close to him or even family members. In the case of debt, it normally has to follow a process that involves the legislature, through an open and procedural routine. However, the executive can press the legislature and speed-up the process, for example by forcing the legislature by vote at night or with a closed ballot, making the process still lawful but less programmatic. Subsidies and transfers are the most personalistic and less programmatic since the delivery of these programs are almost exclusively decided by the executive or by the ministries and attached to a political brand. Public investment is the trickier of the categories. It can be non-programmatic and personalistic (i.e., pork), however its long-term orientation and non-excludable nature make them less attractive to use as a political tool. On the other hand, due to the size of the investment needed for these types of projects, they involve procedural and procurement processes which make them mostly programmatic.

Figure 4.5. Orientation and time frame of expenditure types.

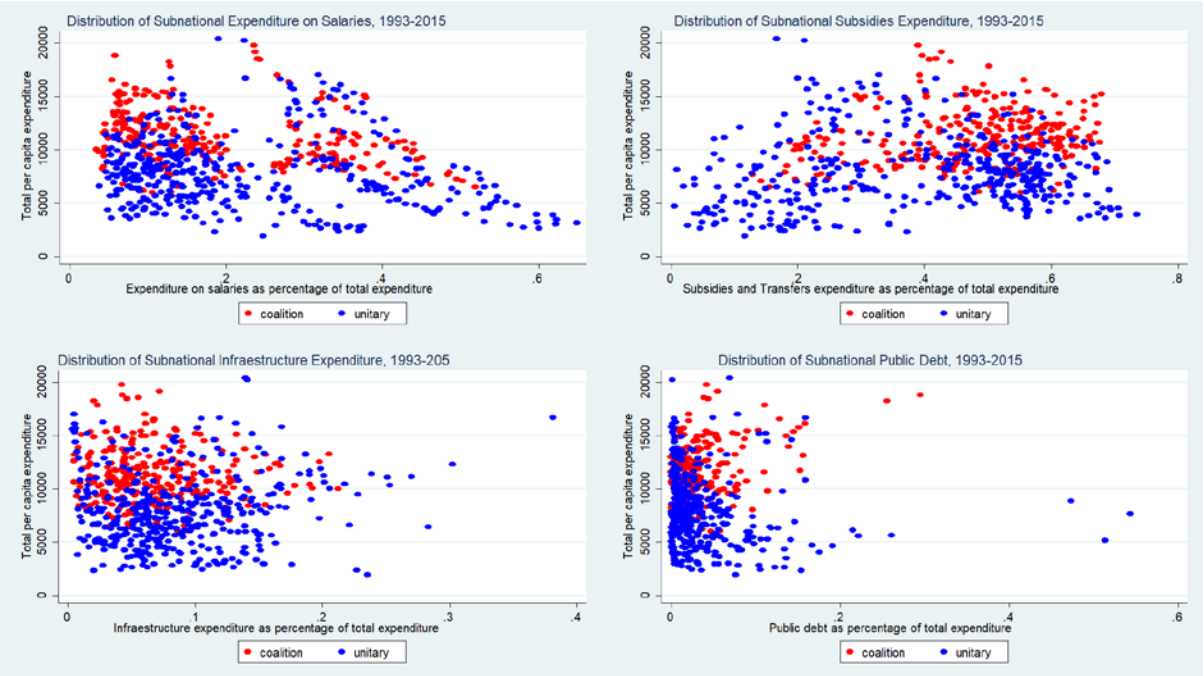


Despite this general trend, there is plenty of variation in expenditure allocation across the states of Mexico over the same period. Over time variation is of significant importance for the selection of the Mexican states as my object of inquiry. The priorities of governments differ across space and time. I contend that these priorities are possibly driven by political cofounders such as government type, among other factors. These relationships can be more clearly seen in Figure 4.6 which plots the four categories of expenditure against the per capita expenditure of the state, by subnational government type, depending on whether the government was a multiparty coalition or not. The top left graph plots the expenditure on salaries as a percentage of total expenditure; the top right graph shows the percentage spent on subsidies and transfers; the bottom left graph depicts public investment expenditure as a percentage of total expenditure; and the bottom right graph shows the percentage of public debt as a percentage of total expenditure. Each dot represents a state's expenditure in each category and each graph plots all the states across all years between 1993 and 2015 for a total amount of 682 data points in each graph.

These graphs have two main objectives. First, to show that independently of any time trend there is variation in expenditure choices across states, and relatedly, that budgetary priorities differ across time and space. As can be seen in the four graphs, but more clearly in the top ones, there is significant variance in expenditure patterns over the whole period between the

states. This variation is important if we bear in mind the aggregate patterns that I described previously, as it shows that despite the overall trend there is large variation in terms of expenditure priorities between the states. Secondly, the graphs suggest that existing variation appears not to be driven by the level of income of the governments, measured by their total expenditure. In this regard the importance of a category in the budget in a certain year is not a function of the money available and spent in a certain year. This relationship can be observed when holding constant a level of expenditure in one of the categories on the horizontal axis and observing how the data points are plotted vertically. For example, taking the distribution of public investment (bottom left graph), if we observe those states that allocated 10% of their total budget to this category it is noticeable that the number of states at this particular level of expenditure are distributed vertically across all levels of per capita expenditure. Therefore, states with dissimilar levels of available budget are prioritising expenditure equally. Similarly, there are states with high levels of expenditure in investment but with low levels of income, and states with low levels of investment and high levels of income. Therefore, two states are investing similar levels of their budget in public investment irrespective of the size of their budgets. This situation is present across the four categories and it is not caused by the intensity or variation of federal transfers. While transfer varies with population and poverty indicators, the amount of transfers a state receives is defined by allocation formulas that are properly defined in federal laws. Similarly, it is unlikely that budget variations are influenced by unexpected variations in transfers such as extra revenues from oil due to a rise in the price of the barrel, simply because transfers are distributed proportionately. Finally, variation is still present if we group states by region, which is shown in the Annex.

Figure 4.6. Subnational Expenditure Variation



Source: Author own estimation based on data of INEGI.

The lack of relationship between a state's available budget and how much it devotes to particular expenditure categories has important implications. Decentralisation theory predicts that units will prioritise and increase expenses in certain goods as their level of wealth or development increases. For example, demands and needs for public goods would be higher as the level of income rises. As discussed, Figures 2.3 and 2.4 show the degree of variability in expenditure patterns at the state level. Since the observed variation seems not to be correlated with the level of public expenditure of a state (i.e. income), this can be an indication that expenditure levels within a state are fluctuating significantly year to year due to other reasons such as the presence of coalitions. The following chapter empirically tests this interconnection.

In sum, the previous discussion is important in order to show the presence of variation in states' expenditure decisions across time. Most importantly, this section has shown that variation appears not to be driven by economic factors, as some theories predict. Therefore, other cofounders seem to be interacting with budget portfolio allocation decisions.

Table 4.1. Budgetary Categories

Category	Definition	Example	Orientation	Time Frame
Personal Services	Payment of salaries of the personnel at the service of the public entities, such as: salaries, allowances, benefits and expenses of social security, labor obligations and other benefits derived from an employment relationship; It can be permanent or transitory.	Wages to bureaucrats; Hiring of personel.	Personalistic but Programmatic	Medium to Long Term
Subsidies and Transfers	Monetary assignments directly or indirectly assigned to the public and private sectors, agencies and state-owned companies as part of their economic and social policy projects, in accordance with development strategies and priorities for the sustainability and performance of their activities.	Distribution of meals; Direct monetary incentives; Perishable goods (construction kits)	Personalistic and Non-Programmatic	Short term
Public Investment	Assignments for works by contract and productive projects and promotion actions. Includes expenses for preinvestment studies and project preparation.	Roads, Hospitals, Parks.	Programmatic	Medium to Long Term
Debt	Assignments destined to cover government obligations for domestic public debt derived from the contracting of loans; It includes the amortization, interest, expenses and commissions of the public debt, as well as the expenses related to the issue and / or contracting of debt. It also includes debt issued on previous fiscal years.	Debt acquisition to private banks or Public Debt issuance by the Government.	Programmatic	Short, Medium and Long Term

Concluding Remarks

Parallel to the political changes that occurred with the transition to democracy, Mexico also underwent economic changes, particularly from the fiscal side. Although Mexico is a federation, for most of the 20th century the states of Mexico played a marginal role on the economy and on public policies, with the main role taken by the federal government and the president. Thanks to fiscal decentralization processes, this asymmetric relationship gradually started to change in the 1980s, with states taking a more prominent role on fiscal decisions and particularly expenditure.

Since the mid-1990s, states became real economic agents, with their combined expenditure reaching and equivalent of almost 10% of national GDP. Yet, this rising prominence came at a cost since states are now extremely dependent of federal transfers which on average comprise over 90% of a state's yearly budget.

This increase in available expenditure has given states more autonomy to plan and execute their budget. Although decentralisation theory expects that such a shift would increase the quality and quantity of provision of public goods and services, this has not entirely occurred in Mexico. With the process of fiscal decentralisation, states did shift their budgetary composition. However, this shift moved towards non-productive expenditure grouped in the subsidies and transfers category, while expenditure in public investment has remained at similar percentage levels. Interestingly, there is a large variation in the expenditure dynamics of states year after year, with this variation appearing to not be correlated with a states level of development. A simple exploratory exercise suggests that expenditure variation between states is not to be a product of wealth or income but appears to be linked to the type of government a state has in a particular year -unitary or coalition. The following chapters will explore this relationship employing multivariate analysis.

5. Political Foundations of Government Expenditure: Multiparty Coalitions in Mexican States

In 1985, the thirty-one federal states of the Mexican Republic were all ruled by governors that belonged to the same political party, the Partido Revolucionario Institucional. Over the following thirty years, Mexico went through deep political changes, as it slowly moved away from a hegemonic one-party regime and embraced democracy. One of the most significant political changes involved who governed and how, as multipartyism and coalition making are currently the norm. For example, in 2000 only two of the thirty-one governors were elected with the support of a coalition but in 2015, except for two states, all state governors were elected with the support of a multiparty coalition. Like other countries with presidential systems and transitioning democracies, coalition making has become the norm in the political and electoral system. A growing literature has studied the political effects of the presence of coalitions in developing democracies at the national level.[228] This chapter is part of this literature, but it explores the public policy effect in expenditure dynamics caused by the presence of coalitions as a policy government unit in presidential democracies at the subnational level.

The previous two chapters explored the political and economic events that happened in Mexico, which were possibly triggered by the country's transition to democracy. These exploratory chapters were necessary to understand the complex and varied changes that occurred, many of which are still under way in Mexico, and the multiple ramification and implications that these changes have. Likewise, they provided the necessary analytical context regarding who the actors are, which interest and motivations they have, the role that they play in the party system, the nature of competition, what the variation of interest is, and where it comes from.

In particular, the previous chapter described the budgeting and public finance transformation at the subnational level, both states' changing role in the economy and in the provision of goods. Although all states have increased their budgetary autonomy and expenditure levels, subnational expenditure across the states of Mexico evidences a wide range of variation, both in terms of overall levels, the types of goods that are provided, and the categories of

[228] Chaisty, Cheeseman and Power 2018; Borges and Turgeon 2019.

expenditure in the budget portfolio. In order to avoid repetition, attention is drawn to Figure 4.4 which shows four different budgetary components over time, with each dot representing a state allocation of the budget for a given year for each category. The states are divided into two different groups, depending on whether a given state was ruled by a coalition in a given year or not. The figure suggests that there are indeed differences in the level of allocation. The causes of this variation have been rarely explored by economists and political scientists.[229] This chapter explores the linkage between the variability in government type and variation in expenditure across the states of Mexico.

The first set of hypotheses laid out in Chapter 2 are tested here. The first hypothesis looks at the overall differences between single-party and coalition governments, since an established literature has found that there are differences in the level of expenditure. However, this literature mostly focuses on cross-country and case-study analysis of parliamentary systems, and the differences in expenditure levels found in these analyses are most likely caused by constitutional and institutional differences. The hypotheses test if there are specific differences in the policy provision between single party and multiparty governments linked to the time-horizon and direction of the goods being provided. For example, if there is an increase in private or public goods and in the size of the public sector.

The chapter shows that overall expenditure and portfolio variation can be attributed to the presence or absence of multiparty coalitions across the subnational political landscape. In particular, I suggest that coalitions have a direct effect on the types of expenditure. Coalitions introduce a series of collective-action and accountability problems between the members of the coalition which have an effect on the allocation of the budget and on portfolio choices. These in turn are also related to the different interests and objectives that each party member of the government has, independently of its electoral clout. I also argue that expenditure priorities and the portfolio allocation differential caused by coalitions are a function of political strategies pursued by the parties that comprise the coalition. These effects are observed regardless of a state's level of income or geography.

Overall, there are two main results. First, contrary to what other studies have found, coalitions do not have an incremental and significant effect on the aggregate level of

[229] See, for example Hernandez-Trillo and Jarillo-Rabling 2008.

expenditure when compared to single party governments. Yet, I find that the presence of coalitions has an impact on the policy choices of the government, in particular by increasing the level of spending in subsidies and transfers -i.e., private goods and clientelism-, while decreasing the level of expenditure in public investment projects, -i.e., public goods. These results are consistent and robust over multiple statistical models.

To test my argument, I employ fiscal and political data from an original database of Mexico's 31 subnational states. I employ a battery of statistical tests, using panel data regression analysis such as fixed effects, event models and dynamic panel data. I also support the findings with qualitative evidence from political programs, campaigns, politicians' behaviour and elite interviews, which provide context for the main findings.

5.1. Data Description

For this analysis, I employ an original database which combines political, electoral and expenditure data of the 31 federal states of Mexico across the years 1994-2015. The unit of analysis is the state and the main variable of interest, the presence of a coalition, was constructed using archival data from each state's electoral institutions. I use a narrow definition of a coalition government as a formal agreement between two or more political parties, and not necessarily one in which cabinet positions are distributed across members. This agreement might consist of an electoral pact, or even the formal registration of the coalition before the relevant electoral authorities. I adopt this approach given that the scope of this research is not the process of formation, management and survival of the coalition, but its operation as a policy-making unit. In this regard, I am mainly interested in whether the government exists as a coalition or not.

Mexican electoral law requires that a political coalition is formally registered with the relevant electoral institution prior to the election. I was able to trace the registration of each coalition for each gubernatorial election. Using this information, a categorical variable was constructed in which a government was categorised as a coalition if the winning candidate/governor was nominated by an official coalition agreement registered at the electoral institution. For the cases in which a coalition was electorally successful, I employ as a proxy for the coalition

government the coalition pact and that the government becomes a multiparty coalition for the period that the governor was elected.

As Chaisty, Cheeseman and Power have shown, under coalitional presidentalism formateurs have the ability to reward allies via different mechanisms that go beyond ministerial power, such as budgetary allocations. Likewise, parties can belong to the coalition even if they are not visible, and support and profit from their membership.[230] Employing a minimal definition using pre-electoral pacts allows for a direct test of what is the effect of accompanying parties and the effects of coalition membership, which is precisely the goal of this thesis. As mentioned before, power sharing under presidentialism is an individual decision of the governor and not necessarily an outcome of the post-election balance of power. Even if power is not shared, and the formateur rules in an individualistic manner this does not exclude the possibility that government was elected as a coalition, that cooperation between parties existed before the election and that the coalition agreement involved promises, the exchange of favours and political commitments.

Although it is not possible to observe the coalition pact, since it is done behind closed doors, it is fair to assume that parties and the executive have incentives to honour it. Governors are not obliged to distribute power to the parties that support them but not doing so would constitute a breach of trust. While under presidentialism governors are normally overpowered compared to the judiciary and the legislature, dishonouring a pre-election pact, particularly in early stages of a government, could lead to severe inter-branch conflict. Given that the governor comes to power with the support of a coalition it is likely that she will face a divided congress, which can make it very difficult to govern. Likewise, the party of the governor has high incentives to maintain the coalition and constitutes a point of pressure for the governor to honour the coalition pact. Breaking the pact would send a negative signal, isolating the party and diminishing its chances for cooperation agreements in future elections. Regarding junior coalition partners, they have the incentives to remain in the coalition since belonging to it has membership benefits, political power and access to the resources of the government.

[230] Mejia-Acosta 2006, 2009.

Finally, the decision to bound coalitions to a pre-electoral phenomenon is also influenced by the selection of Mexico as a case study.[231] Under presidentialism, coalitions are not institutionally necessary, yet under the Mexican system coalitions are created before the election and formally registered. In principle, parties should be discouraged to join them considering the power and independence of the formateur, and the lack of guarantees parties face for commitments to be honoured. Despite this, evidence shows that coalitions have become the norm across Mexico.

Government expenditure data is sourced from the Mexican Statistics Institute (INEGI). Mexican fiscal laws mandate that each state must report information on income and expenses annually, based on the budget approved by the legislature as well as on the actual expenditure data from the state accounts (*Cuenta Pública*). INEGI divides subnational expenditure across eleven categories that are comparable across all the states over time. I focus on four of these categories which constitute over 70% of total expenditure. The categories are "Personal Services", "Subsidies, transfers and aid", "Public investment" and "Public debt". Each of these categories will be used as a proxy for a particular policy outcome such as programmatic expenditure or personalistic spending. Given their definition, I argue that these categories signal a policy orientation, and a time horizon in terms of budget priorities. By employing overall and disaggregated indicators of government expenditure, I expect to measure and observe portfolio allocation dynamics between governments. Descriptive statistics are presented in Table 5.1 and descriptive information of the variables is shown in Table 4.1.

[231] Further description of the political-electoral framework in Mexico is presented in Chapter 3.

Table 5.1 Descriptive Statistics

Variable	N	Mean	Standard Deviation	Mean Unitary Gvts. (I)	Mean Coalition Gvts. (II)	Difference $(II\text{-}I)_1$
Coalition	682	0.40	0.49	0	1	
Population	682	3,160,004	2,687,408	2,988,124	3,412,842	
GDP per capita	682	96,430.70	96,529.51	90,914.03	104,545.80	
Per Capita Total Expenditure	682	9,244.95	3,441.88	7,893.06	11,233.60	3,340.538
Per Capita Salaries Expenditure	682	1,830.93	1,267.58	1,687.75	2,041.54	353.787
Per Capita Subsidies Expenditure	681	4,035.08	2,157.51	3,144.73	5,341.58	2,196.847
Per Capita Public Investment Expenditure	680	728.61	595.81	708.93	757.41	48.475
Per Capita Public Debt	660	318.12	513.54	263.01	400.27	137.264
Fiscal Imbalance (%)	676	0.85	0.12	0.85	0.85	0.002
Salaries to Total Expenditure (%)	682	0.21	0.14	0.22	0.19	-0.034
Subsidies to Total Expenditure (%)	681	0.42	0.17	0.39	0.47	0.079
Public Investment to Total Expenditure (%)	680	0.08	0.05	0.09	0.07	-0.019
Public Debt to Total Expenditure (%)	660	0.03	0.05	0.04	0.03	-0.004

5.2 Empirical strategy and results

To assess the effect of government type on expenditure dynamics across the states of Mexico, I begin by using a multivariate econometric panel model with fixed effects, which allows me to identify the impact of government type on within-state variation in expenditure across time. By employing fixed-effects the methodology will account for potential time-invariant, state-specific factors that may be responsible for states allocating and spending more or less money to a given budget category during the period. In other words, I will be able to observe in which manner states are spending and if spending patterns significantly fluctuate when a coalition government is in place than when a single party government is in place.

The baseline model is the following:

$$Exp_{i,t} = \lambda_t + \alpha_i + \beta Coalition_{i,t} + \theta \text{Controls}_{i,t} + \epsilon_{i,t}$$

where α is state-specific fixed effect; λ is a time fixed effect; $Coalition_{i,t}$ is a categorical variable which denotes the government type of a state i in year t; Controls are a vector of control variables for the model. The specification includes year dummy variables to avoid potential spurious correlation caused by the simultaneous increase in spending and coalitions over time. In all the regressions, standard errors are clustered to correct for serial correlation.

Economic variables such as poverty levels, growth or income inequality have shown to influence provision trends. Therefore, I include the per capita GDP of the state, the economic growth of the state in the previous year as proxies to measure both a state's wealth and its economic growth. The literature in decentralisation and fiscal federalism has assessed the effect that the sources of income have in a government budgetary portfolio choice. In particular, the more a state relies in non-tax sources, the more fiscally profligate a government is. I measure this by measuring the fiscal imbalance of a state's budget which is measured as the percentage of the budget that comes from non-state/tax sources such as federal transfers. I expect that the higher the fiscal imbalance is, the more a government spend in short-term oriented projects. The last control variables are the size of the population of a state, which is logged, and the lagged dependent variable. Since expenditure is not a discrete process that occurs only one year, a lagged dependent variable will help to measure if the expenditure choices of the previous year have an effect on the following year's allocation. These variables are included in the vector of control variables.

I use two different metrics for the dependent variable. The first is a percentage measured as the ratio between the expenditure of a budgetary category relative to the total state's budget. The seconds is the per capita level of expenditure of the variable of interest. The percentage variable will be the main category of interest of the study. Measuring expenditure in percentage terms captures more realistically, and in a more stable manner, the weight of each category over time. Likewise, a percentage variable will allow us to make more effective comparisons between states' expenditure choices. Furthermore, using percentage terms is easier to understand and to interpret, allowing us to draw transparent conclusions from the econometric results. Per capita expenditure is used as a robustness test of the results. In principle, the econometric results should be similar in magnitude and direction. For reasons of space, these results will be presented in the appendix. This measure is less appealing, however, because per capita expenditure is a less stable measure which can experience much larger fluctuations year to year, since population does not vary significantly year to year. Therefore, the quantity will not necessarily capture an increase in investment or changing expenditure patterns.

Table 5.2 Effect of Coalitions on Overall Expenditure

Model	A	B	C
Coalition Dummy	0.1331***	-0.0222	0.0162
Log GDP p.c.	0.4175**	0.0391	-0.0584**
GDP Growth	-0.0187	0.0828*	0.0132
Fiscal Imbalance	-0.9099***	-0.7702***	-1.2715***
Log Population	1.4375***	-0.8418**	-0.9055***
Federal Election	0.01932432**	0.00324537	1.4278***
Time	-	.06221***	-
Year Dummies	-	-	Yes
Constant	-16.0453***	-103.0634***	23.2194***
N	676	676	676
R2	0.6715	0.8249	0.9026
Adj. R2	0.6696	0.8236	0.8988

Panel data estimation with Fixed Effects and clustered standard errors.
legend: * p<.1; ** p<.05; *** p<.01

The first step is to evaluate what is the effect of coalitions, in general, on overall expenditure. That is, whether or not coalitions have a differential effect on overall expenditure patterns when compared to unitary subnational governments. Table 5.2 presents the results for the fixed effects regression using aggregate per capita expenditure as the dependent variable.[232]

Table 5.2 measures the effect that the presence of coalition governments have in the overall level of expenditure across state governments, mainly by looking at how expenditure changes between governments when government type changes. As other studies have found[233] deficit and overall expenditure is higher in the presence of coalition governments. However, these results are mostly cross-country comparisons at the national level. 78 Nevertheless, the majority of these analyses employ cross-national data, which as I have discussed, mask the differences between the units in comparison. Partly due to this reason, the variation in

[232] It is not possible to measure total state expenditure in percentual terms.
[233] i.e. Roubini and Sachs 1990; Person and Tabellini 2003.

expenditure terms has been mostly attributed in the literature to institutional/constitutional differences and not to political cofounders.

In this regard, it is interesting to analyse if this effect holds at the subnational level when institutional, constitutional and cultural cofounders are held constant since the subnational units share them over time. Likewise, it is important to know what the effects of the control variables are. In principle, given the socioeconomic differences between the states of Mexico, I expect that income and growth should be significant explanatory variables as well as the fiscal imbalance, since this variable represents the source of income of the states.

If the coalition variable is positive and significant, it will be a confirmation of existing scholarly work, which argues that the nature of coalition governments increases budgetary redundancies, profligacy, or that the confluence of multiple political parties generates frictions and that these frictions are attenuated by increasing expenditure. On the other hand, a lack of validation of the coalition effect will be puzzling but would also point towards existing conclusions which link the incremental effect of coalitions to constitutional differences between the units of analysis.

Results in Table 5.2 show three different specifications using as dependent variables the per capita total expenditure of the state. Initially, it appears that coalitions have a strongly significant effect on per capita expenditure as shown in column A, which depicts that as a government moves from being a unitary government to a coalition government, on average we observe an increment of 14% of per capita expenditure. This result is not definitive, though. As discussed in Chapter 3 and 4, the presence of coalitions is highly correlated with time, an aspect that is evident and which was discussed when analysing the evolution of coalitions since the 1990s.

The effect of time is controlled in two different ways. In column B, time is included as a continuous control, while in column C, I introduce individual controls for each year in order to differentiate every year and be able to observe the effect of each of them on the dependent variable. Once this is done, the previous significant effect of coalitions on expenditure levels disappears. This result implies that once we take into account the effect of time, overall expenditure levels across subnational governments in Mexico are not different between coalitions and single party governments, hence those states ruled by a coalition do not exhibit

different overall levels of expenditure or that coalitions increases in a state when a coalition get into power, suggesting that overall expenditure of a state increases moves in the same directions, regardles of government formation type.

While disconfirming the first hypothesis, which I share with much of the literature on the economic impact of coalition governments, this result has important implications and should not be viewed as a disconfirmation of the entire theoretical argument or that coalitions exert no influence on the policy front.

Most existing research finds evidence consistent with Hypothesis 1, i.e. that coalition governments display higher levels of expenditure than non-coalition governments.[234] But the majority of these analyses employ cross-national data, which as I have discussed, mask important differences between the units under comparison. Partly due to the use of cross-national data, variation in expenditure terms has been attributed to type of government, but this effect cannot be effectively disentangled from the effect of different institutional/constitutional arrangements that increase the likelihood of having coalition governments (e.g. Proportional representation). Because my units of analysis all share the same institutional/constitutional variables, I can say with more confidence that coalitions do not increase overall spending in Mexico in the period of analysis. In this regard, this negative result, which uses overall subnational data of an entire country over a fairly long period of time, should be viewed with interest by the literature as it calls into question the mechanisms proposed to explain cross-national results. Later on, in the chapter I discuss possible reasons for why I don't find an effect on overall expenditure.

Coalition governments might not spend more or less, but do they spend differently? This is the expectation derived from Hypothesis 2. Although coalitions appear not to have a significant effect on overall expenditure, I expect that they influence the policy allocation process as the interaction of different parties and interests affects policy decisions. The second set of results correspond to the effect of coalitions governments on portfolio allocation across the different components of budget.

[234] Roubini and Sachs 1989a and 1989b, Alesina and Perotti 1995, Bastida et al 2012, Borge 2005, Allers et al 2001, Ashworth et al 2005, de Haan and Strum 1997.

Table 5.3. Effect of Coalitions on Expenditure Categories

Variable/D.V.	(II) Salaries to Total Expenditure (%)	(III) Subsidies to Total Expenditure (%)	(IV) Investment to Total Expenditure (%)	(V) Debt to Total Expenditure (%)
Coalition Dummy	-0.0115	0.0393**	-0.0232***	0.0011
Log GDP p.c.	0.0447	-0.0200	-0.0103	-0.0005
GDP Growth	0.0084	0.0096	-0.0070	-0.0105*
Fiscal Imbalance	0.2247***	0.3609***	-0.0214	-0.2180*
Log Population	0.0032	-0.0012	0.0658	0.1249
Federal Election	-0.0818	0.1567*	-0.0204	-0.0820**
Year Dummies	Yes	Yes	Yes	Yes
Constant	-0.4625	0.2149	-0.7526	-1.5390
N	647	646	645	626
r2	0.1705	0.3618	0.1973	0.3618
r2_a	0.1371	0.3361	0.1649	0.3353

Panel data estimation with Fixed Effects and clustered standard errors.
legend: * p<.1; ** p<.05; *** p<.01

The analysis shows that coalitions do not appear to have any differential effect in the level of expenditure on salaries, which is a proxy for the size of the bureaucracy (Table 5.5, column II). Likewise, there is no clear effect in debt acquisition levels Table 5.5, column V). These results deserve further attention considering other works have found this relationship to be not only present, but strong when multiparty governments are in power. It is one of the key mechanisms cited by other scholars to explain why coalitions often engage in more wasteful spending in developing economies or recently transitioned democracies, where the distribution of employment and debt acquisition is used to keep the coalition together.[235] The implications of these results will be further discussed in the following section.

In line with my theoretical expectations, however, the presence of a coalition government does have a strong effect on two discernible budgetary components: transfers and public

[235] Chhibber and Noorudin 2004.

investment (Columns III and IV).[236] Coalitions have an incremental effect on subsidies while diminishing public investment, but it is also worth noting how government expenditure changes. Not only the gross amounts of expenditure change between categories, but once a coalition is in place, the budget structure changes in terms of portfolio allocation compared to unitary governments. The percentage of subsidies increases between 3% and 4%, while the percentage of public investment decreases around 2.3%. Considering that on average subsidies represent 40% of a state's expenditure, and public investment represents less than 4%, the effect of coalitions measured by the coefficients size in these two broad categories of expenditure is substantively significant.

A raw interpretation of the coefficient is the following. In a given year, if the expenditure in subsidies and transfers category represented 50% of the total budget of a state ruled by a single-party, expenditure in the same category in a state ruled by a coalition was, on average, 4% higher. On the other hand, if expenditure in public investment was, on average, 5% in states ruled by a single party, expenditure in the same category was 2.3% lower in a state ruled by a coalition. We could also expect that this relationship held as a state government switched between years from single party to coalition after an election.

When viewed in tandem, the rise in subsidies and transfers and the decrease in public investment, are an indication of two features. First, that coalition governments produce different spending decisions than unitary governments. Second, that coalition goverments follow a portfolio allocation process, in which the coalition itself influences the allocation process, driving an increase of expenditure to budgetary categories that are more easily influenced, diverted, attributed, manipulable, and individually targeted. It is important to mention that this budgetary choice occurs in a context where subsidies and transfers constitutes over half of the budget of the average Mexican states in a year. The reasons for this, I argue, can be linked to the benefits that subsidies and transfer expenditure provide. Shorter term investment can provide faster and more noticeable benefits to parties, especially in a context of political fragmentation and where intra-party competition for recognition within a government are present.

[236] While the statistical significance of the coefficient is slim regarding per capita expenditure, it is notorious that it increases once the percentage measure is used, which is a better measurement of expenditure preferences, since it measures the weight of that budgetary category in relation to the entire budget.

5.3. Discussion

Why does the presence of a coalition not have an effect on a government's overall expenditure, payment of salaries and debt acquisition levels? These results are particularly puzzling if we consider that the literature has found an effect on these three variables.[237]

The non-significant result in overall expenditure can be attributed to two main factors. The first one is the research design, which employs units that are comparable and share institutional characteristics over time. As previously mentioned, the existing literature shows mixed results regarding the effects that governmental configurations have on policy outcomes. Most likely, these inconclusive results are the product of comparing units (countries, states, governments) with different institutional characteristics, such as electoral rules, constitutional frameworks or types of governments. Instead, by employing a subnational design, we can overcome this limitation by isolating and locating the source of variation in the type of governmental configuration -i.e. coalition- while properly controlling for other alternative confounders -i.e. economic factors.

The second reason is that an incoming government, particularly in Mexico, that is not facing economic turmoil has low incentives to decrease the overall expenditure level. Indeed, doing so is a politically unwise strategy. Rather, a more politically sound strategy for all governments, coalition and non-coalition, is to differentiate themselves from predecessors. One way of doing this is by leaving a mark on expenditure patterns, public policies, projects or try to make a connection with voters and a party via the provision of government projects.[238] This, however, doesn't mean that governments necessarily need to (or indeed can) spend more. What I argue happens is that they spend slightly differently within the constraints they face by reallocating the expenditure to the budgetary areas from which the coalition as a whole, and the members of the coalition individually, obtain a political or monetary profit.

The differentiating mark is unlikely to be in public employment or in debt levels. This is why coalitions don't seem to affect these items of the budget. After the debt crisis of the 1980s,

[237] i.e. Keefer and Khemani 2005; Khemani 2004.
[238] i.e. Weitz-Shapiro 2014.

the Mexican government began a process of neoliberal adjustment in which it gave up part of its participation on the economy and privatised several public companies that ranged from telecommunications to metal production. At the same time, the federal and state governments started trimming down the size of the state and its bureaucracy. This happened across the states. For example, in 1993 the payment of salaries of states consumed, on average, 45% of the budget. But this percentage consistently decreased over time, stabilising at around 28% after 2010.

Macroeconomic constraints aside, using public employment as a strategy from which to reap rewards is risky and unattractive. Political alternation is high in Mexico and re-election was non-existent until 2018. Therefore, the political context was one in which elected officials, aspiring Politicians and political parties faced horizons of three or six years. This short-term horizon makes the distribution of employment unattractive since it normally involves the signature of an employment contract which once delivered is costly and harder to annul or take away. Likewise, once the contract is signed, it is difficult to monitor or claim electoral benefits from its beneficiaries given the time horizon of the contracts.[239]

Indeed, state governments have not used public employment as a policy to reward their constituents. On the contrary, coalitional governments have disappeared entire ministries in order to increase the disposable budget. For example, in Chiapas, Yucatan, Nuevo Leon and Jalisco, states with dissimilar levels of income, coalition governments have disappeared ministries, cut public personnel or stopped paying salaries to the bureaucracy as a cost saving strategy.[240] Interestingly, these cuts have been justified to save public expenditure, yet as shown in Chapter 4 the overall levels of expenditure of governments have not diminished. Instead, governments prioritized expenditure on other budgetary areas, particularly cash-transfer, subsidies and poverty alleviation programs with shorter term horizons and easier credit claiming potential. The lack of interest in using employment or salaries as a public policy is also tangible by looking at the campaign manifestoes. Public employment is rarely mentioned as a policy priority. I conducted a review of these campaign manifestoes, researching if public employment was used as a public policy commitment, not finding evidence for it. While almost the totality of the platforms use the word employment in

[239] Oliveros 2016.
[240] Expansion 2020.

different ways, they do not use it as a public policy promise or compromise. For example, employment is used as a common place such as "the government will reactivate the economy and generate employment" or "the goal is to generate better paid jobs". However, these claims are never followed by a clear commitment of generating it via a policy of public employment by the government and its ministries.[241]

Instead of seeking to reap benefits from these budgetary items, all local government coalitions prefer to focus their attention and embark in expenditure that can be directly allocated, which offers the possibility of higher rewards. In particular, expenditure is deviated to projects that offer electoral returns in the short-term, such as the distribution of spoils, from which clientelistic networks can be established. A number of examples illustrate these dynamics at play.

A coalition between PRI-PVEM-PANAL ruled the state of Chiapas between 2012-2018. This government deployed three different programs that involved the distribution of particular goods labelled as social development transfers. One involved the distribution of backpacks and uniforms to elementary school students, a second focused on developing ecological education, while a third involved the distribution of monetary distribution to mothers.

The first program deployed backpacks to all state elementary schools, involving almost a million students and more than eight thousand schools. Interestingly, all the backpacks and the uniforms were distributed by a state official, such as the governor or a minister, during ceremonies which family members had to attend. Both the backpacks and the uniforms were green which was the colour of the governor's party and were labelled with the slogan of the government. The program was implemented for four years and faced severe criticism. For instance, the quality of the materials was criticized, as well as the fact that students were forced to wear the backpacks and the uniforms to school, even if they already had uniforms that did not have the slogans of the government.

The monetary support for mothers, aptly dubbed "*salario rosa*" (pink salary), also involved tailoring and targeting. The monetary subsidy was distributed monthly in political ceremonies led by the governor in which women had to line up for hours. Curiously, women could not attend freely. In order to enter the meeting and receive the benefit, they had to be part of a

[241] Platforms obtained from the local electoral institutions of each state.

group led by a political leader, i.e. a broker. These political leaders were members of the different parties that conformed the electoral coalition of the government. At the beginning of each meeting, the governor had a list of all the leaders and its groups and asked them to come on stage for applauses and cheers from each group in order to know the strength of each leader and its mobilisation power. At the same meeting, attendees were asked for copies of their voting identifications, and received T-shirts of the different parties to whom they belonged as well as cash and finally distributing the monetary transfer in hand.[242]

The ecological program in Chiapas, implemented between 2015-2018 was called ERA, the acronym for *Educacion para la Responsabilidad Ambiental* (Responsible Ecological Education). This name was not coincidental as they were the initials of the president of the local congress, Eduardo Ramirez Aguilar, who was also the leader of the Green party in Chiapas, the governor's favourite to succeed him and who campaigned using the acronym ERA on the media. On paper, the objective of the program was to promote environmental education across Chiapas. However, it was mostly used to improve the public image of the governor's candidate, himself the leader of one of the coalition partners (member of the PVEM, a junior partner), promoting his brand all over the state using a marketing campaign that included ads and fliers that highlighted the word ERA.[243]

All of these programs share particular characteristics. They involved targeted goods, they are distributed on a constant basis, involved a significant amount of money, were malleable, and normally linked to a party's brand, and in some cases obtaining the benefits was highly conditional. It also highlights the fact that coalition governments engage in non-productive expenditure because the coalition members either actively pursue them or need them. Spoils need to be distributed for coalition partners to benefit from them electorally and profit from their membership. Implementing programmatic policies, or less visible policies such as public employment, is less attractive since they make credit claiming more difficult, particularly on the short-term.

Returning to the mechanism proposed in Chapter 2 (accountability, collective action and coalition maintenance), the previous examples help understand how these mechanisms

[242] Information obtained from interviews to local politicians and visits to political meetings by the author.
[243] The PVEM was the junior partner of the coalition headed by the PRI, that elected Manuel Velasco, the governor of Chiapas between 2012 and 2018. Velasco was a member of the PVEM.

interact and operate. Once the coalition is in power, there has to be some sort of maintenance to keep it together which is done via the distribution of targeted programs. Second, the interaction of multiple parties diminishes accountability. Third, there is an internal competition, either to please the governor or to improve the party's electoral position, which is mainly done by linking government actions to the party brand/colours or by distributing personal goods to voters.

Overall, the empirical results show that coalition governments reach different spending decisions than unitary governments. Having a multiparty coalition in power has a strong opportunity cost, which is reflected on the decrease of 0.1% of budget spending on public investment and a 1.5% increase in spending on subsidies and transfers. These budgetary decisions can be linked to the mechanisms of accountability, collective action and maintenance developed in Chapter 2, which point to the portfolio allocation choices of a coalition government and the drivers for these decisions, which are influenced by the confluence of multiple parties, the access to state resources by these parties, and the interests that each party has.

Figure 5.1. Manuel Velasco, Governor of the Mexican state of Chiapas (2012-2018) at a meeting delivery of Salario Rosa (Pink Salary) grants.



Figure 5.2. Manuel Velasco, Governor of the Mexican state of Chiapas (2012-2018) delivering Salario Rosa (Pink Salary) grants, at a football stadium with capacity of 29,100 seats.



Figure 5.3, 5.4 and 5.6. Manuel Velasco, Governor of the Mexican state of Chiapas (2012-2018) delivering school uniforms and back-packs to elementary school students. The backpack and the uniforms include the logo of his government and the green color, which mimic the name of his political party (Partido Verde or Green party). Although it cannot be appreciated, the backpacks include a cartoon of people at the forefront, lead by the governor.

“Green” Backpacks







Figure 5.7. Cover for the policy document for the ERA program.



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Gobernador Constitucional del Estado de Chiapas

Mtro. Ricardo A. Aguilar Gordillo
Secretario de Educación

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GOBIERNO DEL ESTADO DE CHIAPAS

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GUÍA DE TRABAJO PARA LOS CONSEJOS TÉCNICOS ESCOLARES

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CHIAPAS NOS UNE

Figure 5.8 and 5.9. **Manuel Velasco, Governor of the Mexican state of Chiapas (2012-2018) delivering** handouts for the ERA program.





5.4 Robustness tests. Seemingly unrelated regression

One obvious limitation of the fixed effect model is its stationarity. In the previous section we isolated the effect that coalitions have on the expenditure pattern of a budgetary category. However, the fixed effect model does this without taking into account that we are dealing with a budgetary allocation process. The budget normally operates like a zero-sum game in which higher allocations to one category come at the expense of less money for other categories. Likewise, budgetary expenditure across its different components happens simultaneously over a time frame -i.e. a fiscal year.

At the onset of this chapter, I argued that coalitions affect the portfolio allocation process. So far, I have shown that they affect categories individually, but not in a dynamic, portfolio-like manner. To address this problem, I employ a seemingly unrelated regression (SUR) model. SUR models were first proposed to estimate panel data models that are long but not wide. This model is used when different systems of equations need to be estimated but when these equations are somewhat related. For example, demand systems for different food items for different individuals. In the basic SUR model, the errors are assumed to be homoscedastic and linearly independent within each equation. Each equation is correlated with the others in the same time period.[244]

Given its characteristics, it is appropriate to employ a SUR model to simultaneously measure the effect of changes in government type within different budgetary categories. The independent, dependent and control variables remain the same as before, as well as their expectations. The specification of the SUR model is the following:

$$y_i = X_i B_I + \varepsilon_i, \qquad i = 1, \dots, m$$

where yi and εi are R×1 vectors, Xi is a R×ki matrix, and βi is a ki×1 vector.

[244] Zellner 1962.

Table 5.4. Seemingly Unrelated Regression

Variable	% Personal Services	% Subsidies and Transfers	% Public Investment	% Debt
Coalition	-0.0014	0.0125	-0.0096**	-0.0018
GDP p.c. (log)	0.0243***	-0.0177**	0.0001	-0.0051*
GDP growth t-1	0.0006	-0.0142	-0.0093	-0.0050
Imbalance	0.1104***	0.0423	-0.0093	-0.1109***
population (log)	0.0230***	-0.0210***	-0.0021	-0.0021
Election	-0.0665***	0.1208***	0.0005	-0.0321***
Lagged D.V.	0.7924***	0.7401***	0.6362***	0.6080***
Constant	-0.6075***	0.4714***	0.0533	0.2356***

legend: * p<.1; ** p<.05; *** p<.01

Table 5.4 shows the results for the SUR model. Compared to the fixed effects model, SUR results deviate in one way: differences in expenditure in subsidies and transfers are no longer significant. Therefore, when all four components of the budget are taken into account simultaneously, states do not allocate more/less expenditure when they are controlled by a coalition government than when they are not. On the contrary, the effect of coalitions in public investment expenditure remains. Those states controlled by coalitions allocate less to public investment than single party governments.

Why does the effect on subsidies disappear? There are three possible reasons for this. The first one concerns to the nature of the data. While the time period starts in 1994, coalitions only begin to appear consistently after 1999, therefore we have a relatively low amount of data for the variable of interest. Secondly, expenditure on subsidies and transfers increased significantly, although at varied degrees, for all of the states over the period of analysis. Combined with the first reason, it is possible that a simultaneous SUR model can't isolate the effect of government type given the characteristics of the data. It also noteworthy that the coefficients in the SUR model are in the same direction and substantively similar in size as those of the fixed/effect model, which points to the robustness and consistency of the findings.

The third possible reason regards the structure of the fixed effects and SUR models. Both models treat the impact of government type on expenditure on an average basis and from period to period. In this case, they compare average expenditure in a category -transfers-

across a whole governmental period -five or six years. Therefore, potential changes in expenditure are not present across the six-year term of a gubernatorial government and the possibility that these changes are more discernible at the beginning or at the end of the period are likely to exist.

Concluding remarks

This chapter tested the first set of hypotheses, comparing the budgetary effect of coalitions relative to single party governments. I have shown that at the aggregate level, coalitions do not incur in more spending, which is a result that has been found in parliamentary analysis. However, I find that coalitions have a slight effect in the portfolio allocation of the government when assessed individually, but none when evaluated as a fiscal whole with increases and decreases in specific budgetary areas, each of them linked to temporal and programmatic characteristics. Broadly, coalitions increase the budget in subsidies and transfers, while decreasing public investment. Considering the large budget allocated to subsidies and transfers, the size of the coefficient in the econometric results is quite large.

Considering the econometric results, the continuous and increasing presence of coalitions across subnational government in Mexico explain the substantial increase in subsidies and transfers and the stagnation of expenditure in public investment. Likewise, there is a moral hazard problem in the federal system in Mexico, since the increase in federal transfers -which comprise over 80% of a state's budget each year- has been channelled to non-programmatic forms of expenditure.

6. Agency and Policy Influence Under Multiparty Coalitions

In the previous chapter I looked at the differences in portfolio allocation between single party and multiparty government across Mexico's subnational units. In this chapter I go a step further by looking at the allocation process within coalitions, particularly by looking at the policy influence that each member of the coalition has. Following the discussion in Chapter 5, a number of additional questions can be asked. How do presidential coalitions face the politically challenging task of designing and distributing the budget when the interests of different parties have to be accommodated? What is the agency that coalition membership provides, in particular to accompanying parties? In other words, faced with budgetary constraints, how do multiparty governments decide what will be provided? How is this decision shaped by the multiple parties that are part of the government?

Coalitions have certain characteristics that make them unique in terms of policy formulation and implementation. Parties have their own agendas, which often makes it hard for coalitions to spend coherently and as a cohesive policy unit. At the same time, parties have an interest in profiting from their membership, which is possible if they can claim credit. What they do to claim credit, I argue, depends on their institutional characteristics.

Current academic work states that the policy effect of coalitions is largely determined by five variables: the system of government, the electoral system, the size of the coalition, the characteristics of the formateur, and the resources that the formateur distributes to the minor partners in order to administer and hold the coalition together.[245] Based on the argument put forward in Chapter 2, here I differentiate between the policy effects of coalition members, in particular, taking into account the characteristics of party organizations. One important argument I make is that accompanying, junior parties influence public expenditure both in terms of quantity and design. The shape and direction of this effect varies depending on the degree of institutionalisation of these smaller parties, with personalist, non-programmatic parties leading to an increase in particularistic/private goods expenditure and programmatic ones leading to more public goods leaning expenditure.

[245] Bawn and Rosenbluth 2006; Iversen and Soskice 2006; Duverger 1963; Cox 1990; Lijphart 1990; Persson and Tabellini 2004; Cheibub, Prezeworski and Saiegh 2004; Amorim Neto 2006; Chaisty, Cheeseman and Power 2018.

This chapter thus contributes to the literature by analysing the policy effects of multiparty coalitions under presidential systems, particularly how the portfolio allocation of the budget is influenced by the institutional characteristics of the different parties that make up the coalition. The argument is tested again at the subnational level in order to hold constant both the system of government and the electoral system, using the 31 federal states of Mexico as units of analysis. The political parties that make up the Mexican party system in the years 1994 to 2015 are the object of study. Using an original database of disaggregated expenditure categories and a battery of panel data estimation techniques, I find support for the above argument: accompanying parties exert influence in the allocation of state budgets in ways that are consistent with their programmatic orientation or lack thereof.

The empirical analysis that follows reflects the discussion of the Mexican party system presented in Chapter 3, which also describe the expectations for each political party. In particular, I explore the expectations laid out in that chapter regarding the relationship between each party's orientation and its spending priorities once in government. The next section discusses the methodology and data, later proceeding to the empirical section and discussion.

6.1. Data Analysis

The empirical section has two main objectives. The first one is to know if the participation of a given party in coalition governments has an effect on policy outcomes. The second is to know if the direction of the policy effect has a relationship with the level of institutionalisation of the party in question. That is, we want to know not only if there is policy variation between governments, but if the provision varies and is linked with the presence of a particular party in the government.

Dependent Variable

A conventional approach to measuring the effect of a party in a government's policy output is to use overall expenditure as the dependent variable. However, a gross budgetary measurement is of little use to test the hypothesis of interest since we would only be able to

measure changes in the overall level of expenditure of the government, but not for what purposes, in what programmes the budget is being allocated, or if the effect can be linked to a party's priorities. For this reason, we need a disaggregated measure, where different items can be linked to a purpose, political intention or objective. A disaggregated analysis is also needed given the nature of the theoretical expectations of this thesis.

The Mexican statistics institute, INEGI, provides this type of data in which the budgetary expenditures of state governments are disaggregated into different policy categories, and each category further disaggregated by projects. Description of the categories are referred in Chapter 4. Furthermore, each state government budget is disaggregated using the same categories, year by year, allowing for comparisons. Table 4.1 describes the different expenditure categories that will be employed as dependent variables, as well as the description of these variables.

Independent Variables

While in the previous chapter the analysis was done between coalitions and unitary governments, in this chapter the goal is to analyse only coalition governments and compare them. The main variable of interest is the presence of a party in a state government in a certain year. I employ an original data base which was constructed using archival electoral data. As already mentioned, Mexican electoral laws allow for the formation of a pre-electoral coalition supporting a single candidate, but requires that this coalition is officially registered with the electoral institution. I have gathered these records. I employ the pre-electoral coalition as a proxy for the coalition government for the full term the executive was elected. In order to measure the presence of a particular party in a state government, I created a categorical variable which takes the value of one when a party forms part of a particular state government in a certain year.

As discussed in previous sections, multiparty coalitions in Mexico have shown to be heterogenous, both in terms of size and membership. This is a positive characteristic for multivariate analysis, since coalitions present variance in their membership both across time and space, without stationarity in the data. This is beneficial to test the hypothesis, particularly regarding the effect of accompanying parties since we will be able to observe

what effect the presence of a party has between different governments, irrespective of who is the formateur.

The independent variables used as controls in the model are the per capita gross domestic product of each state, a state's gross domestic product yearly growth rate, the fiscal imbalance of the state budget, the population, a categorical variable for the presence of an election, and categorical variables for each year of the time frame.

It has been argued that the level of development of a state can explain the provision of public goods. For example, a state economic orientation (i.e., export oriented or not) and growth path[246], or levels of development can explain the rate of state capacity, which in turn explains provision and distribution since states with more capacity are more able to respond to citizen needs[247]. Likewise, the decentralisation literature has shown how the sources of funding of a government influence distributive choices. Particularly, the more a state relies in non-tax resources, such as transfers, and therefore has a higher fiscal imbalance, the more likely a government is to veer towards private goods distribution, independently of the party in government. Literature has also shown that this result is positively associated with all types of spending. The reason behind this counterintuitive trade-off is related to accountability. Since states receive an inflow of resources which are not related to an increase of taxes, economic activity or productivity, the population isn't bothered on checking the use of the money, while the governing class receives an outflow of money to use for which they are not directly accountable, did not collect and is not linked to their performance.[248] As a result, quality of expenditure diminishes due to redundancies, corruption and inefficiencies.[249] Population and the presence of elections are variables consistently used in distributive politics models. Finally, the use of year dummies is explained by the fact that the presence of coalitions is strongly correlated with time. Since more coalition governments are present as time passes, it is necessary to control for this.

[246] Boix 2003.
[247] Weber and Huntington 1986.
[248] Gervasoni 2018.
[249] Bawn and Rosenbluth 2006; Persson and Tabellini 2005.

Model

Since the data is organised as a panel, I will employ panel data regression techniques, using fixed effects to control for unobserved characteristics unique to each state which could potentially explain variation. The model is the following.

$$Exp_{i,t} = \lambda_t + \alpha_i + \beta Coalition_{i,t} + \theta \text{Controls}_{i,t} + \epsilon_{i,t}$$

Where α is state-specific fixed effect; λ is a time fixed effect; $Coalition_{i,t}$ is a categorical variable which denotes the government type of a state i in year t; Controls, as discussed above, are a vector of control variables for the model. The specification includes year dummy variables to avoid potential spurious correlation caused by the simultaneous increase in coalitions over time. In all the regressions, standard errors are clustered to correct for serial correlation.

6.2. Results

On average, over 75% of the budgetary expenditure of Mexican states is distributed in four categories. The first step in the empirical strategy is to know if a party exerts an influence in these categories by measuring if expenditure varies depending on whether the party is a member of a particular coalition in a certain state. Tables 6.1 to 6.4 show the multivariate panel data analysis for these four categories, with individual results for each of the seven political parties of interest. The main variable of interest is the categorical variable for each political party, which will measure how expenditure in a certain category changes depending on whether the party in question is a member of the governing coalition in a particular year. Since the model is using a lagged dependent variable, results are less about variation and more about changes, once governments are in a coalition. The focus of attention is the direction of the coefficient and the level of significance, while the size of the coefficient is of less importance.[250]

[250] While the size of the coefficients appear to be small and less substantive, the reader should be reminded that the regression analyses uses a dependent variable constructed as a ratio between expenditure in a individual category and total government expendeiture. Therefore, the size of the coefficient shall be viewed in percentual terms and not in absolute terms. For example, if the coefificent of a party dummy is 0.0056, the coefficient can be interpreted that the presence of a particular party in a coalition government, increases the dependent value 0.56% relative to all government expenditure. Considering that the budget is composed of

The results show interesting patterns. Firstly, it is noteworthy that the PRI, PAN and PRD, the largest parties and most likely the coalition formateurs, appear to exert no influence on the budgetary allocation process, since expenditure in the payment of salaries, subsidies or public investment is not statistically different when these party's form part of a government. This result can be due to a number of reasons. Firstly, recent research has pointed out that since 2000 the PRI, PAN and PRD began to behave like catch-all parties, and therefore they do not have a clear differentiation strategy in terms of policy or ideology.[251] Therefore, unlike accompanying parties, which have one or a discriminate few policy program in which they focus their differentiating efforts, formateur focus on a broader menu of programs without making a budgetary significant difference in any of them when they are in power. Secondly, under multiparty government, the population normally identifies the formateur as the one responsible for the budget.[252] So it is possible that when in a coalition, formateurs are aware that if the government incurs in budgetary deficits or profligacy, they will be made responsible of this. Therefore, formateurs are more restricted to implement differentiation policies based in budgetary increases, either over a long period of time or across different governments for them to be significant.

The only category that is affected by the presence of one of these large parties in a coalition, although statistically weak, is debt acquisition, where results suggest that debt levels are larger when the PRI is part of the government. This result can be linked to recent macroeconomic trends among subnational states. Over the last 15 years, the debt levels of Mexican states have almost tripled. Although this is a general trend that affects all states, the PRI still is the strongest party at the subnational level, controlling more state governments. This might explain this result. Subnational debt has increased for two main reasons. The first one is the large inflow of federal transfers, which account for over 90% of states' budgets, and are guaranteed by law. Due to this large inflow of yearly secured resources, state governments have used this inflow as collateral to issue and acquire debt, promising to pay any debt with the guaranteed federal transfers. Second, state governments have an incentive to indebt themselves since they know that the federal government will rescue them if they

hundreds or thousands of categories, an almost 1% increase in one budgetary category can be seen as relevant, substantial and significant.

[251] Klesner 2005; Kerevel 2014; Cantu and Desposato 2012.

[252] Austen-Smith and Banks 1990; Fisher and Hobolt 2010; Duch and Stevenson 2013; Angelova, Konig and Proksch 2016; Fortunato et al., 2020.

run into trouble. Both the Calderon and Peña Nieto administrations, which ruled Mexico between 2006 and 2018, bailed out state governments. Returning to PRI governments, several PRI governors have been accused of financial mismanagement and of rising the debt of their states. One example is the former governor of Coahuila, Humberto Moreira, who governed the state between 2005 and 2011. During his administration the state debt more than tripled. Multiple former PRI governors are currently facing accusation of corruption and embezzlement.[253]

Table 6.1 Expenditure in Salaries Relative to Total Gov. Expenditure

Variable	PRI Model	PAN Model	PRD Model	PVEM Model	PANAL Model	PT Model	Conver. Model
PRI Dummy	-0.0053						
PAN Dummy		0.0056					
PRD Dummy			0.0119				
PVEM Dummy				-0.0002			
Panal Dummy					0.0177**		
PT Dummy						0.0056	
Conver. Dummy							0.0096**
GDP p.c. (log)	-0.0196	-0.0238	-0.0101	-0.0229	-0.0135	-0.0139	-0.0225
GDP growth t-1	0.0525	0.0585	0.0375	0.0558	0.0435	0.0482	0.0537
Imbalance	0.1880***	0.1821***	0.1916***	0.1846***	0.1831***	0.1844***	0.1886***
Population (log)	0.1296*	0.1171*	0.1523**	0.1292*	0.1012*	0.1434*	0.13104*
Election	0.0553	0.0475	0.0683	0.0502	0.0513	0.0596	0.0591
Lagged D.V.	0.2999**	0.2993**	0.2982**	0.3025**	0.2920**	0.3048**	0.2957**
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-1.7195	-1.4870	-2.1740	-1.6780	-1.3757	-1.9919	-1.7124
N	276	276	276	276	276	276	276
R2 Within	0.4108	0.4112	0.4189	0.4090	0.4259	0.4110	0.4134
R2 Between	0.3836	0.3898	0.3662	0.3772	0.4480	0.3754	0.3661
R2 Overall	0.4111	0.4221	0.3886	0.4068	0.4713	0.3992	0.3945

Panel data estimation with fied effects and clustered standard errors.

Legend: * p<.1; ** p<.05; *** p<.01

[253] Expansion 2018.

Table 6.2. Expenditure in Subsidies, Transfers and Aid Relative to Total Gov. Expenditure

Variable	PRI Model	PAN Model	PRD Model	PVEM Model	PANAL Model	PT Model	Conver. Model
PRI Dummy	-0.0051						
PAN Dummy		-0.0056					
PRD Dummy			0.0029				
PVEM Dummy				-0.0090			
Panal Dummy					-0.0227**		
PT Dummy						-0.0030	
Conver. Dummy							0.0048
GDP p.c. (log)	0.0397	0.0364	0.0393	0.0431	0.0232	0.0312	0.0366
GDP growth t-1	-0.0503	-0.0488	-0.0511	-0.0521	-0.0301	-0.0425	-0.0479
Imbalance	0.1638***	0.1629***	0.1621***	0.1646***	0.1631***	0.1604***	0.1624***
Population (log)	-0.1689*	-0.1568	-0.1632	-0.1586	-0.1338*	-0.1766	-0.1679*
Election	-0.0179	-0.0191	-0.0170	-0.0178	-0.0288	-0.0262	-0.0164
Lagged D.V.	0.2932***	0.2942***	0.2958***	0.2904***	0.2798***	0.2966***	0.2975***
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	2.2556	2.1113	2.1722	2.0656	1.9388	2.4645	2.2718
N	276	276	276	276	276	276	276
R2 Within	0.2469	0.2472	0.2464	0.2492	0.2594	0.2464	0.2467
R2 Between	0.2685	0.2822	0.2765	0.2706	0.3250	0.2759	0.2783
R2 Overall	0.3351	0.3483	0.3424	0.3399	0.3817	0.3380	0.3430

Panel data estimation with fied effects and clustered standard errors.

Legend: * p<.1; ** p<.05; *** p<.01

Table 6.3. Expenditure in Public Investment Relative to Total Gov. Expenditure

Variable	PRI Model	PAN Model	PRD Model	PVEM Model	PANAL Model	PT Model	Conver. Model
PRI Dummy	0.0044						
PAN Dummy		-0.0018					
PRD Dummy			-0.0073				
PVEM Dummy				-0.0022			
Panal Dummy					-0.0125		
PT Dummy						-0.0069	
Conver. Dummy							-0.01288***
GDP p.c. (log)	0.0282	0.0313	0.0229	0.0330	0.0240	0.0204	0.0296
GDP growth t-1	-0.0601	-0.0636	-0.0514	-0.0644	-0.0543	-0.0540	-0.0593
Imbalance	0.0357	0.0392	0.0341	0.0395	0.0399	0.0388	0.0331
Population (log)	0.1447***	0.1485***	0.1307***	0.1477***	0.1669***	0.1268***	0.1438***
Election	0.0797***	0.0847***	0.0728***	0.0853***	0.0844***	0.0717***	0.0731***
Lagged D.V.	0.2860***	0.2883***	0.2874***	0.2863***	0.2776***	0.2842***	0.2848***
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-2.462	-2.5539***	-2.1884***	-2.5593***	-2.7356***	-2.1055**	-2.4557***
N	276	276	276	276	276	276	276
R2 Within	0.3148	0.3139	0.3173	0.3140	0.3218	0.3167	0.3215
R2 Between	0.0010	0.0016	0.0004	0.0020	0.0028	0.0004	0.0012
R2 Overall	0.0154	0.01415	0.0185	0.0136	0.0116	0.0185	0.0149

Panel data estimation with fied effects and clustered standard errors.

Legend: * p<.1; ** p<.05; *** p<.01

Table 6.4. Debt Acquisition and Payments Relative to Total Gov. Expenditure

Variable	PRI Model	PAN Model	PRD Model	PVEM Model	PANAL Model	PT Model	Conver. Model
PRI Dummy	0.0151*						
PAN Dummy		-0.0005					
PRD Dummy			-0.0146**				
PVEM Dummy				0.0123			
Panal Dummy					-0.0017		
PT Dummy						-0.0006	
Conver. Dummy							-0.0162***
GDP p.c. (log)	-0.0339	-0.0243	-0.0406	-0.0323	-0.0257	-0.0253	-0.0262
GDP growth t-1	0.0030	-0.0058	0.0173	0.0002	-0.0041	-0.0047	-0.0012
Imbalance	-0.4315***	-0.4256***	-0.4335***	-0.4301***	-0.4259***	-0.4258***	-0.4328***
Population (log)	0.0811*	0.0828	0.0519	0.0706	0.0841*	0.0798	0.0797*
Election	-0.0001	0.0129	-0.0088	0.0073	0.0124	0.0114	-0.0002
Lagged D.V.	0.0980*	0.1183**	0.1011*	0.1011	0.1187**	0.1183**	0.1032**
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-0.4239	-0.5555	0.0985	-0.2855	-0.5585	-0.4993	-0.4791
N	260	260	260	260	260	260	260
R2 Within	0.4650	0.4524	0.4672	0.4630	0.4526	0.4524	0.4658
R2 Between	0.0182	0.0190	0.0386	0.0238	0.0173	0.0201	0.0276
R2 Overall	0.0473	0.0467	0.0835	0.0570	0.0441	0.0490	0.0555

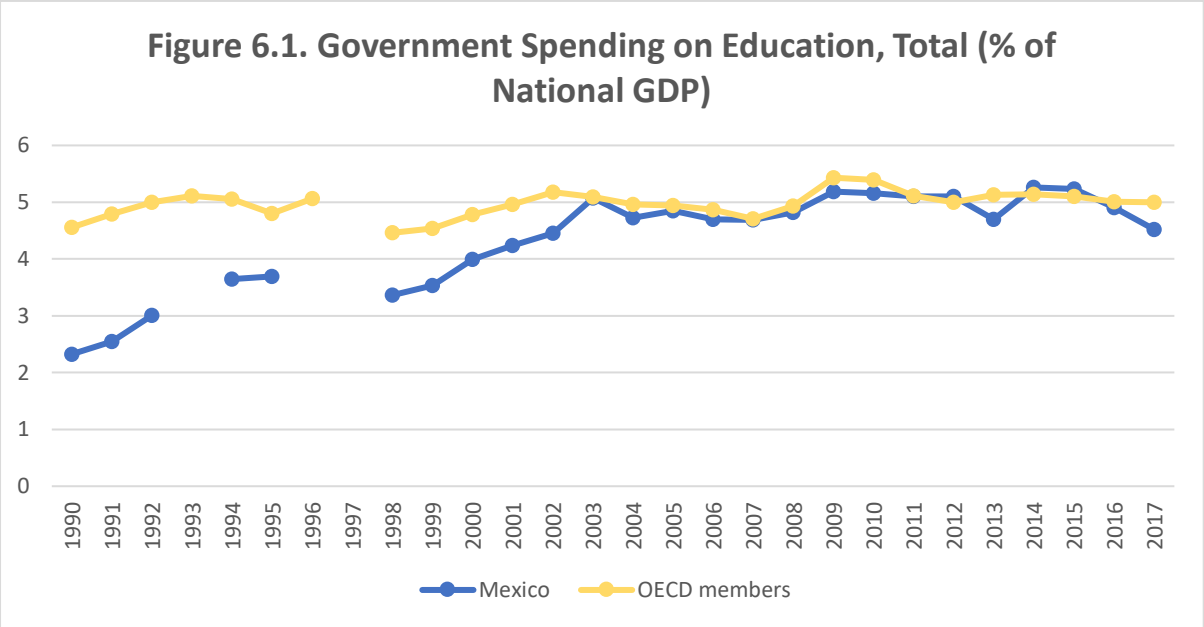
Panel data estimation with fied effects and clustered standard errors.

Legend: * p<.1; ** p<.05; *** p<.01

Results for the smaller parties show a different story, which is in line with my expectations. This is particularly true for PANAL. In those governments where PANAL is a member of the coalition, expenditure in salaries is higher, compared to governments in which it doesn't take part. Interestingly, expenditure in subsidies decreases when PANAL is a member. As described in previous sections, PANAL was has strong links with the teachers' union and has an ideology linked to neoliberalism. This likely explains why spending on salaries goes up (most likely in the education sector), while expenditure related to aid, subsidies and transfers decreases. Since the budget follows a portfolio allocation process, an increase in salaries has to come from somewhere, and in the case of the PANAL, the affected component seems to be aid and subsidies. This result is also interesting since the PANAL is one of the parties with more institutionalised features. In this regard, the fact that the presence of the PANAL, despite being an accompanying party, has a differentiating effect in the public policies provided by a government support my theoretical expectations. Likewise, the fact that the direction of the policies appears to be oriented towards the stated objectives of the PANAL is also reassuring.

Expenditure data provides further context for these claims. Since 1990, Mexico has increased overall expenditure in education, particularly to elementary and primary education, eventually catching up with its OECD partners (Figure 6.1). Despite this significant increase,

the quality of expenditure is far from ideal. Most of this expenditure has not been directed at improving education quality, access or supply, but mainly to increase funds and salaries for teachers. Interestingly, most of this transfer of resources is managed by unions and in most cases, funds are directly channelled to them. For example, between 2000 and 2006, the federal government directly transferred 800 million pesos to the SNTE. Likewise, elementary school professors affiliated to the union, earn on average 5 times the minimum wage and over the last 15 years, their income has increased between 6% and 8% yearly, at rates higher that the overall productivity of the country. In comparison, in real terms, the national minimum wage decreased in the same period. On the other hand, this spending boost has not translated to an increase in education quality. PISA evaluations have Mexico at the bottom for students' analytical skills.



Source: World Bank Data Bank (2021).

The results for Convergencia reaffirm the expectation that accompanying parties have an influence in specific budgetary components, specifically in those that are aligned with the party's ideology, origin or interest groups. Regarding Convergencia, the results are somewhat puzzling and contradictory, possibly related to the mid-institutionalisation levels of the party. From one part, when the party is member of a coalition, debt acquisition decreases, which is an indicator of the role for fiscal discipline the party pushes for. However, public investment

decreases. Instead, the results suggest that the party favours a policy which focuses in increasing public employment.

Despite the importance of this first set of results, it is unlikely that the presence of a single party will have an effect in the overall components of the budget, and even if they do have an influence, given that broad budgetary groups are made up of multiple programs, it is difficult to know precisely in what policies they are exerting an influence. In order to tackle this limitation, I use further disaggregated budgetary categories with the objective of measuring a party's influence in more specific policy projects and if these effects are linked to a party's organizational characteristics.[254]

Tables 6.5 to 6.11 show these results, which confirm my hypotheses, but also give further information about parties' behaviour in terms of strategies and priorities. The PAN, which is the more institutionalised of the three largest parties, has a distinguishable effect in government expenditure related to the distribution of subsidies and transfers. In those governments where the PAN is part of the coalition, most likely being the formateur, subsidies and transfers to health, agriculture and social aid programs significantly diminish. On the other hand, subsidies and transfers to infrastructure projects increase. These results are explained by the PAN 's programmatic orientation. Since its foundation, but more vehemently after the nationalisation of the financial sector in the 1980s, the PAN criticised the PRI strategy of distribution of resources and goods, as well as economic policies focused on subsidising sectors that it considered inefficient or unproductive, such as the agricultural sector. Instead, the PAN has always promoted a hands-off economic strategy centred in supporting the private sector and investing in public goods. In this regard, the fact that the allocation to health and agricultural programs, whose beneficiaries are most likely rural and poor sectors of the population and that potentially involve targeted material goods, are trimmed, is strongly consistent with the PAN's position. The fact that it favours subsidies linked to infrastructure projects, which are more tangible, less individualised, and most likely given to companies, is further evidence of its differentiating effect in the shape of government expenditure allocation.

[254] I used more than 25 different budgetary components as dependent variables. For reasons of space, I will only report the most significant results.

The results for the PANAL gives us further clarity about the previous findings. When the PANAL is part of the coalition, expenditure in salaries increases while those in subsidies and transfer diminishes. Contrary to what we expected, considering that the PANAL's base is among education workers, subsidies and transfers to education programs are the ones that experience a decline. But this is likely compensated by increases in salaries for professional services when the PANAL is part of the government. This sheds light on the PANAL's political and electoral strategy. The PANAL was able to obtain its electoral license thanks to the support of the teachers' union, and its party structure and candidates rely strongly on the support of this organisation. Likewise, the Panal's ability to mobilise voters relies on the union. In a way, the union operates as a broker for the Panal. Normally, the Panal asks for control of any education related budget as well as for control over the ministry of education. An example of this was clear during the Calderon administration, in which the son in law of Elba Esther Gordillo, Panal's founder, was the undersecretary of Education of Mexico in charge of elementary education. Likewise, in state governments Panal members control the education ministry in exchange for support. At least six governors had direct ties with the PANAL and with Elba Esther Gordillo, and in these states Panal members controlled the ministry of education.[255] The fact that the Panal controls the education budget portfolio can explain the diverging effect found in the econometric analysis. Mobilising and guaranteeing the support of a large structure, particularly a union, is expensive. In this regard, the Panal is paying its union leaders and brokers, temporally hiring them with professional services contracts at the expense of reducing subsidies to education.

Going back to my theoretical expectations, it was hypothesized that more programmatic parties with strong organisations would be forced by the rank and file to stick to those commitments when in government. We observe this to happen in the case of Panal, but we also observe some deviations regarding Panal's policy actions. There is a tension between the demands of the organisation and the demands/interests that should be served, so even if

[255] La Jornada 2006. The governors and states were Eduardo Bours (Sonora), Ney Gonzalez (Nayarit), Eugenio Hernandez (Tamaulipas), Natividad Gonzalez (Nuevo Leon), Rafael Moreno (Puebla), Humberto Moreira (Coahuila).

Panal is a programmatic party, once it is in government the party incurs in side payments to maintain the party, appease political leaders or plan a political campaign.

Results for the PVEM are perhaps the more relevant regarding the effect that a party has in government, relative to their size -i.e., electoral weight-, and how their presence and degree of institutionalisation affect the orientation of the budget. The econometric results show that the presence of the PVEM in a government has two effects. The first one is that it increases expenditure in subsidies and transfers in health programs. Secondly, that per capita expenditure in subsidies to ecological projects decreases. While the first effect can be deemed as positive, it may be actually perversely linked to the economic interests of the PVEM party elite. The PVEM was founded, and is still controlled, by a family with a foot in the pharmaceutical industry. For many years, the public health sector in Mexico has been underprovided and drug shortages are common. The PVEM has campaigned heavily for the government to provide medicines to patients of the public health sector and that if medicines are not available, for the government to distribute coupons for individuals to purchase them at a pharmacy or drugstore. The PVEM has campaigned for this policy not because of an interest in improving public health provision, but because most of the population that uses the public health sector are low income voters who buy medicines at the low-cost drugstores owned by PVEM members. Likewise, the increase in this spending category can be explained because once the PVEM enters a government, this pharmaceutical group can become the provider of medical supplies to state governments. Regarding the second effect, it is worth remembering that the PVEM is a “green” party. But this programmatic stance does not really inform the party’s behaviour in office. In fact, these results are in line with the theoretical expectations since the PVEM has a programmatic brand but is a strongly personalistic party. Therefore, the party abandons its brand in government, instead choosing to serve its leaders own interests.

The rest of the parties have partial or null effects in the portfolio allocation of the budget. For example, the PRI has no effect across any of the relevant disaggregated budgetary programs. Consistent with its ideology and policy, the only effect of the PRD is that expenditure in subsidies and transfers to agricultural projects increases when the PRD is part of a coalition. Interestingly, the presence of Convergencia increases expenditure to health and agricultural programs, while the PT does so in infrastructure.

In all of the models presented in this chapter, the variable *imbalance*, which depicts the fiscal imbalance and dependency on federal transfer of a state, is highly significant and with consistent sign for each party specification. This result is also present in the models of Chapter 5 and is a clear indication that the current model of federal transfers shows a moral hazard problem. While the increase of transfers decreases debt acquisition, the inflow of resources does not translate to an increase in public investment (non-significant effect), which is the objective of the federal mechanism. Instead, federal transfers are mirrored by an increase in salaries and subsidies (Tables 6.1 to 6.4). Furthermore, an increase in federal transfers has a null effect in the expenditure in health, agriculture, professional services and infrastructure (Table 6.6-6.8 and 6.11), increasing aid to education and social aid programmes (Table 6.5 and 6.9).

In conclusion the previous results shed light of a number of interesting trends. The first one is that larger parties appear to not differentiate themselves from their counterparts, or to exert a limited differentiating policy once in government. Secondly, that policy influence is not dictated or limited to the size of a party. Smaller parties do exert an influence in the policy orientation of the budget and the policies that are delivered, sometimes a larger influence that that of their formateurs. Thirdly, the degree of institutionalisation shapes the policy effect of a party. This was appreciated in the case of the PAN and the Panal, which are parties with a more robust institutional structure, but also in the case of the PVEM which has no institutionalisation and has more fluid and elite-serving strategy. Lastly, the empirical results shed light on the priorities, strategies and interest at play of the political parties in Mexico which deserve to be further explored.

Table 6.5. Transfers, Subsidies and Aid to Education Programs Relative to Total Gov. Expenditure

Variable	PRI Model	PAN Model	PRD Model	PVEM Model	PANAL Model	PT Model	Conver. Model
PRI Dummy	-0.0046						
PAN Dummy		0.0016					
PRD Dummy			0.0003				
PVEM Dummy				-.01628*			
Panal Dummy					-0.0175		
PT Dummy						-0.0061	
Conver. Dummy							-0.0067
GDP p.c. (log)	0.0177	0.0142	0.0146	0.0269	0.0031	0.0041	0.0132
GDP growth t-1	-0.0147	-0.0101	-0.0109	-0.0224	0.0042	-0.0005	-0.0082
Imbalance	0.1443**	0.14084**	0.1417**	0.1480***	0.1436**	0.1418**	0.13855**
Population (log)	-0.0728	-0.0766	-0.0725	-0.0544	-0.0464	-0.0896	-0.0751
Election	0.1070	0.1024*	0.1039	0.1109*	0.0968	0.0931	0.0953
Lagged D.V.	0.3261***	0.3280***	0.3284***	0.3181***	0.3107***	0.3310***	0.3224***
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	0.9266	1.0208	0.9559	0.5536	0.7125	1.3285	1.0155
N	273	273	273	273	273	273	273
R2 Within	0.3130	0.3122	0.3120	0.3280	0.3249	0.3139	0.3138
R2 Between	0.5303	0.5313	0.5440	0.5431	0.7051	0.5190	0.5272
R2 Overall	0.5507	0.5485	0.5594	0.5722	0.6735	0.5329	0.5439

Panel data estimation with fied effects and clustered standard errors.

Legend: * p<.1; ** p<.05; *** p<.01

Table 6.6. Transfers, Subsidies and Aid to Health Programs Relative to Total Gov. Expenditure

Variable	PRI Model	PAN Model	PRD Model	PVEM Model	PANAL Model	PT Model	Conver. Model
PRI Dummy	0.0038						
PAN Dummy		-0.0078***					
PRD Dummy			0.0022				
PVEM Dummy				0.0067**			
Panal Dummy					0.0010		
PT Dummy						-0.0014	
Conver. Dummy							0.0095*
GDP p.c. (log)	0.0122	0.0143	0.0170	0.0089	0.0154	0.0124	0.0147
GDP growth t-1	-0.0405	-0.0434	-0.0471	-0.0377	-0.0445	-0.0415	-0.0446
Imbalance	0.0326	0.0384	0.0358	0.0312	0.0347	0.0349	0.0391
Population (log)	-0.0513	-0.0340	-0.0447	-0.0571	-0.0517	-0.0541	-0.0454
Election	0.0321**	0.0275*	0.0274*	0.0342***	0.0301**	0.0317*	0.0241*
Lagged D.V.	0.2691***	0.2439**	0.2672***	0.2660***	0.2674**	0.2698***	0.2496**
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	0.6310	0.3559	0.4819	0.7523	0.6028	0.6717	0.5205
N	262	262	262	262	262	262	262
R2 Within	0.4998	0.5081	0.4983	0.5068	0.4975	0.4977	0.5087
R2 Between	0.0555	0.0697	0.0579	0.0496	0.0510	0.0523	0.0582
R2 Overall	0.1473	0.1903	0.1557	0.1372	0.1403	0.1403	0.1590

Panel data estimation with fied effects and clustered standard errors.

Legend: * p<.1; ** p<.05; *** p<.01

Table 6.7. Transfers, Subsidies and Aid to Agricultural Programs Relative to Total Gov. Expenditure

Variable	PRI Model	PAN Model	PRD Model	PVEM Model	PANAL Model	PT Model	Conver. Model
PRI Dummy	-0.0012						
PAN Dummy		-0.0104**					
PRD Dummy			0.0034*				
PVEM Dummy				-0.0008			
Panal Dummy					0.0008		
PT Dummy						0.0010	
Conver. Dummy							0.0062**
GDP p.c. (log)	0.0025	0.0018	0.0032	0.0023	0.0024	0.0030	0.0013
GDP growth t-1	-0.0015	-0.0002	-0.0034	-0.0012	-0.0016	-0.0021	-0.0003
Imbalance	-0.0037	-0.0009	-0.0028	-0.0039	-0.0043	-0.0051	-0.0028
Population (log)	0.0115	0.0608	0.0306	0.0115	0.0128	0.0179	0.0416
Election	-0.0007	-0.0051	-0.0025	-0.0008	-0.0010	-0.0014	-0.0031
Lagged D.V.	0.3743**	0.2717**	0.3243**	0.3758**	0.3692**	0.3702**	0.2859**
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-0.1931	-0.9170	-0.4869	-0.1920	-0.2121	-0.2936	-0.6288
N	148	148	148	148	148	148	148
R2 Within	0.2232	0.2737	0.2466	0.2219	0.2230	0.2223	0.2727
R2 Between	0.0241	0.1036	0.0894	0.0234	0.0252	0.0509	0.1051
R2 Overall	0.0136	0.0856	0.0699	0.0138	0.0163	0.0371	0.0824

Panel data estimation with fied effects and clustered standard errors.

Legend: * p<.1; ** p<.05; *** p<.01

Table 6.8. Transfers, Subsidies and Aid to Infrastructure Programs Relative to Total Gov. Expenditure

Variable	PRI Model	PAN Model	PRD Model	PVEM Model	PANAL Model	PT Model	Conver. Model
PRI Dummy	-0.0092*						
PAN Dummy		0.0057**					
PRD Dummy			0.0032				
PVEM Dummy				-0.0043			
Panal Dummy					-0.0001		
PT Dummy						0.0071***	
Conver. Dummy							0.0023
GDP p.c. (log)	0.0227**	0.0195*	0.0213**	0.0250**	0.0192*	0.0262**	0.0183
GDP growth t-1	-0.0268	-0.0202	-0.0263	-0.0269	-0.0215	-0.0282	-0.0212
Imbalance	-0.0182	-0.0255	-0.0199	-0.0195	-0.0215	-0.0250	-0.0207
Population (log)	0.0167	0.0095	0.0291	0.0325	0.0258	0.0375	0.0233
Election	-0.0036	-0.0057	-0.0077	-0.0135	-0.0089	-0.0093	-0.0073
Lagged D.V.	0.0988	0.1130	0.1265	0.1183	0.1253	0.1066	0.1286
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	-0.4642	-0.3199	-0.6347	-0.7180	-0.5574	-0.8084	-0.5136
N	226	226	226	226	226	226	226
R2 Within	0.1369	0.1282	0.1228	0.1267	0.1198	0.1360	0.1209
R2 Between	0.1768	0.2329	0.1655	0.1522	0.1673	0.1487	0.1838
R2 Overall	0.1314	0.1852	0.1056	0.0944	0.1125	0.0902	0.1231

Panel data estimation with fied effects and clustered standard errors.

Legend: * p<.1; ** p<.05; *** p<.01

Table 6.9. Transfers, Subsidies and Aid to Social Aid Programs Relative to Total Gov. Expenditure

Variable	PRI Model	PAN Model	PRD Model	PVEM Model	PANAL Model	PT Model	Conver. Model
PRI Dummy	0.0007						
PAN Dummy		-0.0084*					
PRD Dummy			0.0012				
PVEM Dummy				-0.0034			
Panal Dummy					0.0022		
PT Dummy						0.0013	
Conver. Dummy							-0.0019
GDP p.c. (log)	0.0054	0.0066	0.0074	0.0089	0.0070	0.0079	0.0054
GDP growth t-1	-0.0096	-0.0147	-0.0120	-0.0119	-0.0114	-0.0114	-0.0092
Imbalance	0.0148	0.0214	0.0159	0.0163	0.0149	0.0147	0.01429
Population (log)	-0.0221	0.0009	-0.0199	-0.0201	-0.0265*	-0.0190	-0.0223
Election	0.0088	0.0028	0.0072	0.0069	0.0091	0.0069	0.0097
Lagged D.V.	0.3823***	0.3491***	0.3784***	0.3745***	0.3829***	0.3772***	0.3833***
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	0.2580	-0.0959	0.2031	0.1908	0.3041	0.1855	0.2612
N	240	240	240	240	240	240	240
R2 Within	0.2578	0.2912	0.2585	0.2652	0.2604	0.2586	0.2589
R2 Between	0.0073	0.1716	0.0057	0.0068	0.0104	0.0047	0.0076
R2 Overall	0.0018	0.2313	0.0028	0.0023	0.0003	0.0037	0.0016

Panel data estimation with fied effects and clustered standard errors.

Legend: * p<.1; ** p<.05; *** p<.01

Table 6.10. Per Capita Expenditure in Ecological Programs Relative to Total Gov. Expenditure

Variable	PRI Model	PAN Model	PRD Model	PVEM Model	PANAL Model	PT Model	Conver. Model
PRI Dummy	-0.9119						
PAN Dummy		(omitted)					
PRD Dummy			1.3999***				
PVEM Dummy				-0.9636*			
Panal Dummy					1.2083		
PT Dummy						-0.2250	
Conver. Dummy							1.4105***
GDP p.c. (log)	-4.0075	-3.8946	-4.3035	-4.2671	-3.3494	-3.9387	-4.3259
GDP growth t-1	6.1521	6.0662	6.3156	6.5616	4.9665	6.1494	6.4701
Imbalance	-7.8485**	-8.2730**	-8.4971**	-7.7220**	-7.9392**	-8.1337**	-8.5291**
Population (log)	-34.3976*	-31.7712*	-32.3087*	-35.7583**	-38.3379**	-32.6015*	-32.2669*
Election	3.8655**	3.5439**	3.7002**	3.9987**	3.9219**	3.6118**	3.7132**
Lagged D.V.	0.0616	0.0770	0.0586	0.0553	0.0601	0.0763	0.0616
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	565.2049*	524.6428*	537.1876*	588.2230**	615.1406**	537.4103*	536.8623*
N	126	126	126	126	126	126	126
R2 Within	0.2266	0.2163	0.2357	0.2308	0.2457	0.2171	0.2304
R2 Between	0.0902	0.0895	0.0928	0.0892	0.0828	0.0894	0.0912
R2 Overall	0.0594	0.0591	0.0609	0.0591	0.0555	0.0590	0.0604

Panel data estimation with fied effects and clustered standard errors.

Legend: * p<.1; ** p<.05; *** p<.01

Table 6.11. Payment of Salaries to Profesional Services Relative to Total Gov. Expenditure

Variable	PRI Model	PAN Model	PRD Model	PVEM Model	PANAL Model	PT Model	Conver. Model
PRI Dummy	-0.0009						
PAN Dummy		-0.0022**					
PRD Dummy			0.0012				
PVEM Dummy				-0.0007			
Panal Dummy					0.0018*		
PT Dummy						0.0002	
Conver. Dummy							0.0014**
GDP p.c. (log)	-0.0082*	-0.0091*	-0.0072	-0.0083*	-0.0079*	-0.0086*	-0.0087*
GDP growth t-1	0.0074*	0.0065	0.0058	0.0075*	0.0069*	0.0078*	0.0077*
Imbalance	-0.0031	-0.0025	-0.0028	-0.0034	-0.0041	-0.0037	-0.0028
Population (log)	-0.0086	-0.0011	-0.0057	-0.0081	-0.0110	-0.0074	-0.0082
Election	0.0074**	0.0061**	0.0063*	0.0075**	0.0081***	0.0074**	0.0069**
Lagged D.V.	0.4181***	0.3922***	0.4144***	0.4156***	0.3929***	0.4193***	0.4113***
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Constant	0.2222	0.1209	0.1682	0.2162	0.2537**	0.2097	0.2218
N	226	226	226	226	226	226	226
R2 Within	0.4478	0.4601	0.4513	0.4470	0.4604	0.4446	0.4501
R2 Between	0.0154	0.0521	0.0359	0.0163	0.0148	0.0188	0.0134
R2 Overall	0.0524	0.1463	0.0957	0.0561	0.0432	0.0644	0.0512

Panel data estimation with fied effects and clustered standard errors.

Legend: * p<.1; ** p<.05; *** p<.01

Conclusion

This chapter has shown how political party's use their membership and shape the provision and distribution of policies of a multiparty government. This influence depends on the institutionalisation of each political party, which determines the policies in which each party exert an influence.

This paper discussed why party system institutionalisation of a party system and the degree of institutionalisation of each political party are important. It also performed a reassessment of the party system institutionalisation of the Mexican party system, and a description and categorisation of the degree of institutionalisation of each of the main political parties in Mexico.

By analysing the Mexican party system and using a battery of statistical tests, this chapter measured in which policy areas each political party has an impact. The findings supported both the proposal that parties exert an influence in a government provision due to their membership and that a party's policy effect can be linked to the institutionalisation of each party. Overall, this paper argued and showed how the party system in Mexico is weakly institutionalised and how most of the parties in Mexico have weak institutionalisation characteristics in terms of their policy position and program, organisational capacity and

collective action. Considering that Mexico is a recently transitioned democracy which is also facing a political change, a weakly institutionalised party system represents a challenge for the democratic stability of the country. Likewise, the empirical results indicate the multiple interest and political strategies pursued by each political party, as well as their priorities and interests, which are normally biased against serving the overall population, their constituents or their rank and file. Likewise, the institutionalisation characteristics of the party system in Mexico explain the prevalent use of clientelism, short-term policies or the lack of investment in public goods in the country.

Scholarly work from parliamentary systems has shown that policy influence is the core reason for accompanying parties to join a coalition.[256] Likewise, that in coalition smaller parties are more efficient at prioritising and pursuing their policy goals.[257]

In parliamentary systems, accompanying party's policy influence focuses in providing group-specific and policy-specific policies[258]. This efficiency at accomplishing their goals, has been driven by programmatic and well-being-oriented goals. For example, the creation of welfare-state policies and environmental protection policies in Europe are partly explained by the presence of green parties and other niche/regional parties.[259]

This chapter provides support that in presidential systems, accompanying parties share similar characteristics as their parliamentary peers. Yet, this chapter shows that in presidentialism the policy effect of accompanying parties moves in a different direction, and that different interest are at play. The Mexican case shows that some accompanying parties are much better than their formateurs in implementing key features of their agenda, or that the coalition government they form part of provides more significantly projects to which they are linked. However, the enduring mark that accompanying parties leave in the policy front is far from being welfare oriented. This opens the questions to the nature of parties in post-transitioning countries with young democracies, their medium and long-term societal consequences that the quality of provision may have, such as the democratic satisfaction that the population may have over time. Further questions arise as to how the party system and

[256] Bassi 2017; Hix and Noury 2016.
[257] Adams et al 2006; Meguid 2005.
[258] Adams et al 2006; Meguid 2005.
[259] Manow 2008.

its characteristics (i.e., institutionalisation) shape parties policy decisions in terms of provision and how they value the consequences of these actions.

7. Multiparty Coalitions and Party System Institutionalization

The theoretical arguments developed in Chapter 2 and explored in the previous two chapters, focused on the budgetary implications of coalitions. I argued that both coalitions and accompanying parties will play a role in the budgetary orientation of the government, showing afterwards that this is the case. There were two main results. First, coalitions increase expenditure in short-term projects. Second, accompanying parties, even if they are nominally programmatic, push for the provision of particularistic goods from which they can profit. Largely, these outcomes are caused due to the asymmetry of responsibility that coalitions create, which are deeper in presidential systems due to the division of power. Attribution and responsibility are largely appropriated by the executive and its party and if accompanying parties decide to be passive, they will be eventually used, dropped and suffer an electoral cost. In this context, accompanying party's rational response is to push for a particularistic or pork-oriented strategy which works in good or bad times, especially in a democracy that is still maturing and where clientelistic practices are common and not entirely rejected by voters.

This cycle will have obvious fiscal consequences, but it will also have broader and deeper ramifications, particularly to voters-party relationship, such as in the areas of voter disenchantment and brand dilution. In particular if coalitions become a common political tool/practice. While a provision strategy centred in private goods can be electorally rewarding in the short-term, as clientelistic practices increase they become the main linkage strategies between parties and voters, which has the potential of alienating voters as well as instilling a sense of disillusionment with parties and the party system. Furthermore, if party alliances are erratic and with a low ideological component, as is the case in Mexico and other Latin American countries, this disruptive process can further deepen and have overarching consequences over the long term for parties, voters and democracy.

In this chapter I look at these consequences, hypothesizing that in the long-term, the presence of coalitions weakens the party system and its level of institutionalisation. This chapter will look at the effect that coalitions have on political parties and their electoral trajectories. The argument presented in Chapter 2 was partly developed based on the assumption that parties

had their own interests and objectives, and that these interests and objectives were partly the driving force behind their policy choices. Parties pursue a policy choice and expenditure path centred on private or public goods, because parties use these choices to cement or improve their electoral positions.

In Chapter 4, I discussed and showed that the Mexican party system is less institutionalised that is believed to be. Likewise, I discussed the different levels of institutionalisation of the political parties, briefly mentioning their linkage strategies with voters. From this discussion, three conclusions can be derived. The first is that voter loyalty is weak and has waned over the years. Second, that the party system has fragmented due to the emergence of new competitors. In turn, new competitors and tougher competition is one of the main drivers for coalition formation. Third, that the electoral dominance of the PRI-PAN-PRD triad, rapidly eroded. Considering the characteristics of the Mexican electoral system, it is not entirely clear the reasons for their collapse. This chapter acknowledges that coalitions may be partly a product of these dynamics. Yet, I hypothesize that once coalitions emerge, settle and solidify in the electoral and political arena, they exert an independent impact on these three trends.

This chapter will look at two related questions: what is the electoral effect that coalition formation has on parties' electoral paths, and what is the effect that coalition formation has on the party system as a whole? In principle, coalitions are formed by a formateur and one or more accompanying party. Evidence from parliamentary and presidential systems alike have shown that formateurs are the ones to profit from the coalition, cannibalising their partners, and solidifying their electorate position afterwards. This paper will challenge this claim, instead analysing how the presence and use of multiparty coalitions negatively impacts established parties' electoral trajectories. Second, it analyses how coalitions, by being a contributing factor to party decay, erode party system institutionalisation, alienating voters and opening the path for political outsiders.

This chapter advances two general arguments. The first one is that as coalitions become part of day-to-day politics, the presence of coalitions in presidential systems act as a catalyst, further eroding the electoral position of established political parties in contexts characterised by fragmentation and higher levels of political competition. Parallel to the effect on established parties, by joining coalitions, accompanying (junior) parties electorally profit from coalition formation in subsequent elections improving their electoral positions, at the

expense of their formateurs. The second is that by weakening established parties, coalitions have an effect on the level of institutionalisation of the party system (PSI). Specifically, they damage PSI by affecting the stability of inter-party competition. In turn, a decrease in PSI will have noticeable by-products: they open the room for political outsiders, affect cooperation patterns between parties which become erratic, and increase elite defection and migration of candidates between parties.

I test these arguments using original aggregate subnational electoral data from Mexico's thirty-one states and over two thousand municipalities over the period 1993-2018 using panel-data regression analysis. Additionally, I provide qualitative evidence, including two case studies, to support the theoretical claims and the statistical results. This chapter contributes to the literature by offering a subnational analysis. Despite the varied and growing literature on the political effects of coalition, most scholars have either conducted cross-country comparisons or focused on single countries at the national level, comparing a handful of political parties. Employing aggregate subnational electoral data allows to test the argument at the party system level, analysing voting patterns of all parties in the party system both at the state and municipal level. By performing a subnational analysis, this paper aims to contribute to the literature by looking at the effects of coalitions across the party system, as well as testing existing hypotheses at a disaggregated level in which the units of analyses share institutional, political, social and legal characteristics.

The chapter follows a mix-method approach first presenting qualitative evidence and case studies. Using a battery of statistical models, the second part systematically tests the first two propositions, analysing the effect of coalitions on parties' vote share and the effect of coalitions on outsider parties' electoral performance. I find strong evidence supporting the argument that the continuing use of coalitions over time contributes to a decline in electoral support for established parties, particularly for the PRI, and that the presence and use of coalitions contribute to the emergence of outsider parties. Overall, the use of coalitions influences parties, particularly formateurs, and the party system, decreasing the level of institutionalisation.

Mexico is a suitable case study for two main reasons. As mentioned in previous chapters, Mexico is a recently transitioned democracy that has undergone deep political changes, including a transition from a single-party hegemony to multipartyism. These changes have not been exclusive of the national arena but have permeated to the subnational level. Second, similar to worldwide political events in developing and established democracies, recent elections have been characterised by a rejection of traditional parties and the political establishment, suggesting a possible link between coalitions and party system decay.

The 2018 federal election saw the collapse of the ruling, and once hegemonic, party Partido Revolucionario Institucional (PRI), which obtained less than 14% of the vote. Its historic rival, the right-wing Partido Accion Nacional (PAN), did not do much better: roughly 17% of the vote. The victor, with 53% of the vote, was a coalition of three parties led by the Movimiento Regeneracion Nacional (Morena), a party created just four years earlier. Despite high participation and broad support for the winning candidate, almost 5% of votes cast for congressional candidates were spoiled, a higher percentage than the vote share obtained by four national parties in the same election. The election occurred in a context where all major parties formed varied pre-electoral coalitions and where 90% of state governments were ruled by a governor elected with the support of a coalition.

Qualitative evidence sheds light on the dynamics of coalition partnership between parties, which is erratic and loosely based on ideological fit, and on party abandonment which has increased as coalitions increased over time. The case studies suggest that coalition making dilute formateurs' party brands and that coalition making offers a platform and resources to accompanying parties which are used to improve their electoral position in subsequent elections, in most cases at the expense of their formateurs. Furthermore, the formateur is subject to a temporal trade-off between short-term gains (electoral victories) but long-term losses (voter disenchantment). The econometric analyses provide further supporting evidence to these claims. Formateurs' vote change between elections decreases in those regions where the party rules in a coalition, with their vote change between elections being lower than in those states where it is in opposition. Accompanying parties' electoral position, on the other side, improve in those states where it is part of a coalition compared to regions where it is in opposition. Finally, vote shares of an outsider party (Morena) substantially

improves in those areas where coalition governments are in power and where they have been governing for several periods.

The paper proceeds as follow. The next two sections discuss the state of the literature, present the theoretical argument and hypotheses to be tested. Qualitative evidence and case studies are discussed in sections four and five. Section six and seven show the empirical results, with concluding remarks closing afterwards.

7.1. Coalitions, Government Outputs and the Party System

The majority of democracies in the world are facing more diverse and plural political systems. This diversity is reflected in higher fragmentation levels and an increase in the number of parties competing across party systems. As a result, parliamentary and presidential systems alike are facing divided or minority governments, and an increasing use of coalitions as a tool to circumvent fragmentation and ensure governability. Three decades after Juan Linz's influential paper[260], there is little doubt that divided governments and political coalitions not only can emerge but have proven durable in presidential systems with separation of powers around the world.[261] Presidentialism is currently the main form of government in democratic systems, and the majority of these governments rule or are elected using multiparty coalitions.[262]

The presence of coalitions is the result of multiple underlying cofounders such as democratic transitions, higher political competition, party-system fragmentation, economic reform processes and differences in electoral systems.[263] To date, scholars have shown that the emergence of coalitions is related to multipartysm, higher levels of political competition, and electoral fragmentation, characteristics that are correlated positively with democratization and democratic survival.[264] Coalitions have proven to be a valuable electoral strategy,

[260] Linz 1990.
[261] Linz 1994; Valenzuela 1993; Stepan and Skach 1993; Mainwaring 1993; Cheibub, Przeworski and Saiegh 2004, Cheibub and Limongi 2010.
[262] Chaisty, Cheeseman and Power 2018
[263] Coppedge 1997; Roberts 2012; Iversen and Soskice 2006; Persson and Tabellini 2005.
[264] Cheibub, Przeworski and Saiegh 2004.

particularly in early democratization periods, by allowing opposition parties to access governments or becoming a viable electoral alternative against hegemonic parties. However, the interaction of several parties in government increases the complexity of the administration and of the surrounding political environments. In this sense, scholars have shown that coalitions are prone to produce weak governments with higher deficit levels[265] and for coalition government to encounter principal-agent and collective action difficulties.[266] Once coalitions become a common feature of political competition, they have the potential to dilute party brands, sever established links of political representation[267] and heighten perceptions of ideological convergence[268], all which are a contributing factors to party collapse and party system change.[269]

The study of coalitions and their effects has an established literature on parliamentary systems[270] and a growing literature on presidential systems, where they were once thought unlikely to emerge.[271] As this literature shows, the presence of coalitions is a marker of a host of background factors, mainly higher fragmentation and political competition in the party system, which may confound the effects of coalitions on the performance of a country's party system. Existing scholarly research claims that the presence of multiparty coalitions, or divided governments, is linked to varying levels of policy outcomes across countries.[272] However, this theoretical argument locates the cause of variability not directly on coalitions but on the type of electoral system or system of government that is in place, which creates particular institutional paths that affect the interactions and behaviours of voters and parties. Nevertheless, it is important to ask what independent role, if any, coalitions play in the political parties that conform them and in the fate of party systems.

Among presidential systems, coalitions are particularly prevalent across the Latin American region, with coalitions being formed consistently since the 1990s at the national level in Chile,

[265] i.e. Roubini and Sachs 1989.
[266] i.e. Laver and Shepsle 1990, 1996; Laver and Schofield 1998; Bueno de Mesquita et al. 2002.
[267] Martin and Vanberg 2008.
[268] Fortunato and Stevenson 2013.
[269] Lupu 2016.
[270] Riker 1962; Ordeshook and Winer 1980; Cox 1990; Muller and Strom 2003.
[271] Linz 1990; Shugart and Carey 1992; Chaisty, Cheeseman and Power 2018.
[272] Persson and Tabellini 1998, 2003.

Uruguay, Brazil and to a lesser degree in Argentina, either by pre-electoral pacts supporting a single candidate or by minority governments forming legislative coalitions after an election.[273] Despite their prevalence at the national level, coalitions are not limited to national executives or federal congresses. One country in which the presence of coalitions at the subnational level is among the highest is Mexico.[274]

While coalitions are a marker of pluralism and require a democracy to practice consensus-building, they also increase the complexity of governance and presents a series of challenges that complicate politics. Coalitions do not necessarily deliver homogenous results and the policy outputs they deliver largely depend on how the coalition is accommodated.[275] Likewise, how the preferences of the parties conforming the coalition are distributed, mainly if they are more interested in policy, offices or seek to profit from their membership and access state resources, also matter.[276] Cross-national analyses have shown that coalition governments run larger deficits.[277] This effect, however, is attenuated by the balance of power and strong mechanisms of ministerial accountability that exists in parliamentary systems.[278] Similarly, coalitions have larger public sectors[279] because coalition-making involves that different interest groups, with a multiplicity of commitments and priorities, are brought into a single government. In turn, the government must accommodate these demands and distribute resources to members. National and cross-national studies have also found that coalition governments spend more, produce redundant public policies and government programs that overlap each other in terms of objectives and targets, which affect the distribution and use of public resources.[280] This is especially true in presidential systems such as Brazil, where coalitions are created at the expense of policy and where coalitions are normally oversized[281]. In many presidential systems in Latin America, the effects that coalitions have on deficits and expenditure levels are probably linked to the fact that

[273] Altman 2000; Neto 2002; Neto 2006; Calvo and Murillo 2004.
[274] To avoid repetition, Chapter 3 discussed the evolution of coalitions in Mexico and its changing dynamics.
[275] Laver and Shepsle 1990.
[276] Strom 1990; Strom and Nyblade 2007.
[277] i.e. Roubini and Sachs 1989
[278] Huber and Lupia 2001, Strom 2000, Martin and Vanberg 2003, Martin and Vanberg 2014, Hallerberg and von Hagen 1999.
[279] i.e., Bawn and Rosenbluth 2006.
[280] Persson and Tabellini 2005; Bawn and Rosenbluth 2006.
[281] Machado 2009.

coalitions are often not based on ideological fit but through the distribution of pork[282] or cabinet positions[283]. In this regard, recent cross-national research has shown how executives in presidential systems bring partners and manage their coalition using a toolkit that involves the distribution of policy, offices and budgetary allocations.[284] Nevertheless, although presidents normally prefer to distribute policy or offices as the main mechanism for coalition formation and administration, they are normally forced by parties to distribute perks such as pork and patronage which are the main incentive of accompanying parties to remain by the President's side.[285]

Scholars have paid less attention to the effects that coalitions have on voters, the parties that make up the coalitions, and the party system as a whole. An emerging literature has shown that coalition-making and the presence of coalitions in the party system has an effect at the individual level, mainly that coalitions affect the relationship between parties and voters, having an effect on the perception of ideological convergence by parties that coalesce.[286] In a similar vein, the formation of idiosyncratic coalitions is a contributing factor to party collapse: coalitions further erode partisan attachments and a party's brand.[287] Although not focusing directly on coalitions, recent research on Latin America also links the number of competing candidates to the level of invalid voting in an election,[288] which is a proxy of democratic satisfaction.

Returning to the case of Mexico, a greater number of political parties and an increasing presence of coalitions is not necessarily reflected in more political options or that voters are choosing coalitions over single parties because they represent a better alternative. During campaigns and at the polls, voters encounter multiple parties to choose but only a handful of candidates, as almost all candidates do it through a coalition government. An example of this can be appreciated in the electoral ballots. For example, at the gubernatorial election of Chiapas in 2018 twelve political parties appeared on the paper ballot, however they

[282] Ames 2001.
[283] Neto 2002, Calvo and Murillo 2004.
[284] Chaisty, Cheeseman and Power 2018.
[285] Ibid.
[286] Fortunato and Stevenson 2013.
[287] Lupu 2016.
[288] Cohen 2018.

represented only four candidates including an independent candidate that ran with no party support (Figure 7.1). I contribute to the emerging literature on the political effects of coalitions by building an argument that bridges various strands of existing work, analysing the effect of coalitions on two components of the party system: electoral performance of established political parties and the emergence of outsider political parties.

Figure 7.1. Chiapas Gubernatorial Election Ballot.



7.2. Coalitions and Party Performance

Despite ongoing processes of party system fragmentation and decay caused by broader structural conditions, I argue that coalitions can accelerate said processes. Coalitions do this in two ways. First, they further erode partisan attachments, particularly affecting established political parties and party brands (i.e. they confuse voters or blur the distinction between parties). Second, coalitions have a negative effect on governance and policy, which has an impact on overall satisfaction with the system as well as on the relationship between parties and voters. This section argues that features of political competition (i.e. electoral coalitions

and coalition making) affect political participation and the performance of parties[289]. In order to do this, I will first discuss how coalitions affect the relationship between parties and voters. Secondly, I will discuss how coalitions affect the relationship between and within parties. Thirdly, I will mention how changing dynamics in the relationship between voters and parties due to coalitions negatively affect established parties' electoral outcomes and facilitate the emergence of political outsiders. In particular, I argue that changes in political competition and political participation such as the establishment of coalitions in the party system, can explain weakening party attachments and changes in the performance of electoral parties in contexts where political institutions (i.e., vote laws, electoral system, district magnitude, system of government) do not experience significant fluctuations over time.[290]

Coalitions have positive traits for established and developing democracies alike.[291] They allow for the creation of governments in the absence of clear majorities avoiding political impasse, the formation of caretaker governments when a country faces extraordinary circumstances, and they provide voters and opposition parties a viable electoral option against hegemonic regimes. In this regard their presence is a marker of political pluralism, diversity of viewpoints, and a need for consensus-building, all of which are important characteristics of robust democracies. After all aggregating political preferences is one of the main components of a democracy. Yet, the presence of coalitions in a democratic system presents a series of governance challenges.

Coalition making and coalition government influence and affect voters, in particular the influence the relationship that exists between them and political parties. Recent academic research has shown that the use of coalitions has an effect at the *individual* level, mainly that coalitions have an effect on perceived ideological convergence, affecting voters' perceptions of parties' ideological positions.[292] In this regard, coalitions challenge voters' ability to

[289] i.e. Carlin et al. 2015.
[290] Existing literature attribute political changes such as electoral outcomes to variation in institutional features such as differences in systems of government, electoral systems or district magnitudes (i.e. Persson and Tabellini 2005; Power and Roberts 1995).
[291] Lijphart 1989, 1999.
[292] Fortunato and Stevenson 2013.

position parties across the ideological/programmatic spectrum with the potential of diluting party brands and severing links of political representation.[293]

Real or perceived convergence has negative implications for citizens and voters. Coalition making and coalition government involves that parties must come together, accommodate and distribute preferences, reaching a point of agreement on certain issues, either by coming closer to its ally position or by abandoning its own.[294] When parties come together and converge, policy space is vacated which can leave political vacuums that can cause disillusionment among voters[295]. Coalitions also have the potential to alienate and dissatisfy voters since coalitions have shown not only to confuse voters regarding parties' position, but also to undermine accountability: voters have a harder time identifying which specific policies each party is accountable for.[296]

Likewise, under convergence parties might be seen as non-differentiable from each other, confusing or alienating voters and their rank-and-file who might then look for other political options. Convergence and cooperation can also have negative connotations, particularly when coalitions do not stem from a need to deliver public policies, reach social consensus or as a result of programmatic alignment. If coalitions are perceived to be a tool to guarantee parties collective survival, voters might come to see coalition making and the political class as a self-serving cartel.[297]

Coalition governments also negatively affect voter-party relations through the public policies, expenditure and provision of goods that are generated and delivered by the government. Scholarly work on coalition governments in presidential systems, particularly in Latin America, has shown how coalitions are normally formed by the distribution of resources to the members of the coalitions and to groups of voters.[298] Recent cross-national research has shown how executives in presidential systems manage their coalition using a toolkit that

[293] Martin and Vanberg 2008.
[294] Laver and Shepsle 1990, 1996; Laver and Schofield 1998.
[295] Downs 1957.
[296] Cox 1990; Fisher and Hobolt 2010; Powell and Whitten 2013.
[297] Katz and Mier 1995, 2009.
[298] Ames 2001.

involves the distribution of policy, offices or budgetary allocations.[299] Presidents normally prefer to distribute policy or offices as the main mechanism for coalition formation and administration but are normally forced by parties to distribute perks such as pork and patronage which are the main incentive of accompanying parties to remain by the president's side. In this regard coalition formation by certain parties is driven by a desire to access state resources from which they can reap benefits and establish clientelistic linkages with voters.[300] As the results from Chapter 6 shows, accompanying parties have a discernible budgetary influence, which is often found in those areas from which parties can obtain direct monetary benefits or from which they can distribute perks to electoral groups.

While coalitions can allow parties to enter a government, access resources, expand their ranks, and appeal to broader constituencies via clientelistic linkages, overtime these same actions can affect their relationship with specific groups. Embarking on strategies of provision of pork and patronage has the potential of alienating middle and high-income groups since they are significant consumers of public goods. In this regard providing clientelism decreases the quality of the available public goods and increases the cost of accessing them since the supply remains fixed. Furthermore, higher income classes will have moral objections to clientelism since their distribution undermines democratic values and interferes with the democratic process[301].

Cooperation agreements and coalitions are not neutral and they have an effect on voters' attitudes. For example, in Latin America there is evidence that some political parties have low ideological structure, putting their parties for rent to the best bidder[302]. Likewise, there is an increasing perception that political parties operate like a cartel group in which their objective is to limit political competition ensuring their own electoral success[303]. In particular, across presidential systems in Latin America, perceptions of party cartelization can be justified as ad-hoc and oversized coalitions are formed where ideological affinity is low or absent which can lead to voters perceiving coalition making and the political class as a self-serving cartel.

[299] Chaisty, Cheeseman and Power 2018.
[300] Weitz-Shapiro 2012.
[301] Ibid.
[302] Desposato 2006.
[303] Katz and Mair 1995, 2009

The political process of coalition-making suggests that convergence is far from being just a perception. Political parties tend to be more flexible in their policy positions when they coalesce, accommodating their partners needs but also forming heterogeneous coalitions with strange bedfellows[304]. The formation of these types of coalitions combined with the establishment of clientelistic linkages with voters have the potential to loosen partisan attachments, as relationships start to be based on the distribution of resources, leaving parties susceptible to short-term evaluations and retrospective voting. Furthermore, ad-hoc political agreements have the potential to gradually erode bonds with specific constituencies alienating voters, leaving them more vulnerable to electoral volatility and heavy losses in the short-term. This is precisely Lupu's (2016) explanation for party collapse in which coalitions are a contributing factor of brand dilution and voters' alienation, making parties more susceptible to short-term evaluations.

The previous discussion points towards the negative effects that coalitions can have on the relationship between parties and voters. More coalitions have the potential to increase volatility, confuse voters and decrease partisan attachments. Likewise, bigger and more heterogeneous coalitions decrease partisan attachments. Ultimately, coalitions negatively impact the relationship between voters and political parties, which reflects parties' electoral outcomes and prospects, being a contributing factor for party collapse.

If coalitions can have an effect on future electoral trajectories, they also exert an influence on parties and on the relationship that exist between them. Political parties remain the central actors of democratic politics and democratic transitions.[305] They are institutions that provide information to voters and help to shape ideational concepts such as class, religion or ethnicity, allowing individuals a platform of identification from where to channel their concerns.[306] In this regard, the electoral decline of a party, or its downfall, is an important event with direct consequences for democratic stability. If coalitions are a contributing factor to party decay, it

[304] Downs 1998; Kellam 2018; Bassi 2017, Hix and Noury 2017.
[305] Sartori 1969; 1976.
[306] Aldrich 1995; Mainwaring 2018.

is worth asking if coalitions can have broader effects on the party system, particularly in its level of institutionalisation.

Party system institutionalisation (PSI) is defined as a stable set of parties that interacts regularly, in which the main pillar is the stability of inter-party competition.[307] Stability of competition requires that the membership of the party system and the dynamics of inter-party competition remain relatively stable (i.e. the political parties). In turn, a stable party system with relatively stable dynamics of competition produce information that allow voters and parties to create expectations of parties' actions, such as their ideological position, policy preferences and cooperation patterns.

Coalitions have the potential to decrease PSI, by altering the membership of the system, the dynamics of competition and the information that is generated. As shown in previous chapters, junior partners get concessions from their membership, which they can use to boost their electoral chances at the expense of larger parties. As already mentioned, coalitions emerge under contexts of high electoral volatility, fragmentation and an increasing presence of new electoral competitors, all of which destabilises competition. Furthermore, if coalitions are a contributing factor for established parties' decline or disappearance, their presence has a direct effect on PSI making the system more fluid, less cohesive and informative. As Mainwaring puts it "A system in which…[m]ajor old contenders fade into oblivion, is weakly institutionalized".[308]

Coalitions not only have an impact on party system membership but also on the information that is generated across the party system. As already mentioned, coalitions create the perception among voters of party convergence as well as making parties more policy and ideologically accommodating. Furthermore, coalitions are not always created based on ideological or programmatic fit, or with a clear government project that justifies the alliance. In turn, erratic patterns of coalition making will difficult parties and voters on generating and updating their expectations of the political parties on the system.

[307] Mainwaring et al. 2018.
[308] Mainwaring 2018.

A decrease in a country's PSI not only affects the information that is generated or the dynamics of competition. It also has a clear by-product: it allows for the appearance and access to power of political outsiders. [309] Outsiders, either as political parties or individuals, represent a risk for democratic and party system stability. Once in power, outsiders are less accountable, less likely to engage in party-building, more likely to go into conflict with the legislature, more prone to favour radical policy changes with shorter time horizons and more likely to undermine democracy. Likewise, a democracy with a less robust party system in which policy instability is greater faces worst provision of public goods, more corruption, and policy drifting.[310]

Under a context of perceived or actual political convergence, in which coalitions emerge, voters are more susceptible to decide their votes based on valence issues which favour individual traits instead of institutional traits linked to parties.[311] The increase of saliency of valence issues in the electorate is correlated with weakening party loyalties[312] in which voters are less likely to grade parties as competent or ideologically proximate[313] because individual traits such as honesty become the distinctive criteria for vote choices. In this political context outsiders are in an advantageous position from which to profit and emerge. Outsiders are parties that have normally remained in opposition with little to none experience in public office, as well as normally being recently created parties As part of their discourse, they criticise the political establishment and mainstream public policies. For example, the formation of grand coalitions legitimises their anti-establishment discourse, as it makes it easier to frame parties as part of a corrupt and self-serving class that stands in opposition to the "people".[314] A political context centred on valence issues is also beneficial for outsider parties since they are normally "untainted from government responsibility" from which to be held into account, contrary to their established competitors outsiders can lay a convincing argument around valence issues such as honesty or competence, to represent a clear

[309] A variety of terms exist such as anti-system, populist, niche, or challenger (Sartori 1976, 1982; Capoccia 2002; Zulianello 2017; Knight 1998; Mudde 2007; Rovira et al. 2017). Despite conceptual differences, all of them represent an alternative to established parties in the party system, criticise patterns of party competition, introducing new issues or adopting extreme positions.
[310] Mainwaring 2018; Flores-Macias 2012; 0'Dwyer and Kovalcik 2007; Lupu and Riedl 2013.
[311] Green 2007.
[312] Stokes 1992.
[313] Vegetti 2014.
[314] Hobolt and Tilley 2016.

alternative to the establishment and mainstream politics. In turn, disaffected voters and disillusioned partisans will choose to defect to an outsider party as a sanctioning mechanism, especially in circumstances of poor economic performance.[315] In the end, if political competition is spatial, outsiders will find fertile ground in a coalition dominated electoral arena, since coalitions decrease policy oriented voting, where political vacuums exists, party convergence, which in turn cause voter disillusionment.[316]

Outsiders are not only likely to emerge as challengers to established political parties but can affect parties from within. Outsiders have the potential to reverse the principal-agent relationship, capture the party and reorient the party's focus.[317] In turn, outsiders are also part of intra-party competition in the form of party switchers ((i.e., members that abandon a party label for another). Scholars have documented party switching in many countries such as Brazil[318], Italy[319], Japan[320], and the United States[321]. While party switching can be a marginal event (i.e., the United States) it has become an increasingly common political trait in certain democracies (i.e. Italy).

In principle, we would expect party switching to be low and with high costs. Parties should discourage their ranks from switching since abandonment implies a loss of the benefits attached to party labels.[322] Likewise, switching should be difficult and we should expect that parties will invest in their own rank and file, rather than adopting or automatically giving candidacies to politicians of other parties, facing punishments from voters and their members if they do so. Parties should also be hesitant of adopting switchers due to the costs and risks involved. Outsiders and switchers are less accountable to their parties, less likely to engage in party building, more likely to have severe conflict with the legislature and more likely to attempt to undermine democracy. Likewise, they are more prone to favour radical policy changes with shorter time horizons.[323]

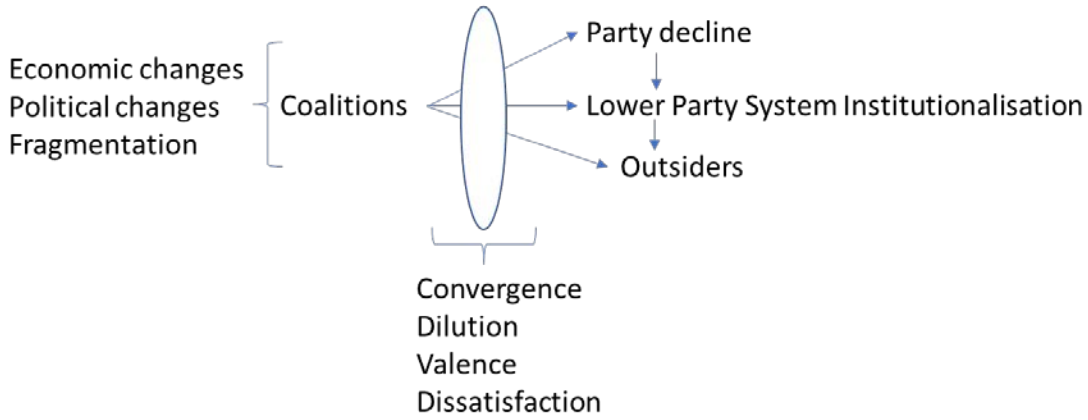
[315] Fiorina 1981; Powell 2000
[316] Downs 1957.
[317] Knight 1998; Kitschelt 2002; Carey 2007; Mayorga 2006; Roberts 2002; Roberts 2006.
[318] Desposato 2006a, 2009; Mainwaring and Linán 1997.
[319] Giannetti and Laver 2001; Mershon 2008.
[320] Cox and Rosenbluth 1995; Kato 1998; Kato and Kantaro 2009; Reed and Scheiner 2003.
[321] Castle and Fett 2000; Nokken 2009.
[322] Cox and McCubbins 1994.
[323] Mainwaring 2018; Flores-Macias 2012; 0'Dwyer and Kovalcik 2007; Lupu and Riedl 2013.

Despite these drawbacks a decrease in PSI increases the chances of party switching. Party loyalty is greater in countries with higher institutionalized party system (Mainwaring 1998), thus a decrease in PSI decreases party loyalties. As for coalitions, they decrease the saliency of ideology or policy, instead centring the political focus on valence issues of the individuals. Under this context, defectors that enjoy popular support become attractive, offering high electoral rewards. Furthermore, although not directly testing the role of coalitions, country analysis mention that switching occurs in the presence of coalitions in the party system.

In short, the presence of coalitions can be explained by several economic and political variables such as rising fragmentation. However, coalitions can exacerbate the effect of macro-level variables on the stability of parties and the party system by generating the perception of ideological and political convergence, further diluting party brands, increasing policy and ideological accommodation between the parties, increasing the salience in valence issues as well as a general dissatisfaction with the party system. Specifically, I contend that coalitions can have a negative impact on the electoral performance of coalition partners. By weakening political parties, coalitions also decrease the level of institutionalisation of the party system which in turns increases the room for political outsiders. Figure 7.2 summarizes these theoretical expectations. Considering the previous discussion, the following hypotheses are proposed:

H1 The use of coalitions decreases the vote share of parties compared with single party governments, all things being equal.
H3: All things being equal, the continuous and long-term presence of coalitions decreases the level of party system institutionalisation of a country.
H3: The presence of coalition governments opens the room for outsiders, relative to single party governments.

Figure 7.1. Theoretical Expectations



7.3. General Descriptive Trends

The following sections present qualitative evidence in support of the theoretical argument. First, despite the emergence and increasing presence of coalitions and new political parties, at least until 2015 the Mexican party system was considered one of the most robust and stable party systems in Latin America with electoral competition being dominated by three national political parties. Despite the increasing presence of coalition formation and coalition governments, parties electoral shares remained relatively stable. Second, this section will show that the dynamics of coalition making do not follow a stable pattern identifiable with ideological similarities. On the contrary, coalition making in Mexico is erratic and heterogenous. Third, the emergence of coalitions has increased party fluidity in the party system, particularly regarding party abandonment and migration of candidates between parties.

7.3.1 Coalitions and competition stability

Over the last thirty years, the Mexican party system evolved from a single-party hegemonic regime to a competitive multiparty system in which coalition making and coalition governments have become more common. Despite the creation of new political parties, rising levels of competition, fragmentation, and the presence of coalition formation, the dynamics of competition have remained fairly stable in the Mexican party system.

With the transition to democracy, electoral politics in Mexico have been dominated by three national parties, the PRI, the right-wing Partido Acción Nacional (PAN) created in 1939, and left-wing Partido de la Revolución Democrática (PRD) created in 1989. Between 1991 and 2012 these three parties obtained over 80% of the vote across national, state and municipal elections in Mexico. Four other national parties make up the bulk of the Mexican party system: Partido Verde (PVEM), Partido Nueva Alianza (PANAL), Partido del Trabajo (PT) and Partido Convergencia/Movimiento Ciudadano (Conver.). Table 7.1 shows electoral information for these eight national parties.

The table shows the years of formation of the parties and the vote share obtained in each of the legislative federal elections between 1997 and 2018 the elections. [324] As the table shows, vote shares are dominated by the PRI, PAN and to a lesser degree the PRD. Despite losing the presidency in 2000, the PRI remained a strong contender and recovered its electoral position after 2006. Across this period the PRI normally obtained around 30% of vote share. The PAN, who controlled the federal government between 2000 and 2012, controlled around 25% of the vote share. Vote shares remained relatively stable until 2018 when we observe a significant decline in the vote shares of the PRI, PAN and PRD. In this election, vote shares for the three main parties reached minimum historic levels - particularly for the PRI. Parallel to the electoral decline of these three parties we observe the rise of Morena, a party created four years prior that obtained 8% in the legislative elections of 2015.

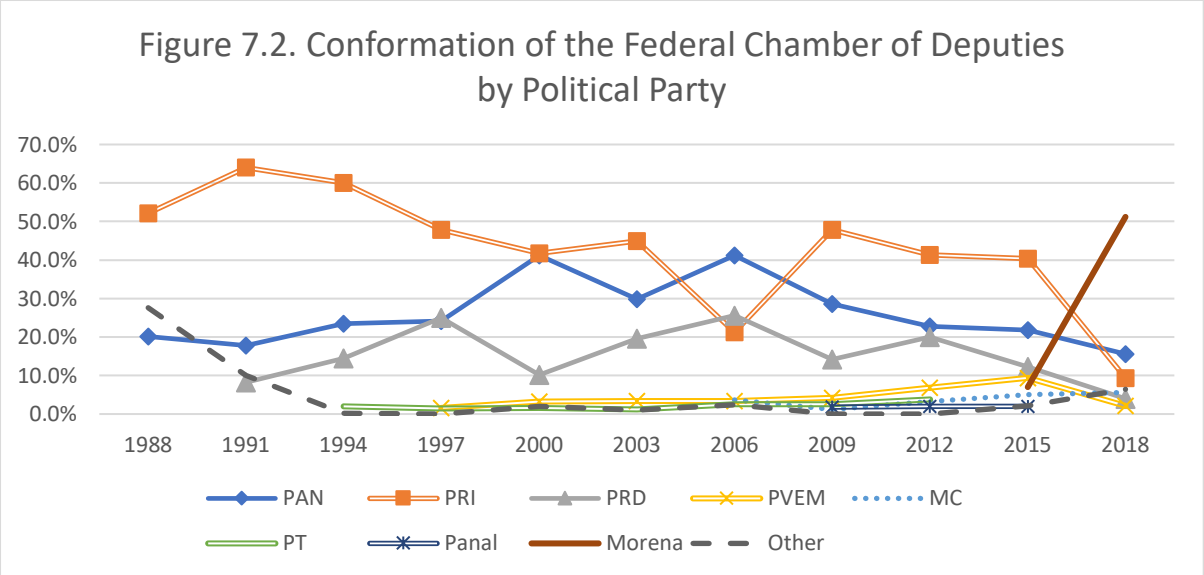
Individual electoral performance is limited since individual vote shares were not counted between 2000 and 2012. Yet, we can approximate the relative power of each party by looking at the size of the party groups at the beginning of each legislative term of the Federal Congress since 1988. Figure 7.2 shows the historical conformation of the federal chamber of deputies by legislative groups, telling a similar story in which the lower chamber is dominated by the PRI, PAN and PRD.

[324] The table only shows the elections of 1997, 2009, 2012, 2015 and 2018 since these were the only elections were individual vote shares were available.

Table 7.1 Overall Vote Share Received by Candidates to the Federal Chamber of Deputies*

Party	PAN	PRI	PRD	PT	PVEM	MC	Panal	Morena
Year of Formation	1939	1946	1989	1990	1993	1996	2005	2014
Vote share 1997	26%	38%	25%	3%	4%	-	-	-
Vote share 2009	28%	37%	12%	4%	7%	2%	3%	-
Vote share 2012	26%	32%	18%	5%	6%	4%	4%	-
Vote share 2015	21%	29%	11%	3%	7%	6%	4%	8%
Vote share 2018	18%	17%	5%	4%	5%	4%	2%	37%

*Total votes received by Federal Members of Parliament (Diputados) candidates by party in each federal election.



7.3.2 Coalition Dynamics

Coalitions emerged in parallel with the transition to democracy, the creation of new political parties and with increasing party competition. Although it is expected that parties will seek partners with similar ideological views[325] this has not happened in Mexico where coalition dynamics are erratic and not attached to policy or ideological similarities between parties.

In 2000 only four of thirty-one state governors were elected with the support of a pre-electoral coalition agreement, while in 2015 twenty-nine of them did so. The increasing presence of coalitions has had an effect on inter-party competition, in particular on cooperation dynamics. Until 2015 there were 55 successful coalitions at the state level, of

[325] e.g. de Swaan 1973.

which 17 had been of two parties, 26 of three and 12 conformed by four party's or more. Of these 55 coalitions, there were 33 different configurations, and most importantly, almost all parties have coalesced with each other at least in one occasion.

Table 7.2 shows the patterns of coalition making and cooperation between the seven main national political parties between 1992 and 2015. The diagonal of the table shows the number of successful coalitions each party has being part of, while the numbers under the diagonal shows the number of times two parties were part of the same coalition. For example, the PRD has coalesced 17 times, and on 7 of these coalitions the PAN was also a member of the coalition.

In this regard, the table can be seen as evidence of the political strategies followed by the parties in relation to their cooperation patterns. It is worth noting that cooperation patterns are erratic and are not necessarily with ideological similarities. With the exception of the PRI, which does not cooperate with its main rivals PRD and PAN, all the parties have cooperated with each other on at least one occasion. This has important implications regarding the formation of coalitions as well as regarding their goals and motivations, particularly since coalition theory predicts that ideological closeness between parties is one of the main predictors for cooperation to emerge[326]. The parties included in the table have different ideological stances and are spread out over the political spectrum. For example, the PAN is mostly considered a right-wing party with neoliberal ideas while PT and Convergencia were formed under a communist and socialist ideology, favouring state intervention. Despite this, the PAN has been in four coalitions with the PT and in five with Convergencia. Similar trends can be seen with the rest of the parties, which raises doubts regarding the ideological consistency of the coalitions and the motivations and goals behind joining a coalition if ideology is not necessarily a predictor.

Evidence of coalition patterns can be linked to the stability of the party system. If cooperation patterns between parties are erratic and fluid, this can be evidence that the party system is weakly institutionalised with low stability of competition. Particularly, if parties cooperate

[326] Riker 1962, Laver and Schoefield 1990.

with each other and coalitions are formed in an inconsistent fashion, it is harder for parties and voters to make predictions and expectations since the quality of information decreases.

Table 7.2. The Dynamics of Coalition Partnership

	PRI	PAN	PRD	PVEM	PANAL	PT	Convergencia
PRI	32						
PAN	0	13					
PRD	0	7	17				
PVEM	28	3	4	33			
PANAL	13	5	2	9	18		
PT	5	5	12	9	1	18	
Convergencia	0	4	12	2	1	8	12

Source: Author estimations based on electoral data.

7.3.4 Coalitions and Candidate Migration

I argued that a decrease in PSI can have a by-product in the form of increasing party fluidity and the rise of outsiders. Since coalitions became established in Mexico at the onset of the 21st century, the migration of candidates between parties has increased. This is noticeable in the degree of switching and candidate migration between parties shown on Table 7.3. Thirteen wining coalitions had been led by a candidate that belonged to a party different from the parties that nominated her.[327] Yet, migrants share a characteristic: they were all nominated by a non-PRI coalition, and with the exception of one of them, all were former PRI partisans. Specifically, 57% of non-PRI coalitions were led by a "migrant", with 39% of these coalitions being led by former PRI adherents. Furthermore, 70% of these switchers, changed sides shortly before the election, once they were not favoured by their former party and changed parties with the sole purpose of running for government. The majority of these switchers had established careers in the PRI, mostly being federal Senators that defected when they were not selected gubernatorial candidates by the PRI.[328]

As already mentioned, cross-party fluidity has important implications for the stability of competition, since switchers are less accountable, hinder party building, alienate and

[327] I define a migrant as a candidate that previously was a registered member of a different party than the one that nominated him/her. Strong Affiliation is categorized as previously being elected to office with that party at the local/federal level, or previously have being a national/local leader of that party.

[328] Some examples are Pablo Salazar of Chiapas, Mario Lopez Valdez from Sinaloa or Angel Aguirre from Guerrero.

disenchant current party members. An increase in party migration can be evidence of a decrease in PSI in which fluidity increases due to a decrease in the costs attached to party abandonment.

Table 7.3. Subnational Coalitions and Candidate Fluidity, 1992-2015

Electorally Sucessful Coalitions	PRI-led coalitions	Non-PRI coalitions	Winning Coalitions Led by a Switcher*	Successful Candidates that Switched Party's Immediately Before the Election**	Former PRI Members that Switched to the Opposition Immediately Before the Election (and won)
55	32	23	13	9	8
100%	58%	42%	24%	16%	15%

*A switcher is defined as a candidate that had strong affiliations with a party, different than the ones that nominate him/her for Governor. Strong party affiliations is categorized as previously being elected to office with a party at the local or federal level, or being local/national leader of a party.
**The time frame considered for "immediately" is one year before the election, or six months before/after the party of original affiliation defined its candidate for Governor

7.4. Case Studies

This section presents qualitative evidence of the effects of coalitions in two Mexican states, highlighting the catalyst effect they have on electoral trajectories over different electoral cycles. The cases present two diverging situations regarding multiparty coalitions at the state level and the temporal effects that the adoption of coalition making had on them. The purpose of the two cases is to illustrate the negative effects that coalition formation has on the electoral fortunes of an established political party and, to a lesser extent, the strengthening effect of accompanying parties.

The first case study shows how the adoption of a coalition in a context of party hegemony and low fragmentation gradually weakened and negatively affected the formateur's electoral position. The second case follows the adoption of a coalition in a context in which the party was already experiencing an electoral decline and increasing political competition. In both scenarios the formation of a coalition further eroded the party's electoral position. These two cases show that the effect that coalitions have on party's performance can be independent of pre-existing electoral trajectories.

Apart from the electoral trajectories of the party, four main implications are derived from the case studies. First, coalition-making dilutes the formateur's party brand. Second, coalition making offers a platform and resources to accompanying parties which are used to leverage their electoral position in subsequent elections. Third, accompanying parties' electoral position is improved at the expense of the formateur. Fourth, the formateur is subject to a temporal trade-off between short-term gains (offices) but long-term losses (votes).

7.4.1. Coahuila: from party stronghold to dilution.

Located in the northeast of Mexico and sharing a border with the United States, the state of Coahuila is one of the strongholds of the Partido Revolucionario Institucional with deep political roots in contemporary Mexican history. Francisco I. Madero, the revolutionary leader that ended the thirty-year dictatorship of Porfirio Diaz in 1910 and the first elected president of Mexico of the 20th century was from Coahuila, as well as Venustiano Carranza who would become the leader of the Mexican Revolution. Cotemporary prominent *coahuilenses* are Humberto Roque Villanueva, national leader of the PRI between 1996 and 1997, who pursued the presidential nomination of his party in 2000 and Enrique Martinez, state governor between 1999 and 2005 who also aspired to become the PRI candidate in 2006.

At the local level, the state has never been ruled by a non-PRI party and during the transition to democracy the state remained a bastion of PRI power, hegemony and source of votes. Consistently, the PRI has dominated local politics, ruling all 38 municipalities, the majority of seats in the state congress and gubernatorial victories with over 50% of the vote. In 2005, PRI's gubernatorial candidate Humberto Moreira won with 60% of the vote, obtaining more than 50% of the vote share in 33 of the 38 municipalities of the state. Six years later as the 2011 gubernatorial elections approached, the PRI nominated its candidate -Ruben Moreira. However, instead of running on its own, the PRI decided to arrange a pre-electoral pact, running a coalition candidacy with the support of four other parties.[329] At this election, the PRI-led coalition won the state government with 61% of the vote as well as the sixteen

[329] The parties were Partido Verde Ecologista de Mexico, Partido Nueva Alianza, Primero Coahuila and Partido Social Democrata.

legislative elections for the state congress. Individually, the PRI obtained 58% of all votes cast in this election.

Despite the overwhelming victory and only receiving 2% fewer votes than in 2005, the electoral results had a downside for the PRI. The main political rival of the PRI, the Partido Acción Nacional, improved its vote share from 25% in 2005 to 35% in 2011. Likewise, the superiority of the PRI decreased across the municipalities of the state; while in 2005 it obtained over 65% of the vote in 13 municipalities, it only did so in 8 of them in 2011.
This gradual decline can be linked to the formation of a coalition. The formation of a coalition of five parties led by the PRI appeared odd in the context of Coahuila, where there were no evident signs of PRI weakness. In the local mid-terms of 2008, the PRI ran on its own winning all the legislative elections across the 20 electoral districts of the state. Six months before the 2011 election, surveys indicated that 82% approved of the sitting governor, indicating they would vote for the PRI in the upcoming elections.[330] Similarly, surveys three months prior to the election predicted the PRI candidate had over 70% of support among voters.[331] As the election drew closer, polls one month before the election put the PRI candidate with 60% of vote intentions. Can this decline in vote intention be attributed to the coalition? The coalition was officially formalized at the end of January 2011 with early polls that gave a substantial lead to the PRI candidate using a language that linked the candidate exclusively to its PRI membership, and not to a coalition. Later polls on the other hand, highlighted the fact that the candidate was part of a coalition and reported lower vote intentions.

The government that began in 2011 managed to decrease violence related to organized crime, stabilize public finances by decreasing the debt and rebalance the budget increasing public infrastructure expenditure. Likewise, the Governor had a close relationship with the President of Mexico with whom they shared party allegiance. Yet, the formation of a coalition and the formation of a government in which five parties participated started a process that eroded the PRI position in the state, with the PRI's electoral position beginning to decline afterwards. In the 2013 municipal elections, the PRI formed coalitions in two municipalities, one in the state capital of Saltillo and another in Torreon -the largest city of the state. In this

[330] El Universal 2011.
[331] Milenio 2011.

election, the PRI lost 10 municipalities, including the state capital to its rival the PAN. Another of these municipal losses came at the expense of its ally the Partido Verde, who decided to compete on its own in order to strengthen its position. The overall vote shares in this mid-term elections were of 41% for the PRI and 35% for the PAN.

Three years later, for the next gubernatorial election in 2017, the PRI had to form a grand coalition of seven parties in order to remain in power. The PRI coalition barely held on to the state government with a winning margin of 1.5% of the vote. Individually, the PRI obtained 33% of the vote, more than twenty points less than six years before when it formed a coalition for the first time.

7.4.2 Aguascalientes, party defeat and coalition formation

Located in the centre of Mexico, Aguascalientes is a nodal point that connects Mexico City with the northeast and the northwest of Mexico. Due to its geographical location major roads pass through Aguascalientes, which has made the state an export-oriented economy particularly focused on aeronautics and auto parts. Just like the rest of the states of Mexico, Aguascalientes was ruled by the PRI for the majority of the 20th century until it was ousted from the state government by the PAN in 1998. In this election, the PAN obtained a comfortable victory with 53% of the vote, while the PRI got 38%.

The PAN dominated the political scene for the following years retaining the state in the following local elections in 2004. In this election, results were slightly similar to those six years prior, although there was a crucial difference: the PRI formed a coalition with the Partido Verde (PVEM) and the Partido del Trabajo (PT). Overall, the PAN obtained 55% of the vote and the PRI led coalition 35%. Although it is not possible to know the number of votes obtained by each party, there is evidence that the formation of this coalition involved costs for the PRI which diluted its brand.[332] At the 2004 election, the PRI-led coalition obtained 5 seats in the local congress. Yet, the coalition pact involved that these seats would be redistributed with its allies, which meant the PVEM obtained two of these seats while the PT

[332] It is not possible to know the individual vote because until 2006, the electoral law counted all votes obtained by a candidate, reporting them under a single category. It did not provide the number of votes obtained by every single party.

got one. In comparison, in the previous mid-term local elections in 2001, the PRI had competed on its own, winning nine of the eleven mayoral districts of the state and a majority in the local congress winning eleven of the eighteen districts.

Six years later as the 2010 gubernatorial elections approached, the PRI formed a second coalition in order to recover the state government, this time cooperating with the Partido Nueva Alianza (Panal) and with the PVEM. The coalition emerged victorious with 47%, managing to oust the PAN who obtained 42%. However, this victory was only possible due to the coalition partners and came at a cost for the PRI. Individually the PRI obtained 39% -an inferior percentage than the PAN-, the PVEM 1.7% and the Panal 4.8%. The PRI-led coalition obtained twenty-one of the twenty-eight seats in the congress, of which fifteen went for the PRI, four to the Panal and two to the PVEM. Despite obtaining less than 5% of the votes, the Panal was the second largest party group in the state congress, controlling 14% of the seats of the state congress and equalling in size to the PAN legislative group.

Despite winning the state government the coalition made the PRI over-dependent on its allies and weakened its electoral position. This became evident in the following election in 2013 which would renew the state congress and municipal majors. In this election, the Panal decided to compete on its own despite the offering of the PRI to run together, taking advantage of the political position and resources garnered as the second largest party group in the legislature. This left the PRI to compete only with the PVEM.

Despite running on its own and being a party that was only created in 2005, the Panal obtained 12% of the votes in the municipal elections, winning two municipal governments. Paradoxically, in both victories it defeated and ousted its former ally the PRI. The PRI-PVEM coalition got 34% of the votes, with 31% by the PRI, winning only three municipalities. As for the Congress, the PRI got twelve seats, losing three seats compared to the previous election. The PVEM and Panal, both obtained two seats.

Overall, the formation of a coalition that allowed the PRI to recover a state government destabilised the party, weakened its position and opened political opportunities to its accompanying parties and to its direct rival. This instability and weakening became evident in

2016 as another gubernatorial election arrived. In order to remain competitive, the PRI formed a large coalition of four parties with the PVEM, Panal and PT. Despite the support of these parties, the PRI lost the government to the PAN, who competed on its own. The gradual decline of the PRI continued in this election, obtaining 32% of the vote and only six legislative seats.

7.4.3. Coalitions and Party Frictions

The case studies suggest that coalition formation comes at a cost for the formateur, particularly for the PRI, since coalition making involved the redistribution of power to its allies. Likewise, this distribution and access to power was used by accompanying parties to lever their position, even if their empowering was achieved at the cost of betraying and defeating its former ally and sponsor. In this section I provide further evidence on how coalition making for the PRI created frictions within the party, tensions among party cadres and affected life within political parties debilitating the party.

Between 1999 and 2004, the PRI lost seven state governments to the opposition, all of them in states where opposition parties coalesced as a tool to defeat the powerful and hegemonic party. During this period, the PRI did not make any successful coalition at the state level. Initially reluctant, the PRI began to consistently use coalitions after 2003 eventually becoming the most prolific and successful coalition-making party. Between 2005 and 2015 the PRI was the formateur of 32 successful pre-electoral coalitions. In comparison, during this period it won less than 8 state governments individually. Part of the PRI's resurgence was thanks to coalitions, which allowed it not only to regain state governments but to eventually reclaim the presidency in 2012.

The PRI's most consistent ally became the green party, PVEM. However, the implications of coalition making were a cause of animosity within the party, especially among seasoned rank-and-file. The price of coalescing with the PVEM came at a cost, guaranteeing the distribution of candidacies to PVEM affiliates in municipalities/districts, or agreeing to distribute seats in the federal congress to the PVEM. For example, in the 2012 federal elections the PRI won the presidency, emerged victorious in eighteen state elections for the Senate and in second place in six of them, securing forty-eight seats in the federal Senate. However, seven of these seats

were distributed to PVEM candidates as part of a pre-electoral commitment, which combined with the proportional representation seats obtained by its national vote share allowed the PVEM to have nine seats. While this number represented only 7% of the seats, a divided Senate with no majorities implied that the PVEM senators were instrumental to securing any legislative majority in the Senate required for the approval of any law amendment or the approval of the federal government budget, which gave the PVEM negotiation power and increased the PRIs dependency on its ally.

The use of coalitions also led to frictions between the PRI and the PVEM, particularly in state governments. For example, after twelve years in opposition the PRI won the state government in the southern state of Chiapas with the support of the PVEM. Manuel Velasco, a former senator of the PVEM became the governor of the state. Shortly after taking office, Velasco began to outmanoeuvre its political ally, despite its victory being largely due to the PRI vote. Three years later at the mid-term local election to renew the state congress, the PRI and the PVEM competed against each other in the municipal elections. After this election the PVEM became the main political force in the state obtaining 33% of the votes compared to the PRI's 20%. Animosity remained between both party's which culminated in the breaking of the alliance in Chiapas for 2018 election when the PVEM did not accept the PRIs candidate for governor. Without its ally, the PRI vote plummeted obtaining 16% of the vote, losing the state government which was taken by Morena.

7.5. Empirical Analysis

Using an original electoral data set of the 31 states that comprise the Mexican Federation between 1994 to 2015, I employ multivariate panel data regression analysis to test the theoretical expectations that were laid out in previous sections. I employ two different dependent variables, each of them testing one hypothesis. In order to test the proposition regarding the electoral effect of coalitions on political parties (H1) the dependent variable is the change in the vote share obtained by each political party between the elections 2009, 2012 and 2015, expressed in percentage terms. Only these years are used since they are the only ones in which vote results by party are available. For the proposition regarding the effect of coalitions on outsiders (H2), the dependent variable is the percentage change in the vote

share of Morena between the 2015 and 2018 elections. These years are used since these elections were the only ones in which Morena participated. For both variables, the unit of measurement is the municipality, with data available for over 2,000 municipalities. Electoral results are measured as the total votes obtained by each party in the elections for the federal congress (Diputados Federales) in each municipality.

The main variable of interest is the effect that the use of coalitions has on vote shares. Since coalitions are officially registered in Mexico prior to the election I define a coalition government as a government that was elected with the support of two or more political parties, and that this support was officially registered with the electoral institutions. As in the other empirical chapters, I employ the same proxy for the coalition government, using the pre-electoral coalition. I acknowledge that this is a suboptimal proxy since in presidential systems accompanying political parties are normally unable to hold the governor under the check or to demand the enforcement of a commitment, such as the appointment of a cabinet seat.[333] At the same time, the absence of a no-confidence vote combined with the presence of fixed-term appointments in presidential systems means that accompanying parties are worst-off if they decide to abandon the coalition. For example, they will be unable to access state resources, exert any political influence inside the government or an opinion on government actions on policymaking. In this regard, I adopt a broad definition of a coalition government, primarily defined by the coalition agreement and not explicitly circumscribed to cabinet membership.[334]

I constructed an ordinal category in order to test the varying effects of coalitions vis-à-vis single party governments, Table 7.4 describes the ordering. The expectation is that parties' vote share will increase/decrease depending on its government affiliation. For established parties, I expect that their vote share between elections will be highest when they are in power as a single party thanks to their incumbency status in comparison to their vote shares in those municipalities where they are in opposition. If the theory is correct, the vote share of established parties when they are in coalition government (value of 2) will be lower

[333] Kellam 2017.

[334] This approach is different to other works such as Chaisty, Cheeseman and Power (2018) whom adopt a narrower definition centred on cabinet presence or legislative-floor suport.

compared to their unitary government performance, but it will also be lower compared to those places where they are in opposition. Likewise, I expect that vote shares of established parties will be even smaller in those municipalities where they have been ruling in a coalition government continuously for two or more terms. In this regard, the fourth category measures the incidence that coalition governments have over time and if established parties are punished or suffer a vote loss when they continue ruling in coalition, even if they remain in power over time (value of 3).

The expectations for accompanying parties are the opposite. I argued that smaller parties will use coalitions to their benefit, making use of their government affiliation to strengthen their electoral position. Therefore, in the presence of coalition governments the vote share of accompanying parties between elections will be higher when compared to those places when they are in opposition. Likewise, their vote share will be even bigger in those municipalities where they have been in coalition governments continuously. In this way, coalition membership and persistency will be beneficial for accompanying parties but not for formateurs. Therefore, coalition governments can be both an explanation of the decay of established parties' electoral position and the improvement of accompanying ones, with the possibility that the improved performance of accompanying is at the expense of their formateurs.

Table 7.4. Independent Variables

	Category	0	1	2	3
H1	Independent Variable, Party Government Status	Opposition	In power: unitary government	In power: Coalition government, first coalition	In power: Coalition government, continuous coalition
H2	Independent Variable, State Government Status	Single Party	First Coalition	Continuous Coalition, same formateur	Continuous coalition, different formateur

In order to test H2, the variable of interest is similar but instead of measuring the membership type by party, it does it in a general way assessing the presence and persistence of coalition government over time and if they have an effect on voting dynamics.

I employ a number of control variables in the model in order to account for alternative explanations that could explain vote change. Economic variables such as poverty levels, growth or income inequality have shown to influence voting dynamics, in particular the evaluation of an incumbent's performance. Therefore, I include the percentage of people that live under the poverty line in each municipality, the Gini level of income inequality of each municipality, the per capita GDP of the state, the economic growth of the state in the previous year and the three-year average economic growth. Electoral participation has been shown to affect party's in different ways, with higher turnout negatively affecting the PRI but benefiting the PAN, thus I include the municipal turnout of each election. I include a dummy variable if the municipal election was concurrent with a gubernatorial election and a dummy for the capital of the state which normally is the largest and most important city in political, social and economic terms. Lastly, I account for the regression to the mean by measuring how much a party's municipal performance deviated from that party's mean performance across the state. Since a party's vote share in an election can be affected by many variables with the possibility of its performance being an outlier, over or underperforming a party's mean performance, it is necessary to control for this eventuality. The expectation is that this variable should have a negative coefficient since if a party over performed in the previous municipal election relative to its state performance, its vote share in the next election should "return to the mean" in the following election.

7.5.1 Results I

Has the use of coalitions had a positive effect on parties' electoral positions? The econometric results presented on Table 7.5 support the argument that the use of coalitions has a detrimental effect for established political parties, and that coalition governments' persistence over time gradually erodes their electoral positions. The multivariate analysis finds that despite their incumbency status, when formateur parties' rule in a coalition they perform poorly in the next election cycle, and that when they have been ruling a state continuously for two or more terms with the support of a coalition, their electoral performance continues to decline.

These results are consistent across different specifications, and the effects are similar for different political parties. The econometric results present two models for each political party. The first column of each party shows a simple model, depicting only the independent variable of interest, i.e., government type. This regression compares the municipal share vote change of an individual party depending on whether the party was in opposition, ruled as a single party or with a coalition. The category of reference is when the party is in opposition at the time of the election. As expected, I find a strong positive relationship for a party's vote share change when it governs as a single party compared to when it is in opposition. However, the direction and size of the coefficient changes direction and intensifies when a party is in a coalition, which supports the theoretical claim and the qualitative evidence that the use of coalitions affect established parties.

These results can be seen clearly in the cases of the PRI and the PRD. For the PRI, the party's average vote share change between elections is a rise of 10% in those municipalities located in states where it governs as a single party, compared to those municipalities located in states where it is in opposition. On the other hand, the party's vote share change declines on average 11% in those municipalities where it is governing as a coalition government. In other words, despite incumbency and formateur status, the PRI sees its vote share decrease between elections in in those municipalities where it governs as a coalition compared to those where it is in opposition. The fall in vote share drops even more when the party has been governing the state where the municipality is located with the support of a coalition for two or more continuous terms -vote share falls 30% relative to opposition municipalities. For the PRD we see similar results with direction and size of the coefficients for the coalition - decrease of 2% and 10%, respectively. Since the party did not rule on its own any state during the period of analysis there are no results for the single party scenario. It is worth mentioning that the coefficients are strongly significant, even when the amount of data variation is small as is the case for the PRD and PAN.

The second column of results for each party presents a complete model, which includes all the control variables. It is reassuring that the standard errors, coefficient sizes and directions remains the same. It can be noticed that most of the control variables are not statistically significant, in particular those that account for economic changes. The fact that income levels,

GDP growth, poverty and income inequality levels do not explain vote changes deserve further attention beyond this dissertation. Cross-country analysis has shown that economic variables, such as level of development or economic activity influence voters' evaluations of governments, however the majority of these studies evaluate outcomes at the national level comparing regions with different systems of government and regulatory frameworks. In this regard, a subnational analysis in which all units share a regulatory/constitutional framework suggest that economic variables are less important than expected regarding citizens voting decisions. In line with other studies from Mexican politics, the level of turnout, degree of urbanisation of the municipality and the political preferences in capital regions affect party's vote share differently, particularly for the PRI in a negative manner.[335]

These results are noteworthy since they show that in Mexico there is no incumbency advantage, even when controlling for economic conditions. My results are contrary to previous work which have shown the opposite. Although some analytical work has found that incumbents lose votes between elections, they only show this when parties are in a single party government.[336] Instead, I show that formateur incumbents are losing votes between elections when they are entangled in a coalition government. In a way it may seem counterintuitive that Mexican parties keep winning elections given their constant use of coalitions and the lack of an electoral incumbency advantage. The solution to this puzzle lies in the fact that the Mexican electoral system operates under simple majority and first past the post. Therefore, although parties are indeed losing votes, they manage to retain power by obtaining slightly more votes than their competition, and thus being rewarded despite the rejection of a majority of the population.

Regarding accompanying parties, the results show an opposite trend regarding how membership in a coalition government affect their electoral performance over time. No accompanying party has ever won a gubernatorial election single-handedly and all of them have entered government thanks to coalition agreements, therefore results are only available for the scenarios when they are part of a coalition or are in opposition. Contrary to formateurs, the results show that minor parties electoral positions improve due to coalition

[335] i.e., Magaloni 2006
[336] i.e., Aleman and Tsebelis 2011.

membership. These results are more evident for the case of the PVEM, the accompanying party that has coalesced in the most productive fashion. When the PVEM enters a coalition government, the model suggests that the party will observe its vote share rise in the subsequent election by 3% in those municipalities where it is part of a coalition compared to those municipalities where it is in opposition. Their vote share further improves (6%) in those places where they have been in power for two or more continuous terms in a coalition government.

Table 7.5. The electoral effect of coalition making on party's vote share

Change in party vote, 2009 - 2012 and 2012 - 2015	PRI		PAN	
Single party	0.1054***	0.2118***	-0.0030	0.0255
First coalition	-0.1163***	-0.1313***	0.0661***	0.0923***
Continuous coalition	-0.3246***	-0.3394***	(omitted)	(omitted)
Reg. Mean	-0.9983***	-0.9982***	-0.5075***	-0.5148***
Per capita GDP (log)	-	-1.2357	-	0.3551
GDP growth t-1	-	0.9520	-	0.4537
3 year GDP growth	-	-0.4163	-	-0.4264
Turnout	-	0.0945**	-	0.0714
Urban	-	-0.0173*	-	-0.0001
Dummy capital	-	-0.0591***	-	0.0083
Poverty	-	0.0292	-	0.0054
Gini	-	0.1101	-	-0.1506
Year Dummy	Yes	Yes	Yes	Yes
Constant	0.0488***	13.9853	-0.0352**	-4.0939
N	4828	4696	4696	4696
R1	0.9966	0.9970	0.2639	0.2793
Adj. R2	0.9966	0.9970	0.2633	0.2775

legend: * p<.1; ** p<.05; *** p<.01

Yearly time controls and state fixed effects with clustered standard errors.

Table 7.5. (cont.) The electoral efect of coalition making on party's vote share

Change in party vote, 2009 - 2012 and 2012 - 2015	PRD		PVEM	
Single party	-	-	-	-
First coalition	0.0038	-0.0258*	0.03779**	0.0332***
Continuous coalition	-0.0765**	-0.1055***	0.0616***	0.0682***
Reg. Mean	-0.4807***	-0.4848***	-0.7395***	-0.7415***
Per capita GDP (log)	-	0.9452**	-	0.3242*
GDP growth t-1	-	-0.4790	-	-0.5659**
3 year GDP growth	-	0.1770	-	-0.4774
Turnout	-	0.1276***	-	-0.0587***
Urban	-	0.0042	-	-0.0007
Dummy capital	-	0.0095	-	-0.0114*
Poverty	-	-0.0208**	-	-0.0042
Gini	-	-0.0091	-	-0.0377
Year Dummy	Yes	Yes	Yes	Yes
Constant	0.0329*	-10.779**	-0.0397***	-3.6533*
N	4828	4696	4828	4696
R1	0.2519	0.3154	0.3256	0.3428
Adj. R2	0.2513	0.3137	0.3250	0.3411

legend: * p<.1; ** p<.05; *** p<.01

Yearly time controls and state fixed effects with clustered statndard errors.

Table 7.5. (cont.) The electoral efect of coalition making on party's vote share

Change in party vote, 2009-2012 and 2012-2015	Panal		PT		Convergencia	
Single party	-	-	-	-	-	-
First coalition	-0.0338***	-0.0223	-0.0005	-0.0002	0.0193*	0.0197
Continous coalition	-0.0140	-0.0051	0.0022	-0.0010	-0.0048	-0.0009
Reg. Mean	-0.7696***	-0.7686***	-0.5651***	-0.5776***	-0.6895***	-0.6875***
Per capita GDP (log)	-	-0.0165	-	0.1151	-	0.0540
GDP growth t-1	-	0.3868	-	-0.1602	-	-0.2136
3 year GDP growth	-	0.1166	-	0.1407	-	-0.0332
Turnout	-	0.0013	-	-0.0030	-	-0.0045
Urban	-	-0.0001	-	-0.0023	-	0.0042
Dummy capital	-	-0.0013	-	0.0013	-	0.0141*
Poverty	-	-0.0070	-	0.0046	-	-0.0062*
Gini	-	0.0653	-	-0.0304**	-	-0.0301**
Year Dummy	Yes	Yes	Yes	Yes	Yes	Yes
Constant	0.0171***	0.1618	-0.0045	-1.2991	-0.0108**	-0.5993
N	4828	4696	4828	4696	4828	4696
R1	0.3484	0.3548	0.2257	0.2421	0.2668	0.2713
Adj. R2	0.3478	0.3532	0.2251	0.2401	0.2661	0.2695

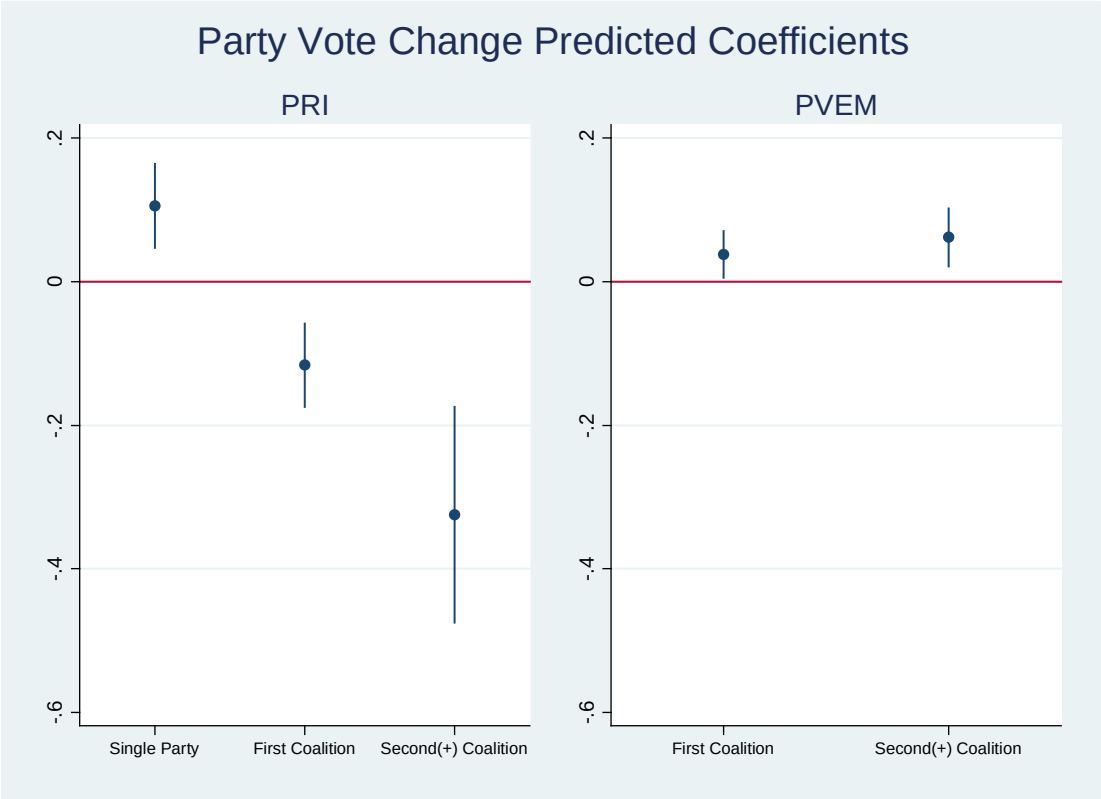
legend: * p<.1; ** p<.05; *** p<.01

Yearly time controls and state fixed effects with clustered statndard errors.

Figure 7.3 shows the divergent effect of coalitions between formateurs (PRI) and accompanying (PVEM) parties, plotting the predicted coefficient of their vote change as membership type changes. The figure clearly shows that for the case of the PRI, their vote share sharply decreases with the presence of coalitions, particularly when they have been in coalition two or more terms continuously. For the PVEM, their electoral position improves both over time and compared to the reference category.

The results are compelling and support hypothesis one. Although there has been an electoral re-alignment in Mexico, the results show that coalitions are a factor that has contributed to the electoral erosion of major political contenders. Similarly, the electoral alignment that we have observed in the previous years towards smaller parties has been likely caused by the use of coalitions. It is telling that the electoral performance improvement of smaller parties happens in those places where they are part of a coalition government.

Figure 7.3



7.5.2 Results II

With the transition to democracy, a plethora of parties emerged across Mexican politics, both at the national and subnational level. Despite the increase of parties competing, none of these parties became a significant competitor in the electoral arena. With the exception of the PRI, PAN and PRD no other party has ever won a state government election single-handedly. Likewise, the majority of the parties created post-1990 were short lived and of those that remained none ever obtained more than 8% of the national vote in an election. Furthermore,

after 2000 all minor parties entered into multiple coalition agreements, embracing coalition making as their preeminent strategy to get into power, access resources or maintain their electoral license.

This situation changed in 2018 when Movimiento Regeneracion Nacional, a party that obtained its electoral license in 2014, garnered 44% of the vote winning the presidential elections. Morena was founded and led by Andres Manuel Lopez Obrador, a former PRD national leader, twice runner-up in the presidential elections of 2006 and 2012 and its origins are linked with the politics of coalition making.

In part, Lopez Obrador decided to form Morena due to the PRD's strategy of coalition making. After 2012 the PRD decided to coalesce with its right-wing rival PAN in seven state governments which caused discontent among party cadres and in particular with Lopez Obrador who labelled such partnership as spurious and soon after resigned his PRD affiliation Once Morena was formed, part of the political message of Morena and Lopez Obrador centred on criticising established parties as well as coalition partnerships. Lopez Obrador pursued an anti-establishment campaign, in which Morena represented an honest, real alternative where all major parties represented political establishment that forged ad-hoc alliances and "unnatural unions".

Morena decisively won the 2018 election. It obtained more than 40% of the votes in 33% of the municipalities of Mexico, outperforming the PAN and PRI in 75% of these municipalities. Morena's and Lopez Obrador rise to power can be attributed to several factors such as the disapproval of President Peña Nieto government who had over 70% of disapproval at the end of its period, increasing perceptions of corruption of the federal government, increasing levels of violence and worsening economic conditions of the country.[337] In addition to these factors, it is worth asking if the rise in electoral support for Morena between 2015 and 2018 can be attributed to the presence of coalition governments. In particular, was the vote share change for Morena larger in those states where coalition governments were in place?

[337] Expansion 2018.

Multivariate panel analysis supports the previous claim. As shown in Table 7.6 the results show that Morena's vote share between the election of 2015 and 2018 was almost 10% larger in those municipalities where the state government was a coalition compared to those states ruled by a single party government. The results are consistent for two different scenarios: when the government in place was a first coalition that replaced a single party government, and where a coalition had been in place for two or more consecutive terms.

The control variables are the same as in the previous section and show similar results. In those states with larger per capita GDP, Morena's vote change slightly decreased, which can be seen as an indication that those states where economic conditions where better, were less likely to support Morena and thus regime change. In a similar vein, larger poverty levels in a state negatively affected Morena's vote, which could be explained by the political use of poverty alleviation programs by the federal government, in which beneficiaries of poverty alleviation transfers are captured in a clientelistic manner and are thus more prone to vote for the incumbent government.[338] As mentioned, Morena's vote share was significantly high in 2018, obtaining over 40% of the national vote. In this regard, Morena outperformed its 2015 electoral results in almost every municipality. This is accounted for the large coefficient of the regression to the mean as well as the value of the constant of the model which exhibit large coefficients.

[338] Magaloni 2006

Table 7.6. The electoral efect of coalition governments on Morena's electoral performance

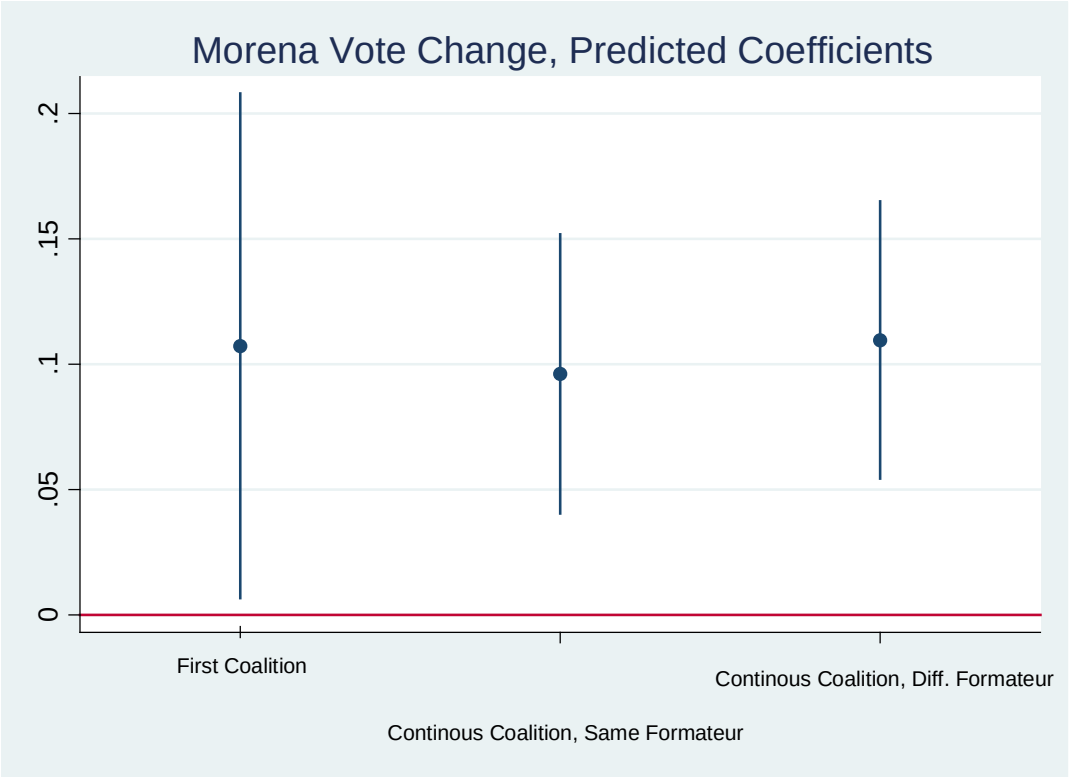
Change in Morena vote (%), 2015-2018	Coefficient
First coalition	0.086*
Continuous Coalition, same formateur	0.099***
Continuous Coalition, different formateur	0.079***
Reg. Mean	-0.225**
Per capita GDP (log)	-0.041*
GDP growth t-1	-0.953
3 year GDP growth	0.068
Turnout	-0.242***
Urban	0.021**
Dummy capital	0.031**
Poverty	-0.051**
Gini	-0.061
Constant	0.887***
N	2,339
R2 within	0.074
R2 between	0.377
R2 overall	0.216

legend: * p<.1; ** p<.05; *** p<.01

State fixed effects with clustered statndard errors

The effect of the presence of coalition governments are appreciated more clearly on Figure 7.4. Although the confidence intervals have similar values and they overlap, it is worth noting that the vote change in all cases is always larger than the reference category (single party governments). Therefore, Morena's electoral performance improved in those municipalities where coalitions where in place. Although it is unclear whether the predicted increase in vote share is larger depending on how long a coalition has been in place, and whether or not the same formateur remains in power, it is reassuring that in all cases the vote share change is positive.

Figure 7.4



Discussion

This chapter discussed the political consequences of coalition formation, particularly in relation to the party system. There are four main results. First, coalition formation erodes a country's level of party system institutionalisation. In doing so, there are further ramifications such as voter disenchantment and fluid/erratic competition dynamics. Second, in the medium and long-term coalition formation causes a vote loss for formateurs and eventually an electoral collapse. This is important since established parties are one of the pillars of institutionalisation of a country's party system. Their collapse can lead to instability with severe consequences for democratic stability. Third, accompanying parties are the ones to electorally profit form coalition formation. Over time, smaller parties creep at the expense of their formateurs. This is an important result, particularly since existing work has pointed out that accompanying parties are the ones to suffer the electoral consequences of coalition formation.[339] Therefore, for formateurs there is a temporal trade off, with short-term gains

[339] Narud and Vallen 2008; Kluver and Spoon 2017; Altman 2000.

(electoral victories) but long-term losses at the electoral and institutional level. Fourth, coalitions open the room for outsider's takeover, which can further erode PSI.

These aspects have been overlooked or underexplored by the literature. Given the current permanence of coalitions and minority governments in the world, these conclusions can have overarching consequences for democracy in the XXI century. First, coalitions appear to cause voter alienation and dissatisfaction, possibly cause because coalitions do not increase accountability, as exemplified by the budgetary changes of the previous chapters. Second, formateurs vote loss is dangerous since established parties are one of the pillars of the party system and their collapse can lead to instability with severe consequences for democratic survival. Third, coalitions open the room for outsiders, which is particularly important with the surge in populism and political polarisation around the world.

Conclusion

Presidentialism might be the main system of government in the world, and the use of coalition governments may be increasingly popular, yet they are still largely underexplored. For example, despite Linz published his famous paper in 1990, the latest volume of the Oxford Handbook of Comparative Politics[340] makes almost no mention of coalitions in presidential systems, with the chapter of coalitions focusing almost entirely on parliamentary systems. True, analytical work in presidential coalitions has made significant progress, but most comparative and theoretica work of coalitions still comes from parliamentary systems and most theoretical work of coalitional presidentialism is grounded in parliamentarism. As an example, recently the journal *Government and Opposition* launched a special collection focusing on "Coalition Politics and Government Formation" with all six articles in the series focusing on parliamentary systems.[341]

While not unsurmountable, scholar work of coalitional presidentialism has some challenges which hinders its progress. First, presidential countries are larger, in population and geographical terms, than their European parliamentary counterparts. Probably due to their size, presidential countries have a large cultural, economic and social heterogeneity, sometimes combined with a disparity of constitutional heterogeneity, marked by large party systems or state's autonomy. Second, most countries with coalitional presidentialism are direct heirs of the third wave of democratisation where different hegemonic regimes such as military dictatorships or single-party regimes were previously in place. As a result, far from ideal democratic systems are in place, with a convergence of democratic and non-democratic practices in societal life. For example, authoritarian enclaves are normally present in recently transitioned democracies, many of which have a rising embrace of coalition governments, with a coexistence of democratic practices such as electoral competition, transparency, and civic participation. Similarly, non-ideal forms of democratic exchanges such as vote-buying, brokers or vote conditioning are part of day-to-day politics. Third, due to the two-party system, coalitional presidentialism is absent from U.S. politics and democracy, which has probably slowed the interest from academia, viewing coalitional presidentialism as an

[340] Boix and Stokes 2007.
[341] Cambridge Core 2021.

isolated, special case and not as a worthy general feature of presidentialism. As a result, work from coalitional presidentialism has been relegated to peripheral areas of study such as area studies, regional analyses, and regional/specialised academic journals, rather than as a focus of study of overall comparative political science.

The implications of coalitional presidentialism may be viewed as exceptions or as interesting cases of suboptimal democracies. But coalitional presidentialism is not a fad or a trend. There is much to learn, and more attention should be paid in academic terms to "peripheral" areas of study where most of the population of the world actually live. After all, coalitional presidentialism is taking place in democratic countries, even if these countries are only democracies under a minimal definition where voting is taking place.

As recent contemporary events have shown, there is a surge in populism and extremism around the world, much of it linked to a disappointment with democratic processes and democratic outputs. This interconnection in which we now live has shown us that no country, system of government or academic field, can claim a democratic higher ground. On the contrary, democracies are deeply fragile and there are multiple lessons that developing democracies can teach to established democracies.[342] Coalitional presidentialism is one of these areas, but we still do not know much from it.

Coalitions have a positive origin for democracy, grounded in democratic values. The formation of coalitions involves the aggregation of groups, they provide a political and electoral alternative, particularly to authoritarian rulers, and their nature entails dialogue and consensual decisions.

Despite these positive traits, coalitions are not a silver bullet. They can be distorted and their constant presence and use by politicians and political parties can bring negative outcomes to a society.

The objective of this thesis is to shed more light to the functioning and operations of coalitional governments in presidential systems, particularly, as the title of this thesis says, to what are the policy, budgetary and electoral implications of coalition governments as a policy unit. It adds to a growing literature on coalitional presidentialism, particularly focusing on

[342] Sanchez-Ancochea 2020.

Latin America, by looking at the budgetary and electoral effects that coalitions have as a governmental unit, their day-to-day decisions in distributive choices and the consequences that these decisions have in the long-term for parties, democratic stability, democratic performance and for citizens. I hope that this thesis contributes to have a better understanding of how a coalition in a presidential system operates in the policy front and what periodical consequences the day-to-day operations of coalition governments have over time.

This thesis has three broad conclusions. In the budgetary sphere, at the aggregate level coalitions in presidential systems are not different than their single-party counterparts. That is, they do not have large expenditure or deficit levels. In this regard, this result deviates from cross-national studies in parliamentary systems which have found large expenditure and deficit levels. As mentioned in the theoretical section and in different parts of the thesis, I attribute this difference to the subnational research design which allowed cofounding variables to remain constant. In itself, this finding is interesting since it is highlighting those other variables, such as electoral systems, are the ones driving the budgetary differences in existing cross-national studies, not coalitions per se. This is an important finding for the political economy literature since it gives insights to the influence and explanatory power that government type has on macroeconomic outcomes.

While coalitions do not differentiate in the overall level, they do have differences with single-party governments in the portfolio-allocation choices of the budget. That is, coalitions impact the budgetary choices that a government does and in the distributive process of government provision that it pursues. I find that once a coalition enters a government, expenditure priorities and provision choices changes, both in a temporal and dimensional style. Expenditure in long-term budgetary categories, such as public investment and public works, diminish in their importance. On the other hand, categories with a short-term orientation such as monetary handouts and subsidies increase.

These changing patterns allow us to observe how government's priorities and incentives change when a coalition is in power, with varying policy objectives as well as the politics at play within the government.

These choices, I argue, are a consequence of the nature of presidential coalitions, how they are formed, what interests drives cooperation and by the confluence of multiple parties in the day-to-day operations of a government.

Early theories assumed that for a coalition to emerge and operate, parties had to agree on basic principles. Mainly, that there was an ideological affinity between them, and that they came together to advance a programmatic agenda. We now know that none of these conditions have to hold for a coalition to emerge or for a coalition government to function as a policy operating unit. Parties join a coalition for several reasons, be them electoral motives or to Access state resources. Furthermore, in a context where the majority of presidential countries have a competitive multiparty system in place, executives usually face a minority or weakened position. Under this context, ideology is no longer a marker of coalition formation. Furthermore, it is not uncommon that junior or recently created parties offer their brands up for rent to facilitate legislative majorities or electoral victories.

The implications of this line of thought can be observed when viewing the second sphere of this thesis, which centres in the policy influence of coalitions and the budgetary benefits that coalitional membership grants to its members.

The second contribution relates to what determines the policy effect of the coalition, and who determines the direction of this effect and benefits from it. Existing theories maintain that the policy effect of the coalition is largely a function of the size of the coalition, the characteristics of the formateur, the distributive toolbox that the formateur uses to administer the coalition, and to a lesser extent, the system of government and the electoral system. Likewise, the main beneficiary of the coalition, both electorally, politically is the formateur.

I propose that a coalition government policy orientation is not entirely dictated by the formateur and that accompanying parties have a significant role to play in the policy outputs that a coalition government pursues and implements, even if in presidentialism accompanying parties do not have the institutional counterbalance present in parliamentarism. By looking at the presence/absence of accompanying parties across coalition governments, I find that the presence/absence of specific accompanying parties is linked to an increase/decrease in expenditure in specific budgetary programs. I argue that the

policy influence, and direction of the expenditure, of accompanying parties is linked to a party's level of institutionalisation. In this regard, this thesis contributes to a growing literature highlighting that party's internal characteristics matter a lot towards the outcomes of a democracy. My results are similar to recent work from parliamentary systems, that found that accompanying parties have an influence in the policy orientation of a government. However, my results are different regarding the direction of this influence. While in parliamentary systems accompanying parties used their influence to advance programmatic policies, in Mexico parties used their influence for discrete benefits, for example focusing in serving narrow policy groups, party elites, distributing perishable goods or transfers of money, all with an electoral objective of establishing a party brand. This set of results can be viewed in relation with theoretical works discussing what programmatic expenditure involves. I consider that my results reaffirm that a programmatic definition does not involve an ideal gold-standard. Far from it, parties or politicians can implement entirely programmatic policies that can be murky, personalised, and not welfare oriented.

I add to existing literature in two manners. First, by arguing and showing that junior partners are not passive victims of the formateur. Rather, they have significant influence in policy formulation and programmatic orientation of the government, with their presence in the coalition leaving a budgetary mark in the government. Second, I show that another dimension should be considered when evaluating the effect of a coalition: the degree of institutionalisation and institutional characteristics of the parties that form-up the coalition.

Although a coalitional government creates incentives for parties in a coalition to veer towards clientelism and non-programmatic provision, those parties that have a more cemented institutional make-up and robust institutional design with a party structure, rules, checks and balances and participation of their cadre, are less likely to fall for temptation and balance their provision by implementing programmatic programmes. I also show that the presence of junior parties is more noticeable in those budgetary categories where junior parties are more likely to profit from by linking expenditure to their brands.

Budgetary and provision effects are only part of the story. After all, governmental choices have broader societal and political implications. For example, long-term under provision of public goods will have dire economic consequences for a country and its citizens, negatively

altering its development path. Similarly, a provision strategy focused on private goods and clientelism shapes the relationship between politicians, parties and individuals.

Coalitions are, after all, a political tool. Some of them are created after an election, and some before an election. This thesis focused on pre-electoral ones. As already mentioned, coalitions have important policy implications and these policy implications, which involve the use of resources, have direct societal consequences in terms of redistribution but also political consequences. In principle, coalitions are a democratic-enhancing tool, particularly useful for transitioning democracies. They provide an electoral alternative to a dominant or hegemonic party, they allow different parties to come together and implement alternative programmes, with the option of broadening and widening the population that's been served. However, if the outcomes that coalitions produce are not welfare-improving but focused in a discriminate few, and the constitutional make-up allow coalitions to remain used, their long-term presence can have adverse consequences for the electorate.

The third contribution examines the broader effects that the budgetary implications have. I do so by looking at the political and electoral effects that the long-term presence of coalitions government has, particularly in the relationship between voters and political parties. Specifically, I examine the electoral effect that coalitions have on parties' electoral paths, on the stability of the party system and if they contribute to the emergence of political outsiders.

The emergence of coalitions is the consequence of multiple factors such as economic changes or political realignment, and in principle they have positive democratic consequences. However, I argue, their long-term presence can have pervasive effects for a democracy, particularly for the stability of the party system. The overuse of coalitions can cause apathy and disenchantment in the electorate, who can view coalitions as a self-serving tool of the political elite, rather than a democratic-enhancing plurality option for society. Likewise, coalitions cause convergence in the political arena, blurring the ideological lines between parties, confusing the electorate even more. Furthermore, if the parties that conform coalitions are not consistent or cohesive in their coalition-making strategy, and coalitions become a long-term use, further disaffection will be caused. As a result, coalition making can slowly but gradually erode political brands, with voters no longer showing loyalty to parties.

At the same time, parties can be obfuscated in pursuing coalitions and electoral victories, leaving behind voters' programmatic needs, their own ideological or programmatic values with the purpose of making coalitions and political pacts. In addition, ad-hoc coalition making patterns erode the stability of competition, which will further worsen a vicious cycle of party decline, voter abandonment and delusion, ultimately leading to a decline of party system institutionalisation.

I hypothesise that this process will have three consequences. First, that on the long-term, coalitions will decrease the vote share of formateurs. Second, that the long-term presence of coalitions in the electoral system will decrease the level of party institutionalisation. Third, that the presence of coalitions opens the room for the emergence of outsiders. I empirically show, that all three have occurred in Mexico.

Deriving from evidence from parliamentary systems, there is a belief that formateurs are the ones to electorally profit from coalition government. In this regard, junior partners are used and left with little no to no benefits once the coalition has achieved its purpose. I challenge this and show that accompanying parties increase their electoral share in-between elections when they are part of a coalition government. Therefore, they profit from their coalition membership, cement their political brand and significantly improve their vote share. This result is also a by-product of the budgetary results, in which junior partners leave a budgetary mark, particularly by increasing expenditure in budgetary areas from which they can benefit and associate to themselves.

One of the most interesting results, is that while junior partners increase their vote share, formateurs (particularly the PRI) decrease their vote share. This has two important implications that deserve further examination. First, that for formateurs coalition making involves a temporal trade-off with short term gains (electoral victories) but long-term losses (vote loss and possibly party collapse). It will be interesting to understand the logic behind party-elites and at which point they realise that coalition making is detrimental to their own interests, or if they internalise this cost. Second, that despite their minority position, junior partners benefit from a disadvantageous partnership, cannibalising their formateurs.

I also show, how party system institutionalisation decreases with the increasing use of coalitions in the electoral area. For example, party abandonment and party switching

increases. As well as voter disenchantment and dissatisfaction with democracy. I also show that the presence of coalition governments opens the room for political outsiders.

This thesis has shown that coalitions can be captured by elites and their use distorted, moving away from their initial, or ideal, objective. However, while elites might believe that they can have their cake and eat it, in reality they are planting the seed of their demise. I show that coalitions have a negative effect on a country's PSI. From one side, the continuous use of coalitions affects the electoral trajectories of formateur parties, with their vote gradually decreasing in those regions where they continue to remain in power thanks to coalitions. Interestingly and importantly, formateur's vote loss is captured by their partners of smaller size whom act as suckerfish. In this regard, coalitions work as mermaid songs, offering a short-term benefit but a long-term loss. Unfortunately, coalitions do not only affect parties, but their use have far-reaching consequences. I show that coalitions negatively affect voters and the party system as a whole, upsetting voters, eroding competition, ultimately opening the door for outsider's emergence and capture. These results can be put in the broader academic realm of democratic accountability and responsibility, signalling the dangers that democracies currently face, many of them coming from within or sowed by democratic institutions.

Apart from the three broader themes, the analyses of this dissertation resulted in further contributions that deserved to be explored more broadly. For example, although some research has argued that an increasing number of parties leads to more policy instability[343], multiple results from this thesis shows the opposite. Therefore, policy instability increases with the number of parties. A related theme of the literature has shown that redistribution is influenced by the electoral system.[344] In this regard, this thesis highlights that other institutional variables also play a role in the shape of redistribution. A facet that can be more impact particularly within countries, since the electoral system does not have intra-country variability. In this regard, coalitions blur the clarity of responsibility[345] both from within and from outside. From within, coalitions limit the ability of parties to punish defections and establish accountability to elites. This result puts into questions research that show that party defections are normally punished[346]. External accountability also diminishes, which is

[343] i.e., Colomer 2012.
[344] Iversen and Soskice 2006.
[345] Tavits 2007.
[346] i.e., Tavits 2008.

reflected in the different shapes that provisions take. Although this thesis does not engage directly with corruption, the empirical results of this thesis and political events in Mexico point towards its presence and how coalitions have enhanced corruption.

There are also contributions to the literature in electoral accountability. Elections are a powerful tool from which voters can express their policy preferences[347], even if vote choice can be influenced by personal attitudes towards risks[348]. Unfortunately, this thesis has shown that parties can capture the use of coalitions to curtail the ability of voters to express their preferences.

This dissertation also adds to the debates of parties, what o they stand for in modern society and what their evolution might lead. The internal characteristics of parties matter, both for how they behave but how they face difficult circumstances. I show that their internal characteristics have a direct effect on provision decisions, the level of institutionalisation of the party system, but more importantly in society, particularly for voter-party relationships.[349] In this regard, institutionalisation can aid parties face crisis such as an electoral collapse. While other works have shown that coalitions is one of the tools that parties facing a crisis have to return to be competitive[350], this thesis raises questions as to how, when and for whom this tool can be useful. Results from this thesis show that coalitions are an extremely useful tool for small parties, and while it appears to be useful for formateurs as well, the constant use of coalitions contributes to a party's collapse.

There also a number of limitations that should be recognised and dealt with. This thesis dealt with the effect that coalition governments have on the budgetary process and on political instability. To analyse these effects, I pursued a subnational analyses of Mexico's state governments. Yet, this selection carries certain limitations since Mexico has unique scope conditions that can limit the theoretical argument, particularly its ability to travel and be applied to other presidential systems, and the strength that its results hold theoretical grounding.

[347] Brender and Drazen 2013.
[348] Morgenstern and Zechmeister 2001
[349] i.e., Casal Bertoa 2014.
[350] Cyr 2017.

First, one of the most significant results of this thesis is the attribution of misspending and clientelism over the last 15 years in Mexico to the raising presence of coalitions. Yet, misspending and clientelism were already prevalent in Mexico before coalitions began to appear in the political arena. As shown by Magaloni's seminal contribution[351], during the PRI regime era of dominance in the late 1980s and early 1990s, the budget was misattributed to improve the PRI's electoral chances, particularly by using poverty alleviation programs. Likewise, Stoke and co-authors[352] shown that in the post-transition era, budget manipulation and clientelism are still relatively prevalent in Mexico and are not an exclusive feature of the PRI. I do not contend that coalitions are the sine qua non cause of misspending and clientelism, yet they have a significant role to play. As shown in chapter 4, 5, and 6, the presence of coalitions catalysed clientelism and budgetary misspending. Both, the dynamics of coalition governance and the perverse incentives at play that parties joining a coalition face, which I discuss in chapter 2 and 6, increased the already established practice of clientelism in Mexico. Perhaps, the best signal is the low expenditure on public infrastructure, measured in percentage terms of total budget, across the states of Mexico.

Second, there are four characteristics that makes Mexico, as a case study, bounded and constrained. Mexico lacks, at least until 2018, re-election for members of congress, there is an absence of no-confidence vote for executive holders, forces all coalitions to be formally registered prior to the election, and elections are won by simple majority. Other presidential systems have these features and is therefore worth asking to what degree these unique characteristics constrain the theoretical validity of my results and, how easy my theory can travel or be applied to other systems that have re-election, no-confidence vote or post-electoral coalition making?

In theory, re-election is an accountability mechanism. But research, particularly from third-wave democracies, has shown is no silver bullet. Similarly, no confidence vote is a strong mechanism that has shown its efficacy in parliamentary systems, yet there is little to no work of its applicability in presidential systems. I do consider that simple majority voting is one of the most stringent features of the Mexican system. Although I do not show this data, plenty of the governors that won with the support of a multiparty coalition, did so with less than

[351] Magaloni 2006.
[352] Stoke et. al 2013.

40% of the vote. Although more research is needed, I do consider that this feature is what partly led to the formation of heterogenous coalitions since parties realised they were in a rat-race in which a minimum number of votes provided by a marginal party were worth it, irrespective of the costs that the incorporation of this member could bring, since it could secure a governorship victory. Furthermore, all political parties in Mexico are against the introduction of a second round of voting, despite several civil associations have campaigned for it. The introduction of a second round would eliminate the need for pre-electoral coalitions, and will likely lead to better political campaigns, more homogenous post-electoral coalitions, and electoral accountability.

I do consider that looking at the fabric of coalitions, particularly the level of institutionalisation of the parties that conform the coalition, is the theoretical aspect that can make my theory travel and be applied to other presidential systems. Coalitions are becoming increasingly common in third-wave presidential systems and there is little to no research of the spending patterns of these governments. Yet, we do know that these coalitions are normally heterogenous. Examples from Brazil, Africa and Eastern Europe have shown this and the majority of these systems have re-election, second round and post-electoral formation in place. Furthermore, as shown in this thesis, there is an excessive focus on the role of the formateur. Meanwhile, the role of the accompanying party is overlooked, although it has a significant influence in terms of policy, votes and democratic stability.

Lastly, this thesis is about Mexico, a country struggling with its transition to democracy. Plenty of changes have occurred in Mexico over the last thirty years, as accounted in the contemporary events described in this thesis. To begin with, this thesis has shown that the current system of federal transfers has a moral hazard problem in which an increase of resources does not lead to an increase of public investment or public goods. In this regard, fiscal transfers are used as pork barrel, clientelism or to cement political campaigns.[353]

This thesis ends with the results of the 2018 federal election, which marked the collapse of the three main parties in Mexico, which if confirmed, can lead to a crisis of Mexico's party system institutionalisation which can have deep consequences for democratic stability.

[353] Veiga 2013.

Furthermore, Mexican politics are at present dominated by Andres Manuel Lopez Obrador and his party Morena, whom many consider an authoritarian populist. His arrival was marked by a disappointment with democracy, lack of accountability, predominant corruption, lack of development and drug-related violence in previous governments. Unfortunately, there is no sign that Lopez Obrador or his party prioritise solving these issues.

Three decades ago, Mexico began its transition to democracy and the country is entering the defining period where its democracy should cement or revert. The choice will involve difficult decisions and choices, particularly by Mexican elites, who would have to sacrifice their short-term benefits, privileges and make smart decisions, especially if polarisation continues to increase.[354] This will be a difficult task, since elites will have to win back a population that they have failed multiple times in the past. Although Mexico does not have a history of military coups or juntas, Mexican history is full of periods of single-party regimes and authoritarian leaders. I believe there is still hope, even a slim one. Opposition parties still have political spaces and regional presence where they can show results. Will they be able to do this? The level of institutionalisation of political parties, politicians, and politics is very low in Mexico. As a result, opportunities can be missed or perverted, which is best exemplified by the usage and outputs of coalitions, with their overarching consequences in the budgetary and electoral fronts.

[354] Bermeo 2003.

Annex. Assessing Panel Data Estimation Techniques

An approach to measure the variability on expenditure in the states is to run an ordinary least squares regression. However, as figure 1A shows the data seems to be clustered in groups that correspond to each of the states, and these clusters have variation between each other. In figure 1A, each of the numbers from 1 to 32 corresponds to each of the states of Mexico, and a single linear regression would not correctly predict the individual patterns of the data for each of the states. A closer look at the data in Figures 2A and 3A reveals heterogeneity both across states and across years. While some expenditure is consistent, in the majority of the states, the size of the expenditure varies substantially across the 32 states. Similarly, the size of the expenditure of the states from year to year presents an even larger variation, which is clear in figure 3A, and although it may seem that the pattern across time seems to hold, figure 4A shows that the expenditure of each of the states across the period of analysis varies greatly. Therefore, it is difficult to assume that all the data points are independent for each other and could be correctly measure by a single linear regression.

Figure 1A.

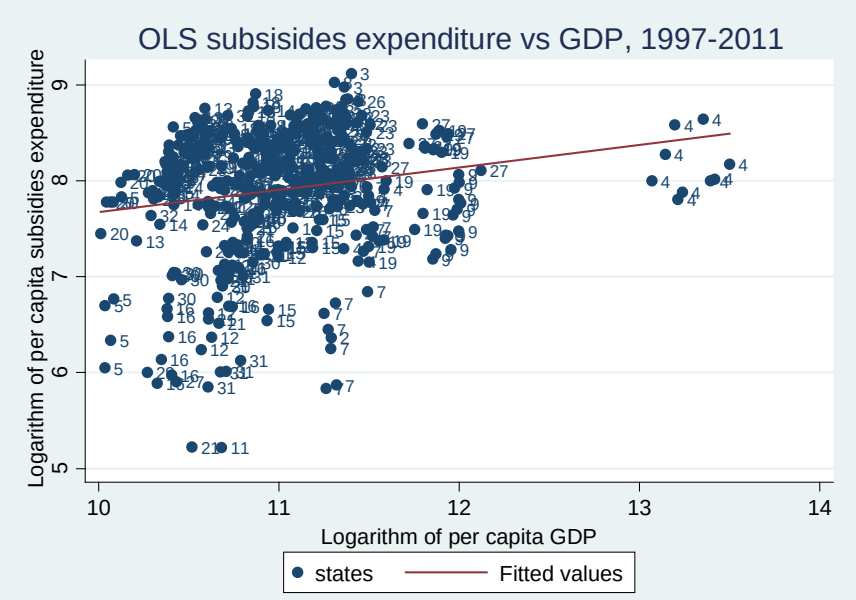


Figure 2A.

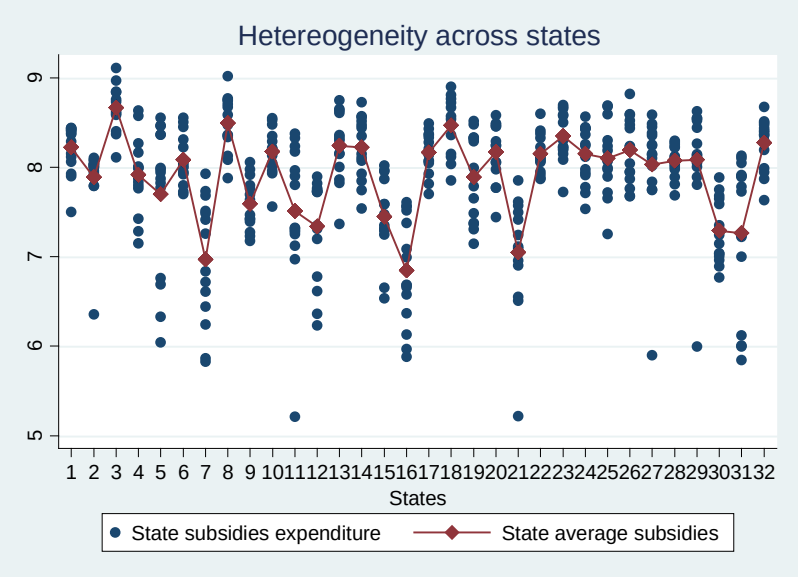


Figure 3A.

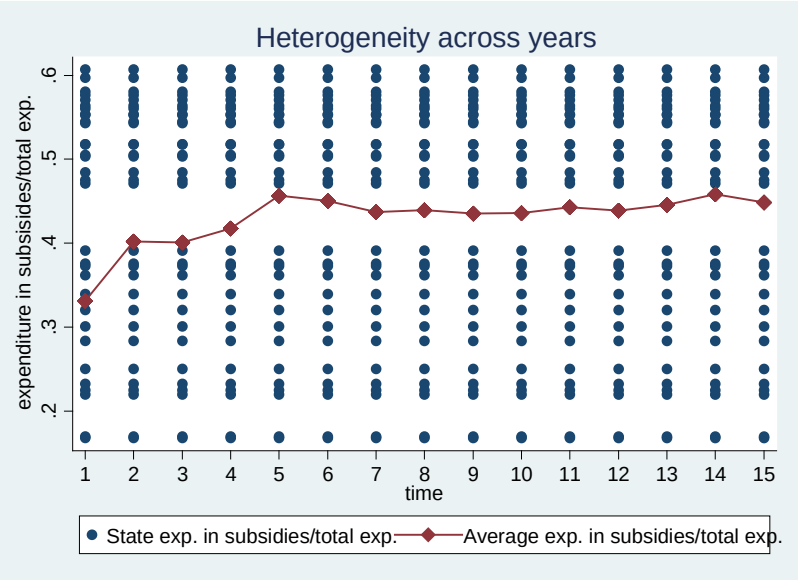
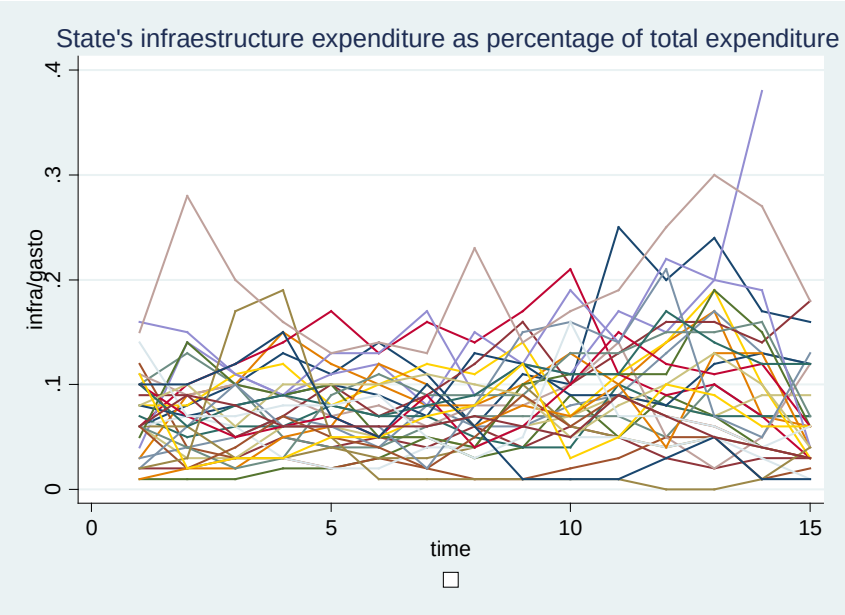


Figure 4A.



1.1. Fixed and Random Effects

Since it would be wrong to assume that all the observations are completely independent, we need special treatments to analyse the data. The presence of unobservable characteristics specific to each group that affects both the outcome, and the treatment variables is a possibility. If this is the case, one potential solution is to introduce individual effects into the model.

Fixed effects are an option since the data are clustered by state, and some underlying characteristics that are not included into the model can explain for the variation of each of the groups. A fixed effects model looks like the following:

$$y_{it} = \mu_t + \beta x_i + \alpha_i + \varepsilon_{it}$$

Both α_i and ε_{it} are error terms, ε is different for each individual at each point in time, while α varies only across individuals. The fixed effects model will control time invariant underlying characteristics that have not been measured in the model as predictors but that affect Y.[355]

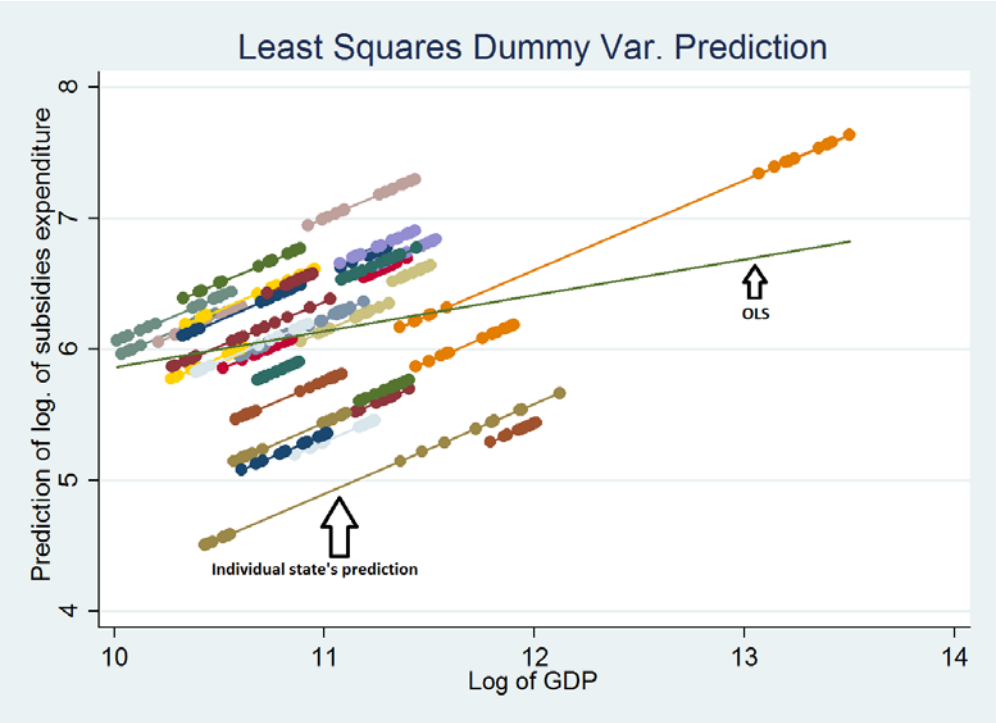
The assumption, although strong, is that the effects of these underlying characteristic would be the same across all the time period because they would not change. Fixed effects will add to the specification a series of indicator variables (ω) for each unit, such that $\omega_{ij} = 1$ if

[355] Allison 2009; Cameron and Trivedi 2005.

observation i is in unit j, and 0 otherwise. This model allows the inclusion of year or country dummies to account for unmeasured variation.356

The individual effects that are measured on the fixed effects model can be appreciated by using individual dummy variables for each state. Figure 5A shows this relationship.

Figure 5A.



As it is clear the OLS and each of the state's prediction have a different pattern and slope.

The effects of the independent variable of interest, in this case log of GDP, is mediated by the differences across the states. By adding the dummy variable for each group, it is possible to estimate the pure effects of the independent variable while controlling for the unobserved heterogeneity or individual characteristics of each group, which is measured by the dummy variable that absorbs the effects particular to each group.

On the contrary, random effects assume that the variation across the different groups is random and not correlated with the predictors of the model. Thus, Random effects works under the assumption that the error term for each of the groups is not correlated with the predictors, allowing for time-invariant variables to intervene as explanatory variables.

[356] Allison 2009.

Because of this assumption, the model has to specify the individual characteristics that have an influence on the predictors. In the random effects model the α is not estimated directly but assumed to follow a probability distribution.357

Random effects save degrees of freedom since they do not estimate individual effects. The most significant problem of Random effects is the introduction of bias in the estimates of β and in order to solve this limitation the model assumes that there is no correlation between the covariates and the unit effects variable. This assumption is violated by the omission of a variable of interest that could predict γ but is not included in the model or because the missing covariate is correlated with the existing covariates of the model. This will produce biased estimates of β because the variation in γ that is caused by the omitted variable will be absorbed and accounted by the unit effects α.358

Random effects are more suitable if the data present variables that have low variation within time. Similarly, the predictive power of the random effects model allows to make inferences of units or groups that are not included on the dataset, out of sample predictions, and comparisons between models.359

The data under analysis has a large level of variability over the years, as exemplified by Figure 3A. Furthermore, the data has both within and between variability, shown by Figure 4A and 5A, which show the heterogeneity across the states and across years for the same variable (state expenditure in subsidies in a single year). The presence of this variability is an indication that fixed effects can be a better specification model given the nature of the data.

How to choose the correct specification for the problem under analysis? The Hausman test provides statistical background for the decision, working under the hypothesis that the β estimators of the fixed effects model are unbiased and consistent. A rejection of the null hypothesis can be interpreted that the fixed effects model should be preferred.

The specification of the models is the same as that specified in Chapter 5. Table 1A shows the Hausman test results for each of the models, which rejects the null hypothesis thus favouring the use of fixed effects.

[357] Wooldridge 2002; Clark and Linzer 2015.
[358] Cameron and Trivedi 2005; Wooldridge 2002.
[359] Clark and Linzer 2015; Bell and Jones 2015.

Table 1.A. Hausman Test

Model	Chi2	Prob>chi2
Model 1	54.91	0.000
Model 2	27.35	0.000
Model 3	1560.43	0.000
Model 4	867	0.000

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