

Resource Distribution in Post-PRI Mexico: De-Politicized or Re-Politicized?

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ABSTRACT

This thesis provides an empirical analysis of the redistribution of fiscal resources at the subnational level of Mexico's federal system during and since the country's transition into a fully competitive democracy in 2000. It argues that Mexico's system of fiscal federalism, notoriously politicized during the era of single-party dominance under the PRI, continued to be influenced by partisan considerations after Vicente Fox became the first non-PRI president in modern Mexican history in 2000. However, evidence indicates that the effects of politics on fiscal distribution declined during the later stages of the Fox administration. The paper's analysis also has implications for the study of redistributive theories in general. It provides empirical support for the Electoral Risk Model of redistributive politics, arguing that political parties differ in the tactics they employ to politicize resource distribution depending on how they perceive the risks associated with the use of political redistribution. The paper also builds on the Electoral Risk Model by demonstrating that risk perceptions are not static. Political shockwaves, such as the 2000 round of elections in Mexico, may result in major and rapid shifts in how politicians perceive risk and, consequently, in how they employ redistributive politics.

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INTRODUCTION

In July of 2000, Vicente Fox, of the National Action Party (PAN), was elected the 55th President of Mexico. It marked the first instance since 1910 that a presidential candidate from an opposition party managed to defeat the candidate of the ruling party in the country. During the same round of elections, the long-dominant Institutional Revolutionary Party (PRI) lost its plurality in the Chamber of Deputies, the lower house of the Mexican Congress, to the PAN. After over 70 years of political dominance as a hegemonic party, the PRI had become part of the opposition.

The PRI's electoral defeat represented more than an alternation of power between political parties. It signified the culmination of a steady process of regime change in which Mexico transitioned from a "dominant party authoritarian system" into a fully competitive democracy (Greene 2007). While the 2000 national elections drew headlines around the world, Mexico's democratic transition had been developing at subnational levels of Mexican politics for over a decade prior to Fox's victory. Starting in the 1980s and accelerating in the 1990s, the

PAN and the Party of the Democratic Revolution (PRD), the other major opposition party, eroded the PRI's political monopoly through victories in municipal and state elections (Barracca 2005). Because Mexico's democratic transition occurred gradually and through relatively peaceful elections, the institutions and procedures of the PRI regime remained largely unchanged after the PAN gained power (Edmonds-Poli 2006). In other words, the 2000 elections fundamentally altered the structures of political power and relations without concurrently changing the actual institutions of the Mexican government.

One of the institutions that remained largely unaffected by the democratic transition was Mexico's system of fiscal federalism. The general procedures and institutions governing the divisions of resources between layers of government in Mexico have been in place since the 1950s (Ward and Rodriguez 1999). Although important reforms have taken place, the fiscal system in place by the end of Vicente Fox's term in 2006 still followed the legal framework set out by the *Ley de Coordinación Fiscal* (LCF) adopted in 1953. Under the guidelines of the LCF, states and municipal governments relinquished almost all powers of taxation to the federal government.¹ In return, local governments received fiscal resources through a system of revenue sharing, in which the federal government apportioned transfers of money to state governments based on various criteria. In turn, state governments distributed a portion of the money received to the municipalities under them. As a result of this system, local governments became fiscally reliant on federal transfers. Despite efforts to strengthen state and municipal governments' abilities to independently generate revenue, this fiscal dependence remained unchanged in the

¹ The most important exception is the property tax, which was initially collected by state governments and then distributed to municipalities. A reform passed in 1983 transferred the power and responsibility of property tax collection directly to municipal governments.

post-PRI era. To illustrate, in 2001, federal transfers represented 69% of the aggregate revenue of Mexico's municipalities and 85% of the aggregate state revenue (Edmonds-Poli 2006).

While the transfer of funds from federal to state governments is supposedly governed by objective formulas, in reality, the system of federal transfers is vulnerable to the influences of partisan bias and political opportunism (Diaz-Cayeros, Magaloni and Weingast 2006; Magaloni 2006; Diaz-Cayeros, Estévez and Magaloni 2008; Molinar and Weldon 1994). Fiscal redistribution at the state to municipal level contains an even greater degree of discretion, as state governments may distribute federal transfers to municipalities based on any formula of their choosing (Ward and Rodriguez 1999). The combination of fiscal dependence at the lower levels of government and discretionary methods of distribution at the higher levels makes Mexico's system of fiscal federalism susceptible to political manipulation (Hernández-Trillo and Jarillo-Rabling 2008).

This paper studies the political manipulation of fiscal federalism at the subnational levels of the Mexican government during and since the country's transition into a fully competitive democracy (approximately 1999 to 2006). Specifically, it examines the practice of redistributive politics and pork-barreling, the targeted transfers of discretionary spending based on partisan concerns rather than policy objectives. Ample evidence exists to demonstrate that the PRI manipulated federal transfers during its reign as a hegemonic party (Greene 2007, Diaz-Cayeros 2006). During its heyday, the PRI used the credible threat of withholding transfers from disloyal municipalities and states to act as a "punishment regime," discouraging voter defection from the party (Diaz-Cayeros, Magaloni and Weingast 2006). Additionally, opposition governors who

had assumed control of state governments prior to the 2000 national elections also demonstrated willingness to manipulate discretionary funds for political purposes.²

Overall, the use of redistributive politics during Mexico's single-party era by both the PRI and the opposition parties has been well-documented. However, little research has been done on the extent to which such practices have been maintained since Vicente Fox's victory in 2000. Given the institutional and procedural continuity of the fiscal system in the transition from the PRI-hegemon to the post-PRI eras of Mexican politics, one might expect political opportunism to continue affecting the distribution of federal transfers after 2000 elections. Alternatively, Fox's victory may have provided the impetus needed to provide increased transparency and efficiency in the distribution of government resources. The issue of whether Mexico's system of revenue sharing and federal transfers became de-politicized in the aftermath of the PRI's defeat or simply re-politicized to benefit new political actors has not received sufficient scholarly attention.

This paper helps address this deficiency. To the best of my knowledge, it provides the most comprehensive statistical analysis to date of federal transfers at the state-to-municipal level of government in post-PRI Mexico. It examines the 2000, 2003, and 2006 municipal budgets to determine whether redistributive politics continued to affect federal transfers after the country's democratic transition. Because the budget for each fiscal year is determined the year before, the distributions analyzed were established in 1999, 2002, and 2005. Each case reflects a different configuration of political power in Mexico. 1999 provides a point

² The best documented case of this occurred in the state of Chihuahua, which became the second state in Mexico to elect an opposition governor when the PAN candidate, Francisco Barrio, won the 1992 election. His controversial program, *Jalemos Parejo*, demonstrate how opposition parties also manipulated government resources for political purposes. Promoted as an initiative to coordinate and streamline the transfer of funds between state and municipal governments, the program showed obvious partisan bias and was a "clear attempt on the part of the PAN to gain an advantage in future elections" (Elías 1997).

of comparison for later cases, as it marked the last year of the PRI-hegemon era of Mexican politics, when the party still controlled the presidency and the plurality in Congress.³ In 2002, the balance of power at the national level favored the PAN, which held the presidency and a plurality in the Chamber of Deputies. Finally, in 2005, the configuration of political power became more complicated after the resurgent PRI won back the plurality in Congress in the 2003 mid-term elections. By analyzing state-to-municipal transfers in these three cases, this paper provides insight into whether and how political considerations affected the redistribution of fiscal resources.

Summary of Arguments

This paper argues that democratization did not eradicate the presence of redistributive politics in Mexico. Although fiscal transfers follow their stated policy objectives to a substantial degree, political factors affect the distribution of federal funds both before and after the PRI's electoral defeat in 2000. Both the 2000 and 2003 municipal budgets demonstrate clear indicators of partisan bias. However, the occurrence of redistributive politics at the state level appears to decline during the later stages of the Fox administration, as the 2006 distribution of federal transfers exhibits the least political influence out of the three years analyzed. This finding makes sense given that one of Vicente Fox's top policy objectives was to increase the transparency and efficiency of Mexico's subnational revenue sharing process (Edmonds-Poli 2006).

³ One could argue that the PRI had lost its hegemonic status long before the 2000 elections. The 1997 mid-term election, in which the PRI lost its absolute majority in the lower house of Congress, and the controversial 1988 general elections, in which the PRI's presidential candidate, Carlos Salinas, barely received a majority of the votes amidst widespread allegations of vote-tampering, may also mark the end of the dominant party era of Mexican politics (Hiskey and Canache 2005). For the purpose of this paper, the 2000 round of elections is viewed as the focal point of Mexico's democratic transition because the PAN's victories in the presidential and legislative elections provided an unambiguous rejection of the PRI as a dominant party. It also marked the first time that governors belonging to the PRI, who still ran the vast majority of state governments, found themselves to be in the opposition from the party which controlled the presidency and the Congress.

Additionally, this paper contributes to the literature on theories of redistributive politics in general by using the case of Mexico to examine various models of “tactical redistribution” of government resources (Dixit and Londregan 1996).⁴ It argues that, contrary to the predictions of most theories on the subject, there is no single political logic behind the targeted transfers of discretionary funds. Instead, the tactics employed by incumbents to determine how to target government transfers differ depending on the degree to which they are entrenched and secure within the political system. This argument derives from Diaz-Cayeros’ theory that long-lasting hegemonic parties are more risk averse in using the targeted transfer of discretionary funds and primarily seek to prevent defection from core supporters, while newly elected incumbents are more likely to invest money in volatile and risky voting districts in order to secure new coalitions of supporters. His model, which this paper refers to as the “Electoral Risk Model,” is more nuanced than the more popular Core Voter Model and Swing Voter Model of redistributive politics and appears to be the best fit for the case of Mexico. However, this paper contributes to and builds on Diaz-Cayeros’ theory by demonstrating that the political logic and tactics driving discretionary transfers not only *differ* between political actors but may also *change* over time as the actors adjust their assessments risk to fit changes to formal and informal political structures and relations.

This paper analyzes the distribution of federal transfers at the state-to-municipal level rather than at the federal-to-state level for several reasons, the most obvious of which is that there has been no comprehensive statistical analysis on the politicization of transfers at the local level while a several studies have been conducted on the federal-to-state distributions (see Beer

⁴ The different models of redistributive politics are explained in more details in the Literature Review section. The two most widely accepted models are the Core Voter Model, which predicts that candidates primarily reward loyal followers, and the Swing Voter Model, which predicts that politicians target voters on the fence about voting preferences.

2004, Diaz-Cayeros 2004). Studying municipalities rather than states also increases the potential sample size from 31 to over 2400, increasing the viability of a statistical analysis.⁵ Additionally, this study enhances the body of knowledge regarding the actions and motivations of politicians at subnational levels in post-PRI Mexico, a field which has been relatively neglected by scholars. Understanding subnational elites is especially important because governors, who were viewed as ceremonial figureheads without real authority during the golden age of the PRI's hegemony, have become important political actors since the demise of the PRI era (Greene 2002; Rodríguez and Ward 1999). Finally, this analysis provides the side-benefit of testing several scholars' hypothesis that, rather than enhancing local government accountability and transparency, increased political competition at the subnational level actually created new incentives and opportunities for governors to employ redistributive politics (Costa-i-Font, Rodriguez-Oreggia and Luna 2002; Gibson 2004; De Remes 2006).

The rest of the paper is organized as follows. The rest of this section provides background information on the history of democratization and decentralization in Mexico and on the country's system of political and fiscal federalism. The next section discusses relevant literature and research on theories of redistributive politics and on their applications to the case of Mexico. The third section describes the methodology employed by the statistical study presented in this paper. The fourth section provides the quantitative results and qualitative analyses of the study. The final section offers some tentative conclusions which may be drawn from the study.

History of Democratization and Decentralization in Mexico:

⁵ For various reasons detailed in the Methodology section, the analyses presented in this paper do not include every municipality, although *n* is still over 1600 for each years' data sets.

Founded in the aftermath of the Mexican Revolution in 1928 as the National Revolutionary Party, the party organization that would eventually become the PRI underwent several name changes before adopting its current moniker in 1946. For most of the 20th century, the PRI ruled Mexico as a hegemonic party, winning every presidential election from 1929 to 1994 and dominating politics in all levels and branches of the Mexican government. Relatively free and fair elections occurred regularly, but they were effectively meaningless as the PRI won virtually every election with an overwhelming supermajority of the votes (Greene 2007). Scholars continue to debate over how the PRI managed to maintain its political stranglehold over Mexico for seven decades despite holding regular elections, although most agree that it stemmed from a combination of providing material incentives to voters and ambitious politicians, selectively employing fraud and coercion, and exploiting a massive resource advantage over opposition parties (Greene 2007; Magaloni 2007; Diaz-Cayeros, Estévez and Magaloni 2002). Regardless of the specific reason, the PRI's control over Mexico appeared so complete and seamless that novelist Mario Vargas Llosa dubbed it "the perfect dictatorship."

In addition to the PRI's tight political control of the country, authority within the party itself was highly concentrated within the executive branch of the federal government. The Constitution of Mexico, created in 1917 and still in place today, calls for both horizontal and vertical divisions of power. Horizontally, power is theoretically distributed amongst the executive, legislative, and judicial branches of government, with each branch checking the excesses of the other two. The Constitution also mandates that Mexico practice federalism, vertically dividing authority between federal, state, and municipal layers of government. However, in practice, no substantial horizontal or vertical checks on federal executive power existed during the dominant party authoritarian regime of the PRI. Under the PRI's rule, the

powers of the president remained virtually unchallengeable because he was simultaneously the head of the government and of the dominant party and thus possessed both constitutional powers and “meta-constitutional” privileges derived from informal political arrangements (Weldon 1997). Additionally, subnational governments were extremely weak because states and municipalities lacked almost all authority to levy taxes and heavily depended on federal transfers for revenue. Without means of independently generating fiscal resources, local governments deferred to the wills of the federal government out of fear of being punished in future distribution of revenue sharing funds (Falletti 2010). Furthermore, under the dominant party system, career advancement prospects of subnational politicians depended on pleasing higher-ups in the party hierarchy. Consequently, local elites had no incentive to deviate from orders handed down by Mexico City. Overall, for the majority of the duration of the PRI’s rule, Mexico exhibited “tight, centralized, top-down control” from the executive branch of the federal government rather than the federalism, divisions of power, and checks and balances envisioned by the country’s constitution (Cornelius 1999).

Beginning in the late 1970s and early 1980s, a dual process of democratization and decentralization began to occur in Mexico. The PRI had always encouraged the presence of moderate political opposition in order to maintain a semblance of democratic legitimacy, tolerating and even supporting limited opposition electoral victories at the municipal level. In the 1980s, however, a series of economic crisis and corruption scandals created sufficient voter dissatisfaction with the PRI that the dominant party resorted to changing electoral procedures and outright vote rigging, its tactic of last resort, to fend off opposition challengers in several states (Shirk 1999). The PAN was the first party to capitalize on voters’ rising discontent with the status quo. Originally a niche party of militant Catholics, the PAN gradually moderated and

grew in popularity until it became the largest of the “permanent opposition” parties and a serious challenger to PRI supremacy in certain municipalities and states (Ard 2003). Rifts within the ranks of the PRI itself created the second major challenge to the hegemonic party system, as a faction of dissatisfied left-wing PRI members broke from the party in 1988 to run its own candidate for the presidential election later that year. The split resulted in the most serious electoral challenge to the PRI to date, with the dominant party’s presidential candidate barely winning a majority of the votes in 1988 amidst widespread allegations of electoral fraud. The following year, the core members of the PRI defectors merged with various minor left-wing parties to form the PRD (Bruhn 1999). Thus, the 1980s witnessed the rise of two major opposition parties and the emergence of genuine electoral competition at both the local and national levels of Mexican politics.

A process of government decentralization accompanied the increased electoral competition of the 1980s. Major reform occurred in 1983 with the passage of an amendment of Article 115 of the Mexican Constitution, which deals with issues related to municipalities. Conceived by the PRI administration as a way to enhance its legitimacy and appease voter dissatisfaction, the 1983 amendment clarified the fiscal and administrative responsibilities of municipal governments and strengthened their role in the country’s federal system. Although the immediate consequences of the reform were minor, it created a “culture of decentralization” in which the gradual devolution of state power became the expected norm (Rodríguez 1998).

Although the 1980s witnessed the emergence of cracks within the PRI hegemony, it was not until the 1990s that the entire edifice came crashing down. The PRI responded to the 1988 electoral debacle by enacting the National Solidarity Program (PRONASOL), a massive vote-

buying program disguised as a poverty-alleviation initiative.⁶The strategy appeared effective after the PRI bounced back in the 1991 mid-term legislative election and comfortably won the 1994 presidential election with little controversy. However, these victories were short-lived, as the PRI suffered historic defeats in 1997, when it lost its absolute majority in the lower house of Congress for the first time ever, and in 2000, when the PAN won both the presidency and the plurality in the Chamber of Deputies. The PRI also continued to lose ground in subnational elections. In 1985, the PRI governed almost all of the country's 2400 plus municipalities. By 1997, barely half remained under PRI control. Similarly, the PRI did not lose a state gubernatorial contest until 1989, when the PAN's Ernesto Ruffo Appel became the first opposition governor in modern Mexico history. By the end of 1997, opposition parties controlled six of Mexico's 31 states (De Remes 2006).

Various factors account for the growth of Mexican democracy in the 1990s. The prolonged Zapatista uprising,⁷ renewed economic crisis in 1994, and general discontent with the political status quo contributed to the eventual demise of the hegemonic party system. However, much of the responsibility for the opposition's breakthroughs in 1997 and 2000 lies with Ernesto Zedillo, the PRI candidate who won the 1994 presidential election. Recognizing the growing demand for political liberalization and faced with a choice between consenting to change the system or reverting to classic PRI tactics of electoral fraud and vote-buying, Zedillo chose to

⁶ Extensive literature exists on the politicization of PRONASOL. Although consensus exists that the distribution of PRONASOL funds served political purposes, disagreement exists over the exact political logic of the distribution. See Molinar and Weldon 1994; Hiskey 1999, 2003; Diaz-Cayeros, Estévez and Magaloni 2002, 2008; and Magaloni 2006.

⁷ In 1994, the Zapatista Army of National Liberation declared an insurrection against the Mexican government in the southern state of Chiapas. Revolutionary leftists with strong roots in the local indigenous population, the Zapatistas initiated their campaign of guerilla warfare ostensibly as a response against the signing of the North American Free Trade Agreement (NAFTA), although their goals reflect a general antipathy towards the negative effects of the PRI's market-oriented economic reforms of the 1980s and 1990s (Haber, Klein, Maurer and Middlebrook 2008). Zapatista camps continue to operate in Chiapas to this day.

enact reforms that greatly diminished the PRI's electoral advantages over the opposition. He halted PRONASOL, strengthened the independence of the organization responsible for overseeing elections, and ended the practice of funding the PRI's partycoffers with governmentmoney (Haber, Klein, Maurer and Middlebrook 2008).

The trend of political and fiscal decentralization also continued in the 1990s. Politically, increasingly competitive subnational elections not only brought many opposition mayors and governors to power, it also enhanced the influence and independence of PRI governors relative to the national party apparatus, as the governors could use the increasingly credible threat of potential electoral defeat to leverage concessions and resources from Mexico City (De Remes 2006). Additionally, although the basic structure of the revenue sharing system remained unchanged, various laws were passed to give a greater share of tax revenue to local governments. Reforms were passed in 1995 and 1999, but the most important change occurred in 1997 after the PRI lost its majority in the Chamber of Deputies. The new Congress approved the creation of federal budgetary Item 33 (*Ramo 33*). The new budget line created a series of conditional federal transfers to states and municipalities, which almost doubled the amount of resources available to local governments between 1996 and 1998 (Falleti 2010). However, it should be noted that while these reforms altered the *distribution* of fiscal resources between federal and local governments, they did not enhance the revenue generating *capabilities* of local governments. The federal government continued to hold almost all powers of taxations, and state and municipal governments remained fiscally dependent on revenue sharing and federal transfers (Hernández-Trillo 1998).

Democratization and decentralization continued to occur following Vicente Fox's victory in 2000. Politically, the PAN and the PRD steadily made inroads into PRI enclaves of

“subnational authoritarianism” in which party bosses’ continue to dominate local politics through patronage and electoral fraud (Gibson 2004). However, the PRI demonstrated its resiliency during the 2003 legislative election when it capitalized on voter dissatisfaction with the PAN and won back its plurality in the Chamber of Deputies. The configuration of power within the formal government also became more dispersed during the early 2000s. The office of the president lost the “extra-constitutional” powers it had enjoyed during the PRI’s hegemonic rule, and subnational political elites became more assertive and independent in pursuing their own political agendas. Fiscally, the Fox administration continued to enact minor decentralization reforms. However, these reforms focused on increasing the share of tax revenue distributed to local governments rather than enhancing their powers of taxation, thus maintaining the localities’ fiscal dependence of federal transfers (Edmonds-Poli 2006). However, governors grew more assertive in calling for reform of Mexico’s fiscal federalism during the Fox presidency and successfully pressured the administration to convene a National Tax Convention in 2004 to discuss major changes to the system. The convention demonstrated the growing voice and leverage of subnational political elites and the saliency of the issue of fiscal reform, but it failed to produce any substantial changes to Mexico’s revenue sharing system.

Overall, Mexico’s prolonged democratization brought about profound changes to the country’s political structures. Mexico’s political system during the Fox administration fundamentally differed from the PRI regime of the dominant party era. On the other hand, the process of decentralization in Mexico did not culminate in a clean break from the country’s authoritarian past. Despite superficial differences, the country’s system of fiscal and political federalism at the end of Vicente Fox’s term in 2006 remained essentially the same basic set of

institutions which had existed during the heyday of the PRI's political dominance. The remainder of this section provides further details on Mexico's durable system of federalism.

Federalism in Mexico

As mandated by its Constitution, Mexico is a federal country, administratively divided into the federal government, 32 federal entities (31 states plus the Federal District of Mexico City), and 2438 municipalities.⁸ States vary in the number of municipalities under their jurisdictions. The state of Oaxaca has 570 municipalities while Baja California and Baja California Sur each have five municipalities. The municipalities themselves also differ greatly in size, with the most populous having over one and half million residents while the smallest ones have populations barely over one hundred.

Politically, subnational governments imitate the federal government's division of power between the executive, legislative, and judicial branches of government. Each state has a governor and a state congress, and, correspondingly, each municipality is governed by a mayor and a municipal council. Subnational elections also imitate the national system. Like Mexican presidents, state governors are elected to a single six-year term. Elections for state congressmen, municipal presidents, and municipal councils occur every three years, with one round simultaneous to gubernatorial elections and one round of mid-term elections. Each state determines its own electoral calendar, which does not necessarily correspond with federal elections.

Fiscally, as discussed above, local governments remain fairly weak and dependent on the federal transfers. Despite efforts to decentralize fiscal authority, Mexico's federal government

⁸ The exact number of municipalities changes over time as state governments re-draw district lines and incorporate new municipalities.

maintains almost complete control over the power of taxation. Consequently, states and municipalities rely on transfers of resources from higher tiers of the government to fund policy initiatives (Diaz-Cayeros 2004). The federal government provides two main sources of funding: unconditional transfers from revenue sharing (*participaciones*) and conditional transfers earmarked for specific policy objectives (*aportaciones*). *Participaciones* have historically been the primary source of revenue for local governments. Since the 1980s, its distribution has followed a fairly straightforward and transparent formula based on population and local tax receipts, leaving little room for partisan manipulation. *Aportaciones* (conditional transfers), on the other hand, contain considerable room for the practice of redistributive politics. Created with the passage of budgetary Item 33 (*Ramo 33*) in 1997, *aportaciones* were the centerpiece of an effort to significantly raise the share of revenue allocated to local governments. *Ramo 33* consists of various line-item funds earmarked for both state and municipal governments and designed to finance specific policy objectives associated with combating poverty. The most important conditional funds allocated to state governments are the line items for education (FAEB) and health (FASSA). *Ramo 33* also contains two funds targeted toward municipal governments, the Fund for Municipal Social Infrastructure (FAISM) and the unconditional Fund to Strengthen Municipalities (FORTAMUNDF). FAISM and FORTAMUNDF are both transferred from the federal government to state governments, which then distribute them to various municipalities. Although the distribution of *aportaciones* is supposed to be determined by impartial formulas regulated by an independent Ministry of Finance and Public Credit (SHCP), evidence suggests that partisan bias affects the distribution of conditional transfers at both the federal-to-state and state-to-municipal levels (Diaz-Cayeros 2004, Courchene and Diaz-Cayeros 2000). However, because *Ramo 33* is a relatively recent creation, little empirical research has been done on the subject.

This paper's analysis demonstrates that partisan considerations have indeed affected the distribution of *aportaciones* at the state-to-municipal level. Before presenting the evidence, the next section discusses previous scholarly research on the subject of redistributive politics in Mexico.

LITERATURE REVIEW

The study of redistributive politics encompasses four concepts: clientelism, patronage, vote buying, and pork-barreling. Clientelism refers to the reiterated and voluntary exchange of goods and services for political support between patrons and clients who carry out these transactions through personal interactions. Patronage entails the distribution of public sector jobs to supporters who help the patrons generate votes and win elections. Vote buying, in its most specific form, refers to "one-shot" and direct exchanges of money or goods for votes shortly before an election. Finally, pork-barreling occurs when politicians distribute public resources among administrative districts according to political imperatives rather than policy considerations (Hilgers 2008). The subject of this paper's analysis, the discretionary redistribution of *aportaciones*, fits best under the last category. However, because these

designations are often utilized interchangeably in the literature, the paper uses the umbrella term “redistributive politics” rather than the more specific label of “pork-barreling.”

There are two general theories of redistributive politics. The first is the Core Voter Model, developed by Cox and McCubbins (1986), which predicts that politicians will target known supporters first and foremost when attempting to build stable electoral coalitions through the distribution of discretionary transfers. Under the assumption that politicians are risk averse, this model argues that core supporters are the primary beneficiaries of targeted transfers because they are the most likely to be responsive to politicized redistribution. Diaz-Cayeros, Estévez, and Magaloni (2008) supplement the Core Voter Model by arguing that favoring loyal voters also helps prevent their future defection, which becomes a real threat if a party continuously targets transfers toward opposition or fringe voters rather than to their own supporters.

The Core Voter Model has been criticized by various scholars whose theories differ in their precise logic but agree in predicting that politicians should distribute material rewards toward “swing voters” rather than waste them on core supporters (Lindbeck and Weibull 1988; Dixit and Londregan 1996; Stokes 2005). The Swing Voter Model argues that it is more politically effective and efficient for politicians to target voters for whom distributive incentives could make the difference between support and opposition. Empirical studies have thus far failed to resolve the dispute between the two models one way or the other, with some supporting the Core Voter Model (Calvo and Murillo 2004; Hiskey 2003; Levitt and Snyder 1995) and others reinforcing the Swing Voter Model (Schady 2000; Dahlberg and Johanson 2002; Stokes 2005).

While the literature on the subject mostly treats the Core Voter Model and the Swing Voter Model as competing and mutually exclusive theories, Diaz-Cayeros (2008) attempts to reconcile the two models by proposing what this paper refers to as Electoral Risk Model of redistributive politics. He argues that political actors act like investors when determining how to allocate discretionary expenditures. They are concerned with both the long- and short-term rewards and consequences of their “investment” of public spending. Because their access to discretionary funds is limited, politicians are “risk-averse” and make decisions based on assessments of the potential electoral risks and rewards associated with targeting various constituencies. In accordance with the logic of the Core Voter Model, loyal supporters represent low-risk investment opportunities because they are likely to respond well to targeted transfers. Investing in core voters maintains their loyalty and results in steady and long-term electoral returns. In certain scenarios, however, retaining the support of loyal voters is not enough to obtain electoral victory. In these situations, politicians may choose the more risky but also more potentially rewarding investment strategy of aggressively targeting swing voters who may represent the difference between victory and defeat in the next round of elections. Thus, depending on their estimations of potential risks and rewards, political actors may invest according to the logic of either the Core Voter Model or the Swing Voter Model. In many cases, they may practice “spending diversification” and employ different strategies in districts with different electoral attributes.

Diaz-Cayeros argues that perceptions of investment risks and rewards in redistributive politics are largely dependent on the “political entrenchment” of the incumbents who are determining the allocations of discretionary funds. Political actors who are highly secure of their positions within the political system, such as members of a dominant party, tend to compose

their investment strategies with long time horizons in mind. Because their core constituents are often enough to guarantee electoral victory, these investors are risk averse and more disposed toward the logic of the Core Voter Model. On the other hand, incumbents who are less entrenched in their positions, such as challengers to a dominant party system, may have to take more risks with their allocations of discretionary funds in order to quickly build new winning coalitions of supporters. The results of this paper's analysis provide support for the Electoral Risk Model of redistributive politics. Additionally, it builds on Diaz-Cayeros' theory by demonstrating that investment strategies are not static. Changes in the political system may cause shifts in the "political entrenchment" of different political actors, which in turn affect their evaluations of electoral risks and rewards and their tactical use of redistributive politics.

Extensive literature exists on the application of redistributive theories to the case of Mexico. Abundant qualitative and quantitative evidence demonstrate that the PRI employed all forms of political manipulation of state funds during the hegemonic party era (Magaloni 2006; Fox 1994). For example, Greene (2007) argues that, during its heyday, the PRI channeled vast amounts of state resources into party coffers for vote-buying and pork-barrel purposes. Consequently, the fall of the PRI coincided with a decline in the amount of state funds usable for partisan purposes as a result of the privatization of state owned industries, government austerity measures, and the establishment of stricter campaign financing laws. Diaz-Cayeros (2006) also shows that there was a "partisan bias of financial flows allocated to regions by the federal government" while the PRI remained the hegemonic party. Diaz-Cayeros, Magaloni and Weingast (2006) argue that political and fiscal centralization during the dominant party era allowed the PRI to act as a "punishment regime" by threatening to withhold federal transfers from localities that show signs of defection.

Although resources available for vote-buying declined in the late 1980s and early 1990s, the PRI continued to manipulate government resources for political purposes. Costa-i-font, Rodriguez-Oreggia and Luna (2002) argue that inefficiencies in the distribution of public infrastructure investments in 1990 to 1995 were driven by “political opportunism” and “local pork barrel politics” on the part of the PRI. They find a positive relationship between the allocation of public investment funds and political support for the PRI. The most controversial and widely-studied case of partisan redistribution in the early 1990s was the National Solidarity Program (PRONASOL) enacted by President Carlos Salinas in 1989 as a response to the PRI’s difficulties in the 1988 elections. Many scholars have used empirical data to demonstrate that the program’s funds were distributed according to political imperatives rather than policy considerations, although disagreement exists over which model of redistributive politics best fits the politicization of PRONASOL. In their study of PRONASOL distribution at the federal-to-state level, Molinar and Weldon (1994) argues that the PRI employed the logic of the Core Voter Model in allocating funds, favoring loyal supporters in its attempt to halt the party’s political decline. Hiskey (1999) analyzes PRONASOL distribution at the municipal level in the states of Jalisco and Michoacán and also finds evidence of political manipulation. However, he argues that the PRI primarily targeted voters who had recently switched allegiance to opposition parties, implying the presence of the Swing Voter logic. Diaz-Cayeros, Estévez and Magaloni (2006) and Magaloni (2006) go beyond the research of previous scholars by analyzing the distribution of PRONASOL to all municipalities. Their findings are mostly consistent with those of Molinar and Weldon and suggest that partisan redistribution was primarily targeted toward core supporters of the PRI. Diaz-Cayeros (2008) qualifies his earlier research by arguing that the Electoral Risk Model better explains the distribution of PRONASOL funds. He argues that the

PRI primarily rewarded supporters in politically safe areas in order to prevent future defection. However, in areas which were politically tenuous and in which loyal core constituencies did not guarantee electoral victory, the PRI was more willing to invest in politically risky districts with many swing voters.

Few empirical studies have focused on the redistributive politics of federal transfers since Mexico's fiscal decentralization reforms in the mid-1990s. Diaz-Cayeros (2004) finds evidence of partisan bias in the federal-to-state distribution of *Ramo 33* conditional transfers (*aportaciones*) in the late 1990s. He argues that the distribution of the state education fund, FAEB, is especially driven by political logic rather than policy imperatives, with more transfers given to politically competitive states. However, he does not study the distribution of *aportaciones* at the state-to-municipal level. To the best of my knowledge, the only empirical analysis of subnational redistribution of federal transfers after Vicente Fox's victory was conducted by Hernández-Trillo and Jarillo-Rabling (2008). They examine the 2002 distribution of FAISM, the poverty alleviation fund targeted toward the development of social infrastructure in municipalities, and find that governors have great discretion in how they allocate the money due to lack of monitoring institutions. They conclude that the distribution of FAISM is affected by factors besides purely objective policy considerations, but they do not attempt to test the effects of specific political variables in their analysis beyond suggesting that population size and electoral volatility in municipalities appear to be positively correlated to the amount of FAISM transfers received. Various scholars hypothesize that the intensification of political competition at the local level in the late 1990s may lead to an upsurge in the political manipulation of fiscal transfers by governors and state governments (Gibson 2004; Edmonds-Polis 2006; De Remes 2006). However, besides the study conducted Hernández-Trillo and Jarillo-Rabling, there has

been no comprehensive statistical analysis of state-to-municipal distribution of *aportacioness* since the 2000 round of elections. This paper seeks to contribute to the literature by providing empirical evidence on the practice of redistributive politics at the subnational level since Mexico's transition into a fully competitive democracy.

METHODOLOGY

This paper hopes to add to the literature on redistributive politics in Mexico by analyzing the distribution of earmarked conditional transfers (*aportaciones*) at the state-to-municipal level. The two conditional funds distributed to municipalities are FAISM and FORTAMUNDF. Because FORTAMUNDF is allocated on a strict per capita basis, my analysis of municipal *aportaciones* is limited to FAISM transfers.⁹ Designed as a means to fund infrastructure projects associated with poverty-reduction, FAISM transfers should be closely linked with the socioeconomic development levels of municipalities. The absence of this relationship or the

⁹My data agree with those of Diaz-Cayeros (2004), who found that the any discrepancy in the per capita distribution of FORTAMUNDF can be attributed to inconsistencies in population estimates.

presence of other significant variables might indicate the existence of redistributive politics and pork-barreling.

Using SPSS, I conducted linear regressions on the amount of FAISM transfers received by municipalities in 2000, 2003, and 2006. Because budgets are passed the year before, the 2000 distribution of federal transfers was determined in 1999, the last year before Mexico's full democratic transition. Likewise, the 2003 budget was created in 2002, after the PAN won the presidency and the plurality in the Chamber of Deputies in 2000 general elections. The third budget was determined in 2005, after the PRI won back control of Congress in the 2003 mid-term elections. Three sets of data are analyzed for each year. One analysis is performed on a data set of all municipalities. Additional analyses are conducted on data sets that differentiate for the partisan affiliation of governors, with one containing only municipalities in states controlled by PRI governors and the other comprising of municipalities in states controlled by non-PRI governors.

I constructed the data sets by compiling electoral, fiscal, and socioeconomic information on Mexico's 2400 plus municipalities. Election data were collected either from the Institute of Marketing and Opinion (IMO) or from state electoral institutions. All electoral figures apply to the executive branch of government (i.e., state governors and municipal presidents). I chose to use data from gubernatorial and mayoral elections because they are easier to obtain compared to data for legislative elections and because governors and municipal presidents generally have more authority, both formal and informal, than their legislative counterparts (Ward and Rodriguez 1999).

Budget and socioeconomic data come from the National Institute for Federalism and Municipal Development (INAFED). The study omits municipalities which do not provide sufficient budget or electoral data to compute all dependent and independent variables. For example, Oaxaca's 571 municipalities are not included in the study because the majority of them select government officials through non-partisan methods in accordance with the customs of the state's large indigenous population (Eisenstadt 2006). After weeding out ineligible municipalities, the total numbers of cases included in the 2000, 2003, and 2006 data sets are 1674, 1748, and 1791, respectively.

Variables

Dependent Variables:

The dependent variable in the study is the per capita amount of FAISM transfers received by a municipality from its state government.

Independent Variables:

Nine independent variables are tested in the regressions. Two socioeconomic variables are employed: the municipality's **Human Development Index** (HDI), the indicator compiled by the United Nations Development Program to measure socioeconomic development; and the municipality's **per capita GDP**. They serve as control variables for testing the presence of partisan bias and also assess how well the distribution of federal transfers follow their intended policy objectives. Of the two indicators, HDI is a better overall measure of development and poverty since per capita GDP does not take into account income inequalities or living conditions.

Since the stated purpose of FAISM is poverty alleviation through social infrastructure development, its redistribution should demonstrate negative association with the socioeconomic variables. The effects of these variables on federal transfers may differ if governors followed a political logic in determining fiscal redistribution. For example, the PAN is more popular among relatively well-off voters. Consequently, PAN governors may distribute more money to areas with higher per capita GDP and HDI in order to appeal to voters who are more likely to support their party in the future. The opposite may be true for PRI governors.

Another independent variable is the **per capita amount of tax collected** by the municipal government. This variable tests whether a municipality's fiscal self-sufficiency affects the quantity of transfers it receives from the state government. This variable only measures tax revenue retained by a local government (e.g., the property tax), not receipts of taxes collected in the municipality by and for the federal government. One might expect this variable to have a negative correlation with per capita FAISM received if governors followed a policy-logic in their distributions, since municipal governments less able to independently generate revenue might need more federal assistance in fighting poverty. If governors followed a political logic, tax collection should not affect fiscal redistribution, although it is plausible that politically savvy governors might target fiscally weak municipalities in order to make them more financially dependent on and politically subservient to the state government.

The **log of the municipality's population** tests whether preference is given to more or less populous municipalities. If the redistribution of funds is purely objective, there might be a negative correlation between this variable and FAISM received because less populous municipalities tend to be more rural and in need of more infrastructure. However, it is also plausible that infrastructure in more populous districts come in more frequent use and thus

requires more funds for repair and upkeep. This variable also has political implications. Municipalities that are less populous and more rural tend to be more susceptible to clientelist networks and more supportive of the PRI. More populous municipalities tend to be more urban and more inclined to vote for the PAN and the PRD (Dominguez and McCann 1996). Thus, if governors practiced redistributive politics, PRI controlled states might allocate more money to less populous municipalities, while states with non-PRI governors would target transfers toward more populous municipalities.

Five variables test for political bias in the allocation of federal transfers. If governors distributed funds based on purely objective policy criteria, these variables should not show statistical significance. The **political affiliation** of the municipal president relative to that of the state governor is a dummy variable that tests whether the governor favors municipalities associated with his or her own party. The variable assigns zeros to municipalities with mayors from the same party as the governor and ones to municipalities with presidents from a different party than the governor. A negative correlation for this variable would indicate that governors favored municipalities associated with their own party, which would demonstrate the presence of partisan bias. It would also imply the use of redistributive tactics predicted by the Core Voter Model, since governors would be favoring districts with high numbers of supporters.

The **deviation from average vote share** variable is the calculated difference between the percentage of votes received by the incumbent governor's party in a municipality and the overall percentage of votes received by the party in the state in the last round of municipal elections. A positive figure indicates the municipality supported the party more than the state average, while a negative figure signifies that the governor's party received below average support in the municipality. Positive correlation with this variable suggests that governors are risk averse and

send more money to politically safe municipalities. A negative correlation indicates that politicians are more willing to target politically risky municipalities with federal transfers. Although this variable by itself does not conclusively demonstrate the presence of either the Core Voter Model or the Swing Voter Model of redistributive politics, it serves as a good indicator of the logic behind the “investment strategies” of governors when distributing discretionary transfers.

The **change in municipal vote share** variable captures the difference in the percentage of votes received by the incumbent governor’s party in a municipality between the two most recent rounds of elections.¹⁰ A positive figure indicates that the governor’s party has been gaining electoral support in the municipality and vice versa. A positive correlation between vote change and federal transfers suggests a “consolidation” strategy of creating stable and durable electoral coalitions by rewarding and locking down new supporters. Negative association with this variable indicates a “buy back” strategy targeted toward stemming electoral losses and regaining recently lost voters. The implications of this variable does not fit neatly with either the Core Voter Model or the Swing Voter Model, although it seems plausible that parties that have experienced prolonged periods of electoral dominance would be more likely to employ the “buy back” strategy of redistributive politics.

The **absolute change in vote share** variable is equivalent to the absolute value of the change in municipal vote share and measures the net change in the percentage of votes received

¹⁰ On a technical note, this study encountered two instances of state governors being elected through a coalition between the PAN and the PRD (2001 gubernatorial elections in Chiapas and Yucatan). I treat these cases essentially as anti-PRI coalitions. I obtain the political variables for these cases by treating the states as though they contained PRI governors and then inverting the results of calculations. For example, the PolAff variable assigned 1 (opposition) to PRI municipalities and 0 (incumbent) to all other municipalities. DeviatAve was calculated by subtracting the PRI’s support at the municipal level from its support at the state level. Thus, negative figures indicate above average support for the PRI and below average support for the anti-PRI governor. A similar method was used to calculate the ChangeVote variable.

by the party of the state's governor in a municipality in the last two rounds of elections. It is used as a crude approximation of electoral volatility and assumes that voters who switched party support in the last round of elections are also more easily convinced to change their votes for the next election. Thus, a high value for this variable might indicate that the municipality has a large number of swing voters. A positive correlation between absolute change in vote share and the per capita distribution of FAISM transfers lends support to the Swing Voter Model of redistributive politics.

Finally, the **winning vote share** variable is the percentage of votes received by the winning mayoral candidate in the last round of municipal elections, regardless of party affiliation. This variable is used as a rough measure of a municipality's electoral competitiveness. The lower the vote percentage received by the winning party in the municipality, the more feasible it should be for opposition parties to compete and win in future elections in that municipality. The correlation between this variable and the distribution of federal transfers is a partial measure of the risk averseness of governors. A positive correlation, when combined with a negative coefficient for the political affiliation variable, suggests the presence of safe strategy of tactical redistribution, with governors allocating more money toward loyal municipalities that are relatively safe from electoral competition. On the other hand, a negative coefficient for this variable would indicate that, in accordance with the logic of the Swing Voter Model, discretionary transfers are being disproportionately targeted toward electorally competitive municipalities.

Potential Problems with Methodology

Several potential factors may cause errors for the analyses. The most obvious problem is the lack of reliable data for many municipalities. Many of Mexico's municipalities do not publish the budget and electoral data necessary for the study. This arrangement potentially creates a case selection bias, as the municipalities omitted from the study tend to be sparsely populated, rural, and poor.

Additionally, because the figures used to calculate the variables were compiled from different sources, discrepancies exist for the time periods in which the various data were collected. For example, the population figures used in the data sets are collected from the 2000 census, while all budgetary data (e.g., federal transfers received, tax revenue collected) are up-to-date for each year of analysis. The figures for the Human Development Index variable were also all calculated for the year 2000. These discrepancies and the use of out-of-date data may result in inaccuracies in the statistical analysis.

Finally, the political variables used in this study are somewhat blunt measures of redistributive politics. Recent scholars (Diaz-Cayeros 2008; Diaz-Cayeros, Estévez and Magaloni 2008) have employed more sophisticated and nuanced techniques to evaluate the politics of fiscal redistribution. However, the limited availability of time, resources, and technical knowledge prevents this paper from fully replicating their methods.

Despite these potential short-comings, this paper still provides useful contributions to the literature on redistributive politics and their applications in Mexico. The results of the statistical analysis presented here offers new empirical data on the politicization of fiscal transfers in Mexico for a historical period that has not received adequate scholarly attention.

Table 1. Summary of Independent Variables

Variable	Definition	Predicted Effects on FAISM Distribution by Various Models		
		Non-Partisan Distribution	Core Voter Model	Swing Voter Model
Human Development Index	indicating overall socioeconomic development	negative	dependent on party affiliation of governor	dependent on party affiliation of governor
Per capita GDP	Per capita GDP of municipality	negative	dependent on party affiliation of governor	dependent on party affiliation of governor
Per capita tax collected	Per capita figure of locally generated tax revenue for municipality, primarily measuring the collection of the property tax	negative	negative	negative

Log of population	Log of population of municipality	either	positive, dependent on party affiliation of governor	positive, dependent on party affiliation of governor
Political affiliation	Political affiliation of municipality relative to that of governor [0 = same party, 1 = different party]	no significance	negative	dependent on other variables
Deviation from average vote share	Municipality's support of the governor's party relative to its overall support in the state in the most recent round of elections [(%votes received by party in municipality) - %votes received by party in state]	no significance	positive	negative
Change in municipal vote share	Change in the municipality's support of the governor's party between the last two rounds of elections [(%votes received by party in most recent election) - (%votes received by party in election prior to most recent election)]	no significance	dependent on other variables	dependent on other variables
Absolute change in vote share	Electoral volatility of municipality [absolute value of change in municipal vote share]	no significance	dependent on other variables	positive but dependent on other variables
Winning vote share	Electoral competitiveness of municipality [%votes received by winning party in last municipal election regardless of political affiliation]	no significance	positive, dependent on other variables	negative, dependent on other variables

FINDINGS

This paper's analysis presents several findings. First, the redistribution of FAISM transfers follows the fund's policy objective of poverty alleviation to a significant degree, as the development level of a municipality is negatively correlated with the amount of money it receives. For all of the data sets, both before and after the PAN's landmark victories in 2000 and for both PRI and non-PRI governed states, regression analyses show HDI to be a highly significant and predictive variable for the per capita distribution of FAISM. These results demonstrate that, regardless of whether or not they practiced redistributive politics, subnational

political actors at the very least felt compelled to appear as if they were allocating FAISM transfers in accordance with official policy guidelines.

Second, although the level of socioeconomic development is a good predictor for the transfers of FAISM funds, political variables also affect their distribution. The significance of these variables show that the state-to-municipal redistributions of federal transfers were not conducted on a purely objective basis and that partisan bias also impacted how state governments allocated *aportaciones*.

Third, the effects of the political variables differ between states with PRI and non-PRI governors, meaning, in some cases, certain variables are significant for PRI-governed states but not significant for non-PRI governed states and vice versa. Although the findings are not conclusive, the analysis provides support for the Electoral Risk Model of redistributive politics. The regression analysis of the data set for the year 2000 is especially relevant, since federal transfers for that year were set in 1999, the last year of the PRI-hegemonic era of Mexican politics. The results of the 2000 analysis suggest that PRI governors, deeply entrenched in the political system as members of the dominant party, tend to follow the logic of the Core Voter Model when determining the targeted transfers of FAISM funds. The distribution of resources in their states disproportionately favors municipalities controlled by PRI mayors, indicating a risk-averse investment strategy targeted toward areas with large numbers of party supporters. On the other hand, in the same year, governors who were not members of the PRI employed a more aggressive method of tactical redistribution, targeting municipalities in which their parties had below average electoral support. Non-PRI governors also appear to favor localities with large numbers of swing voters, although that variable only approaches statistical significance. Overall, the Swing Voter Model of redistributive politics fits the distribution of

FAISM transfers in non-PRI governed states. This finding supports the Electoral Risk Model, since opposition parties in 1999 may still have been insecure about their political positions and consequently made more risky distributive investments in order to build new coalitions of supporters.

Fourth, the significance of the political variables on FAISM distribution changes over time. However, the changes do not occur uniformly between PRI- and non-PRI states. While the study does not reveal a clear pattern to the changes which occurred in the PRI-governed states, non-PRI state governments demonstrate a distinct shift in how they allocate discretionary transfers, seemingly switching from the logic of the Swing Voter Model to that of the Core Voter Model. This finding demonstrates an implicit corollary to Diaz-Cayeros' Electoral Risk Model that he does not explicitly address: if political entrenchment determines risk averseness and distributive tactics, then changing the degree of entrenchment will alter a political actor's perceptions of risk and, consequently, his or her methods of redistributive politics. In the case of Mexico, the landmark 2000 national elections resulted in informal changes in the practice and perceptions of politics, significantly altering the political entrenchment and risk averseness of political actors. For non-PRI politicians, Vicente Fox's historic victory signified the unambiguous final blow to the old dominant party system. Parties who have historically been relegated to be members of the permanent opposition could now feel more secure about their long-term electoral prospects. Consequently, non-PRI political actors began conducting redistributive politics with longer time horizons in mind, becoming more risk-averse and less likely to invest discretionary transfers in risky electoral bets.

Finally, the use of redistributive politics appears to decline toward the end of the Fox's administration, as few political variables demonstrating significance in the 2006 distribution of

FAISM transfers. This trend may demonstrate the effects of efforts to make the subnational distributions of federal transfers more transparent and efficient. Alternatively, it may indicate that subnational politicians became more creative and subtle in the methods they employed to manipulate Mexico's system of fiscal federalism for partisan purposes.

The remainder of this section provides detailed analyses of the results of the study, broken down by year and by party affiliation of state governors.

2000 – All states

Table 2. Determinants of per capita FAISM distribution in all states, 2000

Human Development Index (HDI)	-2175.249 (53.070)**
Per capita GDP	.001 (.000)**
Per capita tax collected	-.069 (.028)*
Log of population	2.29 (4.256)
Political affiliation	-32.620 (5.503)**
Deviation from average vote share	-1.123 (.198)**
Change in municipal vote share	.533 (.122)**
Absolute change in vote share	.461 (.173)**
Winning vote share	.462 (.189)*

Observations	1674
R-squared	.698
Standarderror in parentheses	

*significant at 5%; **significant at 1%

Analyzing the distributions of the 2000 set of FAISM transfers, which were determined prior to Vicente Fox's electoral victory, suggests that both policy and political considerations affected fiscal redistribution at the state-to-municipal level. The HDI variable is negative and strongly significant and predictive, demonstrating that the funds were at least partially distributed in accordance with the policy objective of poverty alleviation. The per capita GDP variable is also statistically significant, although it only has a slight effect on the dependent variable. The positive association between GDP and federal transfers received seems to suggest that state governments favor municipalities who are underperforming in their degree of socioeconomic development relative to their economic output. Per capita tax collection has a slight negative association with FAISM distribution, implying that the redistribution of *aportaciones* help those who cannot help themselves in the fight against poverty. Contrary to Hernández-Trillo and Jarillo-Rabling's study, this analysis does not find any link between population size and per capita FAISM transfers received.

While the level of socioeconomic development accounts for the 2000 FAISM distribution to a large degree, partisan considerations play a role as well. All five political variables demonstrate significance in the regression analysis. Political affiliation has a significant and negative relationship with the dependent variable, demonstrating that state governments demonstrated considerable bias in favor of municipalities with presidents of the same party

affiliation as the governor in determining the 2000 redistribution of federal transfers. This method of redistributive politics fits with the Core Voter Model logic.

On the other hand, the deviation from state-wide average vote share and change in municipal vote share variables are also both highly significant, with the former having a negative effect on FAISM distribution and the latter a positive effect. These results suggest that governors targeted distributions toward municipalities in which their party had below average electoral support but had also been gaining voters in recent elections. This redistributive tactic is relatively high-risk and contradicts the predictions of the Core Voter Model. The positive and significant effect of the variable measuring absolute change in the vote share received by the governor's party in the municipality in the two most recent rounds of elections provides further evidence for the Swing Voter Model, suggesting that governors targeted districts with relatively high electoral volatility.

Finally, the positive and somewhat significant coefficient for the winning vote share variable contradicts the Swing Voter Model, as it implies that state governments favor municipalities in which current incumbents won elections with relatively comfortable margins. It would not make sense for political parties employing Swing Voter tactics to target risky municipalities that have relatively high voter volatility but low electoral competitiveness.

Overall, the aggregate analysis of the 2000 distribution of FAISM produces contradictory results. Some political variables support the Core Voter Model logic while others support the Swing Voter Model logic. However, once the partisan affiliations of the governors are taken into account, the results begin to demonstrate clearer patterns.

2000 - PRI Governed States

Table 3. Determinants of per capita FAISM distribution in PRI governed states, 2000

Human Development Index (HDI)	-2096.844 (60.698)**
Per capita GDP	.001 (.000)**
Per capita tax collected	-.095 (.038)*
Log of population	6.371 (5.080)
Political affiliation	-38.145 (6.444)**
Deviation from average vote share	-1.032 (.274)**
Change in municipal vote share	.261 (.166)
Absolute change in vote share	.252 (.222)
Winning vote share	.397 (.227)
Observations	1291
R-squared	.687
Standarderror in parentheses	

*significant at 5%; **significant at 1%

The effects of the non-political variables on the distribution of FAISM in PRI governed states do not significantly differ from the results of the analysis involving all states. The influence of the HDI variable is slightly weaker while that of the tax revenue variable is slightly stronger, but the differences are marginal. More significantly, the effects of the political variables change to a considerable degree. The variables measuring change and absolute change in the vote share received by the governor's party in a municipality both lose statistical significance, indicating that PRI governors did not necessarily target municipalities in which their parties were gaining momentum or those which had relatively high electoral volatility. These results suggest that state governments controlled by the PRI did not employ the Swing Voter Model logic in allocating FAISM transfers.

The political affiliation variable has a strong effect on the dependent variable in PRI-governed states, as municipalities with mayors belonging to the PRI received considerably more FAISM transfers than those with non-PRI mayors. This finding fits the Electoral Risk Model's prediction that politically entrenched parties, like the long-time hegemonic PRI, employ risk-averse methods of tactical redistribution which target funds toward core supporters.

Deviation from average vote share continues to be significantly and negatively associated with FAISM distribution received. Generally, this result would contradict the Core Voter Model of redistributive politics, since it indicates that money is being disproportionately transferred to municipalities with below average electoral support for the PRI rather than to the party's political strongholds. However, given the effects of the political affiliation variable, an alternative interpretation of the data may be that the PRI favored municipalities under its control but in which they were electorally underperforming. In that case, the Core Voter Model still presents a better fit for the situation than the Swing Voter Model since PRI governments are not targeting swing voters but instead focused on maintaining control of PRI municipalities.

Although the winning vote share variable only approaches, but does not reach, significance, it could still be interpreted as providing support for the Core Voter Model. The results suggest that less electorally competitive municipalities actually receive relatively more federal transfers from PRI-controlled state governments. In combination with the effects of the other political variables, the effects of the winning vote share variable tentatively imply that the PRI targets party-controlled municipalities that demonstrate below average support for the PRI but nevertheless remain relatively safe from political competition. This logic of political redistribution fits with the Electoral Risk Model's contention that long-lasting hegemonic parties

are risk averse and seeks first and foremost to prevent future voter defection rather than build new coalitions of supporters.

2000 - Non-PRI Governed States

Table 4. Determinants of per capita FAISM distribution in Non-PRI governed states, 2000

Human Development Index (HDI)	-2771.968 (148.348)**
Per capita GDP	.003 (.000)**
Per capita tax collected	-.045 (.036)
Log of population	-4.274 (7.517)
Political affiliation	-3.110 (10.365)
Deviation from average vote share	-1.063 (.296)**
Change in municipal vote share	1.210 (.204)**
Absolute change in vote share	.550 (.285)
Winning vote share	.193 (.373)
Observations	383
R-squared	.694
Standarderror in parentheses	

*significant at 5%; **significant at 1%

The results of the analysis on states governed by non-PRI parties differ considerably from those of the two previous regressions. HDI remains significant and negatively correlated with FAISM funds received, indicating the continuing presence of the policy logic. However, per capita tax revenue collection loses significance in this data set, suggesting that non-PRI governors did not demonstrate concern with strengthening fiscally weak municipalities. After controlling for the level of development, per capita GDP shows a stronger positive association with the dependent variable in non-PRI states than in states with PRI governors. One possible explanation for this discrepancy is that the result reflects the preferences of the PAN, which governed most of the opposition states at this time. The PAN generally appealed to more affluent voters, and the bias

toward relatively richer municipalities might demonstrate a redistributive strategy of targeting discretionary funds toward areas most likely to support the PAN in future elections (Dominguez and McCann 1996).

The effects of the political variables in this regression provide additional support for the Electoral Risk Model of redistributive politics, as they demonstrate significant differences from the analysis of municipalities in PRI-governed states. The political affiliation variable loses all significance in non-PRI states, which might indicate that non-PRI governors demonstrated less political bias in their redistribution of federal funds. However, an alternative explanation is that governors from opposition parties were more willing to risk investing in municipalities not controlled by their own party in order to attract new supporters. The second interpretation is supported by the significance of other political variables, confirming the view that, regardless of political affiliation, governors cannot be counted on to be strictly objective in determining fiscal redistributions (Edmonds-Poli 1997). The negative effect of deviation from average vote share and positive effect of change in municipal vote share are both amplified in non-PRI states, indicating that opposition governors aggressively targeted municipalities in which they held below average vote shares but had recently been gaining support. The absolute vote share variable has a positive effect on the distribution of federal transfers and approaches significance, suggesting that non-PRI governors targeted municipalities with high electoral volatility and greater numbers of swing voters. Finally, the winning vote share variable loses all significance when the analysis is confined to non-PRI states, eliminating the paradoxical results of the analysis on all municipalities in 2000.

These results provide strong support for the Electoral Risk Model, which predicts that incumbents who are relatively insecure in their political positions take more risks in distributing

discretionary transfers in order to build new electoral coalitions. When determining the subsequent year's distribution of FAISM funds in 1999, non-PRI governors appear to have employed the Swing Voter Model logic of redistributive politics, targeting high-risk, high reward municipalities in which transfers of public funds could potentially mean the difference between electoral victory or defeat in the short-term. Prior to Vicente Fox's election in 2000, non-PRI governors may still have felt themselves to be in precarious political positions relative to the long-dominant PRI. Consequently, they responded by aggressively reaching out to potential swing voters rather than heavily investing in opposition districts in which they were gaining popularity, rather than imitate the redistributive tactics of the PRI and limiting themselves to "safe" investments in areas with high numbers of loyal supporters.

Overall, the results from the 2000 FAISM distribution provide considerable evidence for the Diaz-Cayeros' argument that incumbents from different parties employ different strategies of redistributive politics. Governors from the long-hegemonic PRI were more risk averse and concentrated on using discretionary transfers to stem electoral decline in PRI-controlled municipalities. On the other hand, governors from opposition parties distributed FAISM in order to lock down new supporters and reach out to potential swing voters, making risky investments in municipalities in which they had below average support but had made recent electoral gains.

2003 -All States

Table 5. Determinants of per capita FAISM distribution in all states, 2003

Human Development Index (HDI)	-2867.974 (62.42)**
Per capita GDP	.001 (.000)**
Per capita tax collected	-.080 (.006)**
Log of population	10.792 (5.293)*
Political affiliation	1.120 (6.804)
Deviation from average vote share	1.000 (.265)**

Change in municipal vote share	-0.530 (.177)**
Absolute change in vote share	.423 (.236)
Winning vote share	.206 (.276)
Observations	1748
R-squared	.714
Standarderror in parentheses	

*significant at 5%; **significant at 1%

The logic behind the distribution of FAISM funds changed significantly in the 2003 budget after the PAN assumed control of both the presidency and the Chamber of Deputies. The effects of the non-political variables remain roughly the same. The HDI variable continues to be negative and strongly associated with FAISM distribution. The ability to generate local tax revenue also remains a negative and significant predictor of FAISM transfers, although its effects appear to be stronger in 2003 than in 2000. The slight positive association between per capita GDP and federal transfers remains significant. The main change in the results for the non-political variables occurs with the effects of the population variable, which, for the first time, becomes statistically significant. There is a positive relationship between the log of a municipality's population and the amount of per capita FAISM distribution it received in 2003, indicating that relatively populous municipalities received disproportionately high amounts of federal funds. It is plausible that the infrastructure of more populous municipalities requires more upkeep and repair because of frequent use. However, according to Hernández-Trillo and Jarillo-Rabling (2008), this distribution could also be interpreted as a political tactic of investing more discretionary funds in areas with greater numbers of registered voters, thus maximizing the potential vote-buying effects of redistributive politics.

The most striking difference between the 2000 and 2003 analyses is an apparent change in the methods of redistributive politics employed by subnational political actors. The political affiliation variable loses all significance in 2003. The deviation from state-wide average vote share and change in municipal vote share variables remain significant, but the signs of their coefficients are switched compared to the results of the 2000 analysis, indicating a clear shift in the politics of fiscal redistribution. In 2003, state governments distributed more FAISM funds to municipalities in which the governor's party received above average electoral support. Additionally, fiscal redistribution favored municipalities in which the governor's party had recently been losing voters. Both trends are reversed from the distributions of federal transfers in 2000. Instead of targeting municipalities in which they had disproportionately low but growing support, state party organizations appear to have shifted to a strategy of investing in areas with relatively high but declining electoral support. These results suggest that state governments became more risk averse in 2003 and followed the redistributive logic of the Core Voter Model by targeting transfers toward political strongholds in which they were showing signs of political decline. Like before, breaking down the analysis by the partisan affiliation of state governors provides further insights into the 2003 distribution of FAISM.

2003 - PRI States

Table 6. Determinants of per capita FAISM distribution in PRI governed states, 2003

Human Development Index (HDI)	-2900.220 (76.223)**
Per capita GDP	.001 (.000)**
Per capita tax collected	-.126 (.038)**
Log of population	9.448 (7.028)
Political affiliation	3.441 (9.280)

Deviation from average vote share	-0.293 (.501)
Change in municipal vote share	.414 (.272)
Absolute change in vote share	.422 (.318)
Winning vote share	1.006 (.454)*

Observations	1042
R-squared	.732
Standard error in parentheses	

*significant at 5%; **significant at 1%

The most striking result of the regression on the 2003 FAISM distribution in states governed by the PRI is the lack of significant political variables. In the 2000 PRI analysis, political affiliation and deviation from average vote share both affected the dependent variable, while the winning vote share variable approached significance. In 2003, winning vote share is the only significant political variable. It is positively associated with the distribution of FAISM funds, suggesting the possibility that PRI governors were risk averse and targeted core voters in electorally safe municipalities. However, the lack of any other meaningful political variables makes it difficult to draw conclusions from the results. The apparent lack of partisan considerations in the distribution of FAISM transfers in 2003 is somewhat puzzling and is discussed in further details after the presentation of the results of the analysis on municipalities in non-PRI states.

The non-political variables demonstrate essentially the same effects in PRI governed states as they do in the analysis for all states in 2003. The only difference is the lack of significance of municipal population for the distribution of FAISM in PRI states, although the variable still shows a positive effect.

2003 - Non-PRI States

Table 7. Determinants of per capita FAISM distribution in non-PRI governed states, 2003

Human Development Index (HDI)	-2693.071 (123.429)**
Per capita GDP	.001 (.000)**
Per capita tax collected	-.061 (.007)**
Log of population	6.577 (8.043)
Political affiliation	-5.864 (9.902)
Deviation from average vote share	.775 (.347)*
Change in municipal vote share	-.960 (.276)**
Absolute change in vote share	.596 (.352)
Winning vote share	.140 (.373)
Observations	706
R-squared	.662
Standarderror in parentheses	

*significant at 5%; **significant at 1%

As in 2000, PAN and PRD governors differ from their PRI counterparts in how they distributed FAISM transfers in the 2003 budget. The non-political variables demonstrate their usual effects, with HDI being the best indicator of *aportaciones* received. Per capita GDP and tax revenue remain significant, with both variables displaying stronger effects on the redistribution of federal transfers than in the 2003 PRI states analysis.

Unlike in PRI states, several political factors affect resource distribution in states with non-PRI governors. The deviation from average vote share and change in municipal vote share variables are statistically significant. However, the signs of those variables' coefficients are the opposite of what they were in the 2000 non-PRI analysis. This change shows that non-PRI governors altered the political logic they employ to determine fiscal redistribution between 2000 and 2003 and suggests that PAN and PRD politicians became more risk averse in their

investment strategy of targeted transfers. Instead of attempting to attract swing voters and new supporters, the former opposition parties used their discretionary transfers to stem recent losses in municipalities that may be considered relative electoral strongholds. This strategic shift demonstrates an implication of Diaz-Cayeros' Electoral Risk Model of redistributive politics that he does not address: as former challengers to the hegemonic party become more entrenched in the political system, they become more risk averse and may change their political redistribution tactics accordingly. In the case of Mexico, the Vicente Fox's landmark victory in 2000 served as a signal that the supremacy of dominant party authoritarian system which had characterized country for most of the 20th century was permanently over. Parties that used to be part of the "permanent opposition" under PRI hegemony began to feel more confident about their abilities to compete with the PRI in the long-term. Consequently, rather than pursue immediate short-term electoral gains at the risk of upsetting the long-term stability of their electoral coalitions, as they appeared to do with the 2000 distribution of federal transfers, the PAN and the PRD became more risk-averse in 2003 and shifted to a Core Voter strategy of consolidating the long-term loyalty of the parties' supporters.

While the change in the redistributive strategies of the PAN and the PRD is theoretically plausible and logical, the presence of partisan bias in transfer redistribution in non-PRI states makes the lack of such bias in PRI governed states all the more puzzling since it indicates that there was not a systematic shift toward a strictly objective process of fiscal redistribution in 2003. It does not seem satisfactory to attribute the lack of overt political bias in PRI states to the PRI's status shift from dominant party to opposition party. The PAN and the PRD were opposition parties in 1999, but they still practiced redistributive politics when determining the 2000 budget. Additionally, case studies suggest that governors had more discretion in determining resource

distribution after the end of PRI hegemony (Rodríguez and Ward 1999; Gibson 2004; De Remes 2006). Thus, it seems odd that the PRI, which has ample experience with the manipulation of government resources, would stop employing redistributive politics at the subnational level after Fox won the presidency.

There are several possible explanations for this situation. One obvious possibility is that the PRI began using more subtle political criteria in determining the distribution of federal transfers which are not captured by this paper's analysis. Alternatively, PRI governors may have continued to politically manipulate fiscal redistribution, but, without the top-down structure of authority provided by the president during the era of PRI hegemony, they lacked coordination in how they practiced redistributive politics (Langston 2003). Thus, systematic analysis of state-to-municipal transfers may not be able to discern any distinct trends in fiscal redistribution because the logic and tactics differed so much from state to state. A final and somewhat related explanation derives from De Remes' (2006) observation that alternation of power at the state level increases the importance and saliency of local issues rather than national issues in subsequent elections. Consequently, subnational politicians who have experienced change in local government are more cognizant of the workings of regional politics and more likely to use whatever means available to appeal to the local interests of their constituencies, including the pork-barrel distribution of public investments. Thus, it is plausible that the practice of redistributive politics occurs more visibly in non-PRI states because, by definition, alternations of power have taken place in those states. Governors in these states may have more familiarity with the logistics and importance of tactical redistribution deployed to fit local political imperatives. PRI governors who have never been through an alternation of power do not have this awareness and, no longer having the guidance of a strong and vertically structured party

organization, may lack the experience to play the game of **local**, rather than **national**, politics.

Overall, the practice of redistributive politics, or lack thereof, in PRI-governed states after Mexico's democratic transition merits more research.

2006 - All States

Table 8. Determinants of per capita FAISM distribution in all states, 2006

Human Development Index (HDI)	-3557.885 (122.565)**
Per capita GDP	-.002 (.000)**
Per capita tax collected	.013 (.020)
Log of population	24.081 (12.668)
Political affiliation	-8.296 (14.329)
Deviation from average vote share	.766 (.761)
Change in vote share	2.084E-5 (.000)
Winning vote share	-.138 (.748)
Observations	1790
R-squared	.479
Standarderror in parentheses	

*significant at 5%; **significant at 1%

Excluded because of collinearity: Absolute change in vote share

The 2006 distribution of FAISM funds demonstrates another shift in the logic behind subnational fiscal redistribution. Unlike in previous years, none of the political variables demonstrate significance for the 2006 set of transfers. This result may indicate that Vicente Fox's fulfilled his pledge to enhance the transparency, efficiency, and objectiveness of Mexico's system of fiscal federalism. Alternatively, it might mean that political parties became more subtle in how they practiced redistributive politics and employed methods which do not depend on the political indicators employed in this study.

Several non-political variables remain significant. The Human Development Index remains the best predictor of FAISM distribution, although the association is not as strong as in previous years. However, this shift may be due to shortcomings in the data employed by the study, as the HDI figures were calculated for the year 2000 and may have been somewhat out of date by 2006. For the first time, the per capita GDP variable's demonstrates a negative effect on the dependent variable, signifying that, when the level of development is controlled for, municipalities with lower income receive relatively more *aportaciones*. However, as before, the effect of the GDP variable is very small and may be not be truly meaningful since much of its significance is captured by the HDI variable. Finally, population size has a positive and marginally significant effect on FAISM distribution, although the implications of this result remain unclear.

2006 - PRI States

Table 9. Determinants of per capita FAISM distribution in PRI governed states, 2006

Human Development Index	-3151.149 (129.421)**
Per capita GDP	-.001 (.000)**
Per capita tax collected	-.005 (.022)
Log of population	-8.473 (13.091)
Political affiliation	-7.077 (17.272)
Deviation from average vote share	.955 (1.090)
Change in vote share	.497 (.539)

Absolute change in vote share	.433 (.755)
Winning vote share	.865 (.973)
Observations	993
R-squared	.554
Standarderror in parentheses	

*significant at 5%; **significant at 1%

The results of the analysis on municipalities in states governed by the PRI are virtually identical to the analysis involving all municipalities. The only discrepancy is loss of significance of the variable measuring municipal population. As in the 2003 analysis, none of the political variable significantly affects the distribution of FAISM in the 2006 data set. These results run counter to qualitative studies which provide several accounts of PRI governors manipulating government resources for partisan purposes (Gibson 2004). More research on the subject is necessary before any firm conclusions may be drawn.

2006 - Non-PRI States

Table 10. Determinants of per capita FAISM distribution in non-PRI governed states, 2006

Human Development Index	-4233.798 (260.873)**
Per capita GDP	-.002 (.001)*
Per capita tax collected	.034 (.036)
Log of population	88.110 (24.805)**
Political affiliation	-5.750 (24.008)

Deviation from average vote share	-0.745 (1.175)
Change in vote share	.000 (.001)
Winning vote share	-2.959 (1.307)*
Observations	993
R-squared	.554
Standarderror in parentheses	

*significant at 5%; **significant at 1%

Excluded because of collinearity: Absolutechange in vote share

The implications of the results of the regression on the 2006 FAISM distribution in states governed by the PAN and the PRD are unclear. The HDI and per capita GDP variables demonstrate similar effects in this analysis as they do in the other two data sets for 2006. However, unlike in states governed by the PRI, municipal population has a positive and statistically significant relationship with the distribution of FAISM transfers, indicating that PAN and PRD governors disproportionately transfer funds to more populous municipalities. This discrepancy between PRI and non-PRI states suggests that the association between population and federal transfers received is due to partisan bias rather than policy considerations. The political explanation is plausible since populous municipalities are typically more urbanized, and the PAN and PRD generally receive more electoral support in urban areas than the PRI (Dominguez and McCann 1996).

The winning vote share variable also has a statistically significant effect on the 2006 distribution of FAISM in non-PRI states, with more fiscal resources being sent to localities that have high degrees of political competition. This variable by itself does not have much explanatory power, but its significance and that of the population variable suggest that, despite Fox's efforts, the practice of redistributive politics remains present to some degree in the

redistribution of federal transfers at the state-to-municipal level in Mexico. However, it remains puzzling why political bias may be discerned in states governed by the PAN and the PRD but not in PRI-controlled states.

CONCLUSION

The paper's main arguments be summarized as such: 1) The distribution of FAISM funds at the state-to-municipal level from 2000 to 2006 followed the policy objective of poverty alleviation to a substantial degree; 2) political bias also affected the distribution of federal transfers both before and after 2000 election; 3) redistributive strategies differ between PRI and non-PRI state

party organizations, supporting the Electoral Risk Model of redistributive politics; 4) the logic of partisan manipulation changes over time for both PRI and non-PRI state governments, demonstrating a previously unstudied implication of the Electoral Risk Model; and 5) the politicization of FAISM transfers appear to decline in the later stages of the Fox administration. Findings 1, 2, and 5 presents new evidence on the practice of redistributive politics in Mexico since the country's democratic transition while findings 3 and 4 contributes to the literature on redistributive theories in general.

Perhaps the most interesting finding presented in this paper is how politicians may quickly and dramatically alter their redistributive strategies to fit changes in the broader political system. This effect is most evident in the shift in the methods employed by non-PRI political actors to determine tactical redistribution between the 2000 and 2003 budgets. The 2000 FAISM distributions were determined in 1999, prior to Mexico's transition into a fully competitive democracy. At that time, the PAN and the PRD may still have felt uncertain about their own political positions relative to that of the long-dominant PRI and responded by aggressively targeting discretionary transfers toward municipalities with high numbers of swing voters. This stands in marked contrast from the PRI's investment strategy in 2000, when they acted according to the logic of the Core Voter Model of redistributive politics and invested FAISM funds in relative electoral strongholds. Following the politically and symbolically important victory of Vicente Fox in 2000, the PAN and the PRD felt more politically secure, placed greater emphasis on long-term party development, and became more risk-averse in how they invested discretionary spending.

These findings support Diaz-Cayeros' Electoral Risk Model of redistributive politics. The case of Mexico suggests that the Core Voter Model and the Swing Voter Model are not

mutually exclusive. Instead, the two models are applicable in different situations. Entrenched players in the political system are more risk-averse and tend to employ the Core Voter strategy, while politicians in electorally insecure situations are more likely to make risky investments of discretionary transfers targeted toward swing voters. Additionally, politicians may even shift between the two models as political circumstances change.

Although this paper presents a first step into analyzing subnational resource distribution in Mexico during the Fox administration, more research is needed in order to reach firm conclusions on the subject. In particular, the development of various state party organizations of the PRI after Vicente Fox's victory in 2000 merits scholarly attention. The lack of significant political indicators in the analyses of FAISM distributions in PRI states in 2003 and 2006 is puzzling given the PRI's past history and the presence of partisan bias in the analyses of the distributions in non-PRI states during those years. Further qualitative and quantitative studies are needed to determine whether the PRI abandoned the use of redistributive politics at the subnational level after 2000 or simply adjusted to more subtle methods of political manipulation.

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