



**POLICY MAKING UNDER DIVIDED  
GOVERNMENT IN MEXICO**

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**Working Paper #305 - March 2003**

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## ABSTRACT

Without a majority in the Congress, the president's party loses the ability to direct policy change. With only one-third of the vote, the president's party can prevent any initiative from turning into law. Individual opposition parties gain influence under divided government but lack the power to veto policy change. Contrary to what critics of Presidentialism have argued, political parties in presidential regimes do not lack incentives to cooperate and build policy-making coalitions. Coalition building depends on the potential gains of cooperation that both the president's party and the opposition parties can capture if they modify the status quo. Two sufficient conditions for coalition building can be identified: an extreme position of the status quo, and the location of the president's party at the median position. This explains law change and the size of lawmaking coalitions under divided government in Mexico.

**Keywords:** Presidentialism, coalition, policy making, deadlock, parties, democracy.

## RESUMEN

Sin una mayoría en el Congreso, el partido del presidente pierde la capacidad de orientar el cambio en las políticas. Con solamente un tercio de los votos, el partido del presidente puede evitar que cualquier iniciativa se convierta en ley. En condiciones de gobierno dividido, cada partido de oposición gana influencia pero carece del poder para vetar los cambios en las políticas. En contra de lo que los críticos del presidencialismo han sostenido, los partidos políticos en los sistemas presidenciales no carecen de incentivos para cooperar y construir coaliciones para formular políticas. La construcción de coaliciones depende de los beneficios potenciales de la cooperación que pueden capturar tanto el partido del presidente como los partidos de oposición si modifican el *statu quo*. Pueden identificarse dos condiciones suficientes para la construcción de coaliciones: Una posición extrema del *statu quo* y la ubicación del partido del presidente en la posición mediana. Esto explica el cambio de leyes y el tamaño de las coaliciones legislativas bajo condiciones de gobierno dividido en México.

**Palabras clave:** presidencialismo, gobierno dividido, coalición, formulación de políticas, partidos de bloqueo, democracia.

## INTRODUCTION

Critics of presidential regimes have warned about the path Mexico is following in its transition from authoritarianism to democracy. They argue that presidential regimes are prone to policy deadlock and ungovernability. The separate formation and “survivability” of the executive and the cabinet with respect to the legislature is pointed out as a regular source of conflict between the policy-making branches of government (Linz, 1990; 1994). This conflict has the potential to inhibit policy change, leading to what has been termed immobilism, government paralysis or policy deadlock. Presidential democracy is vulnerable because the inability to deliver policy change represents a threat to the stability of democratic regimes. When democracy fails to respond to demands for change, political actors face incentives to seek authoritarian solutions outside the constitutional order. This problem is particularly acute in crisis-prone societies such as those of Latin America.

The argument concerning the vulnerability of presidential democracy applies specially to the combination of Presidentialism and multipartyism, the “difficult combination” as Mainwaring (1993) termed it.<sup>1</sup> If the number of relevant parties in the system is greater than two, the probability of the president’s party ending up without a majority in the legislature rises substantially. The shorter the presidential contingent falls from having majority status in the legislature, the greater the propensity for deadlock and paralysis (M. Jones 1995). This problem of divided government under presidential regimes—according to the critics—stems from the absence of sufficient incentives for political parties to cooperate and build policy-making coalitions.

The argument concerning the vulnerability of multiparty presidential democracies rests, however, on generalizations about coalition making, based solely on regime type and electoral incentives. The argument pays no attention to the role of policy preferences in coalition building nor to the specific distribution of policy-making authority established by the constitution. Also, the argument suggests that we should expect less policy change under divided government than under unified government, but does not specify the conditions that lead to successful coalition building or to policy deadlock in the absence of a single party majority in the legislature.

This paper develops a theory of coalition making under divided government that incorporates both the institutional arrangements regulating the legislative process and the policy preferences of relevant political actors. The central question that this theory tries to answer is: for a multiparty presidential democracy in which the president has a veto power that can only be overridden by a two-thirds majority in the legislature, what are the conditions leading to policy change?

The paper argues that, contrary to the view advanced by the critics of Presidentialism, political parties under divided government do not lack in incentives to cooperate and build policy-making coalitions. Coalition building depends on the potential gains of cooperation for both the president’s party and the opposition parties. Using non-cooperative game theory, two

sufficient conditions for coalition building can be specified: an extreme position of the status quo and the location of the president's party at the median position. The paper uses Mexico as a case study. The Mexican case is relevant because democratization was coincident with the development a competitive multiparty system and the experience of divided government is likely to turn into a regular feature of this new presidential democracy.

### **Constitutional Veto Players**

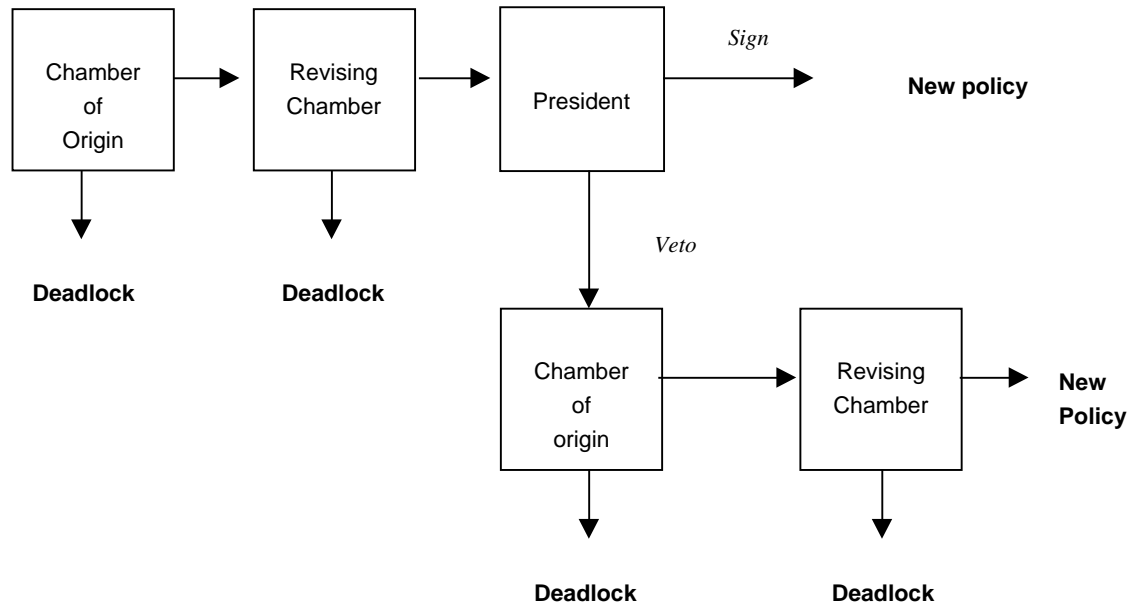
Constitutions structure the policy-making process by defining the following: 1) the stages a bill has to go through to become the policy of the government, 2) the actors who take part in the process, and 3) the powers these actors have to influence policy outcomes. In analyzing the structure of the policy-making process, Tsebelis's concept of "veto players" is particularly useful. Veto players are those individual or collective actors whose consent is required to introduce a new policy (Tsebelis 1995). Together they form the policy-making circuit. Collective veto players such as legislatures and supreme courts grant their consent to new policies through decision making by majority and, in some cases, qualified majorities.

The Mexican constitution establishes not one single policy-making procedure but several, depending on the type of legislative input required. Each procedure varies both in the number of constitutional veto players involved and in the size of decisive coalitions in the Congress. If the adoption of a new policy requires amendments to the Constitution, the initiative has to gain the approval of two-thirds of both chambers of the Congress—the Chamber of Deputies and the Senate—and be ratified by 16 of the 31 state legislatures. This procedure has been intentionally designed to provide constitutional law with a greater degree of stability than ordinary legislation. The procedure has also been used as an instrument to maintain long-term commitments with some policies, such as the nationalization of the oil industry, land reform, and the state monopoly of the energy sector, to mention a few.

On the other hand, if the introduction of a new policy does not require constitutional amendments, the procedure is less complicated. It only involves three veto player—the Chamber of Deputies, the Senate and the president of the Republic. Nonetheless, as Figure 1 shows, there are also multiple veto points in the ordinary policy-making procedure. At each veto point an initiative  $x$  can either advance to the next stage or be discarded with the status quo policy  $q$  remaining unaltered. In other words, in each veto point there is a veto player deciding between  $x$  and  $q$ . Failure to enact  $x$  does not necessarily mean that the government has no policy, since the executive branch is still bound by existing legislation to implement  $q$ .<sup>2</sup>

Figure 1

## Constitutional Veto Points



The ordinary policy-making procedure requires only that a majority in the Chamber of Deputies, a majority of the Senate and the president of the Republic agree on an alternative to the existing policy. That is to say, they all prefer a new policy  $x$  over  $q$ . If agreement cannot be reached it will not be the end of the story, but the process will become more complicated. The Chamber of Deputies and the Senate each have an unqualified veto power. If there is not a majority in each of these bodies backing  $x$ , there is nothing the president or the other chamber can do:  $q$  will necessarily prevail. The Mexican Constitution imposes the inescapable necessity of bicameral cooperation and does not authorize the president to legislate by decree circumventing the Congress.<sup>3</sup>

The presidential veto power, on the other hand, is strong but limited, since it is subject to a supermajoritarian override. The president has the authority to revise and stop the promulgation of bills passed by the Congress. Bills vetoed by the president must be returned to the originating chamber together with the chief executive's observations. If the two chambers of the Congress approve the same bill again by two thirds of the vote, the president is constitutionally bound to promulgate it into law. In other words, the Constitution makes the Congress the most powerful actor in the law-making process by giving it the power to prevail over the executive branch.

However, the importance of the presidential veto in the policy-making process should not be underestimated. The president needs only the support of one-third of the members of one of the chambers to uphold his veto against the will of the majority in the Congress. With the backing of 167 deputies or 43 senators, the president can prevent policy change even if a majority of congressmen prefer  $x$  over  $q$ .

The budgetary process differs in several respects from what has been termed the ordinary policy making procedure. The budget is a package of interrelated bills that go individually through different procedures. Two pieces of legislation are central to the budget process: the public expenditure bill and the public revenue bill.<sup>4</sup> The president of the Republic has the exclusive right of initiative over these bills. However, whereas the revenue bill has to be approved by both chambers of the Congress, the public expenditure bill only passes through the Chamber of Deputies. Since the approval of the expenditure bill is an exclusive prerogative of the Chamber of Deputies and not of the Congress as a whole, a controversy has arisen among students of constitutional law about whether or not the president has the authority to veto it. So far this controversy has been merely academic, since the presidential veto has not been used on public expenditure bills for the last seven decades (Weldon 1998).<sup>5</sup>

Another distinctive characteristic of the budget process is the value of  $q$ . Since the Constitution provides that the authority to disburse public funds and collect public revenues can only be granted on an annual basis, the government cannot implement any financial program at all if the revenue law and the budget project are not approved before the beginning of the new fiscal year. This is a special situation in which the reverse point takes on an extreme value of zero revenues and zero expenditures. This provision was intentionally designed to remove the pro-status quo bias that prevails in the ordinary policy-making procedure.

### **Political Parties and the Policy Process**

An analysis of the policy-making process cannot be complete if we look only to the formal or constitutional players. Political parties mold the operation of legislatures and their relationship with the executive branch of government. As Duverger argued in his seminal study of political parties, “the degree of separation of powers depends more on the party system than on constitutional provisions” (1957: 149). Accordingly, to find out the real number of relevant players in the policy-making process we need to look at the number of parties controlling constitutional veto points and their degree of coherence.

If parties are coherent actors, they take on overriding significance in the analysis of decision making. Tsebelis (1995) describes the impact of coherent parties on policy making as the “absorption rule.” Once institutional veto players have been identified, the real number of veto players increases or diminishes depending on the number of relevant parties in the system. Assuming a unicameral legislature, parliamentary systems typically have a single veto player. In practice, the real number of veto players can increase substantially depending on the number of

partners involved in the governing coalition. A presidential system with a bicameral legislature typically has three veto players. However, under unified government the real number of veto players can go down to one, assuming the parties are coherent.

Party coherence is affected by a number of factors but institutional incentives play a significant role in structuring the relationship between individual legislators and party leaders. In general, party unity tends to be higher in parliamentary systems than in presidential systems (Diermeier and Feddersen 1998; Laver and Shepsle 1999). But the structure of incentives and disincentives derived from electoral institutions also play a significant part in explaining levels of party unity. Party unity typically reflects the relative importance of the party label vis-à-vis the personal reputation of individual candidates in achieving elective office and pursuing successful political careers (Cain, Ferejohn and Fiorina 1987; Cox and McCubbins 1991). To the extent that the personal characteristics of candidates matter in defining the chances to win legislative office, individual legislators enjoy a greater degree of independence from party leaders. On the other hand, if winning elective office depends primarily on the party label, individual legislators face little incentive to act independently of their parties. Party leaders are regularly entrusted with powers to induce individual legislators to contribute to the collective good that all members of the same party share—the collective reputation of the party.

The relative importance of the party label vis-à-vis the personal reputation of individual candidates depends primarily on the institutional arrangements that regulate legislative elections. Some institutions, such as single-member districts and the plurality system, are said to encourage the cultivation of a personal vote, whereas large district magnitude and closed lists make individual politicians more dependent on the party label (Cain, Ferejohn and Fiorina 1987; Shugart and Carey 1992).

In Mexico, electoral institutions clearly render politicians seeking office in the Chamber of Deputies and the Senate highly dependent on the party label. The personal vote in congressional elections has very little significance in the strategies of individual legislators to advance their careers, primarily because running for reelection in consecutive terms is prohibited. Since individual legislators have neither the motivation nor the opportunity to keep a close connection with their constituencies, the party label has overriding significance in determining voter behavior. Therefore, the party label is of fundamental importance for individual politicians in pursuing long and successful careers.<sup>6</sup>

Given the structure of electoral incentives, we can assume party coherence at the following three levels in Mexico:

- 1) There is coherence *within* the parliamentary fractions of each party, both in the Chamber of Deputies and the Senate. Parliamentary fractions tend to behave as unitary actors for two reasons: a) Mexican legislators operate within an institutional framework that provides for the “collective” responsibility of political parties before the electorate. The institutional mechanisms for individual electoral responsibility are absent, since legislators cannot run for reelection in



consecutive terms. Voters can only pass judgement on the collective performance of political parties. b) party leaders control powerful instruments to sanction and reward individual legislators.

2) We can assume coherence between the parliamentary fractions of the same party in the Chamber of Deputies and the Senate. They do not constitute different actors despite the fact that they serve in different bodies. Senators and *diputados* are agents of the same principal—the party organization headed by the national executive committee (CEN). Senate and Chamber of Deputies delegations are subject to the same set of electoral incentives and party leaders use similar instruments to maintain the agency relationship.<sup>7</sup>

3) There is coherence between the presidency and the party delegations to the Senate and the Chamber of Deputies. Interbranch coherence stems from the relationship between the presidency of the Republic and the party organization. During the long- lasting period of single party dominance over Mexican politics, chief executives could prevail over alternative sources of leadership within the Institutional Revolutionary Party (PRI). Presidential leadership over the national organization of the PRI was a stable equilibrium since the late 1930s (Weldon 1997; Casar 1999).

The sources of presidential leverage, however, are institutional. First, the presidential office has control over enormous patronage and clientelistic resources that make the chief executive a dominant player in party politics. There is not an alternative source of leadership with comparable political power within the president's party executive. Second, the electoral fate of the president's party is linked to the performance of the administration and the popularity of the incumbent president. For these reasons, the assumption of interbranch coherence based on presidential leadership over the party that controls the executive is still a realistic assumption, despite the fact that a different party won the presidency in the 2000 elections.<sup>8</sup>

**The Party that Controls the Executive.** The presidency of the Republic is the biggest prize in Mexican politics. Gaining control of the executive branch of government turns a political party into the most important actor in the policy-making process. Executive influence over government policy during the implementation stage of the process can be very important depending on the degree of discretion allowed by legislation. But the power of the presidency cannot be properly assessed in isolation. It is the combination of presidential authority and the decision-making powers of the congressional delegations of the party controlling the executive that gives it the upper hand in the policy-making process.

The policy-making power of the party that controls the executive depends on the size of its legislative contingent in both the Chamber of Deputies and the Senate. To be sure, the party that wins the presidency does not necessarily become a veto player. To sustain the presidential

veto, the party controlling the executive needs at least one-third (plus one) of the votes in either the Chamber of Deputies or the Senate. Without the capacity to uphold the presidential veto, the power of the party controlling the executive in the negotiation process is substantially restricted.

Figure 2 shows the policy-making powers of the party that controls the executive branch of government according to the size of its delegations to the Chamber of Deputies and the Senate. To uphold the presidential veto, more than one-third of the vote in either chamber is required which amounts to a minimum of 167 votes in the Chamber of Deputies and 43 in the Senate. Below this threshold the power of the party controlling the executive is reduced to its minimum. This is an extreme scenario of dispersion of power in the system—the party of the president has only a weak veto power that can be overridden by a coalition involving all opposition parties. The opposition has the ability to impose policy change on the party controlling the executive.

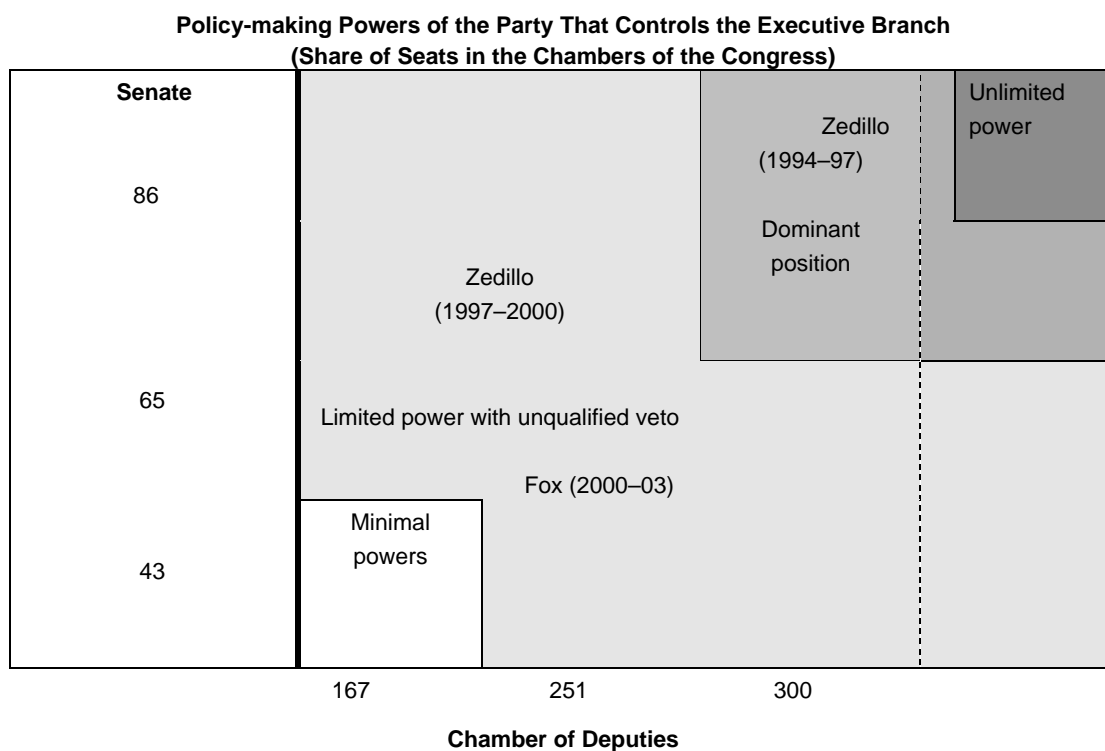
Control of the executive places a party in a more powerful position than opposition parties with a similar share of seats in the Congress for the simple reason that having a weak veto is better than having no veto at all. And yet the probability of winning the presidency with less than one-third of the seats in both chambers of the Congress is rather low, since elections are held concurrently and the amount of vote splitting has been small.

Control of the executive with more than one-third of the seats in at least one of the chambers, but less than the majority in the Congress as a whole, places a party in a position that can be described as limited power with strong veto. In this situation, which covers the largest area in Figure 2, the president's party has the power to prevent changes to the status quo but lacks in the ability to enact policy change by itself. Limited power means that the support of other parties is needed to introduce new policies.

The situation described as limited power with strong veto covers a wide area in Figure 2 basically because the balance of power does not change significantly until the party that controls the presidency also has the majority in both chambers of the Congress. Given the constitutional requirement of bicameral coordination, the president's party cannot obtain congressional approval of its policy initiatives with the support of one single chamber. For policy-making purposes, one chamber is as good as none.<sup>9</sup>

A completely different situation arises when control of the executive branch of government is accompanied by control over the majority in both chambers of the Congress. Under unified government, the party that controls the executive becomes the single dominant actor in the policy-making process, including the budget process, because it gains the ability to move the status quo to its own ideal point without making concessions to other parties. To use Tsebelis' terminology, when the party that controls the executive also controls decision making in the Congress, there is only one real veto player in the ordinary policy-making process.

Figure 2



In the past, a further degree of concentration of power in the president's party was possible if this party gained more than two thirds of the seats in both chambers of the Congress. This situation was a regularity during the long period of single-party hegemony in Mexico, but it became legally impossible after 1994. The 1994 electoral reform set up a cap of 300 seats for the single largest political party in the Chamber of Deputies, which is 34 seats short of the two-thirds required to amend the Constitution. Changes in the party system characterized by increasing levels of electoral competition prevented this extreme scenario of concentration of power from recurring, even though the PRI came very close to gaining the constitutional majority in the Chamber of Deputies in 1991.

The history of Mexico's transition from single party dominance to a competitive party system is reflected in the power concentrated in the party that controls the executive branch of government. Up to the administration of president Miguel de la Madrid (1982-1988), the PRI had full control over the policy process—it was the only real veto player in the policy-making circuit. Starting with the administration of President Carlos Salinas, the PRI lost its constitutional majority in the Chamber of Deputies. The Constitutional amendments passed during the last two administrations were the outcome of a series of agreements between the PRI and other parties with sufficient seats to provide the additional votes necessary for a two-thirds majority in the

Chamber of Deputies. It is an interesting period because despite the fact that the PRI did not have a two-thirds majority in the Chamber, a significant number of constitutional amendments were produced.

But the most important change in the power of the party controlling the executive branch of government took place during the second half of the administration of President Ernesto Zedillo (1994–2000). In the mid-term congressional elections of 1997, the PRI lost its majority in the Chamber of Deputies for the first time in its long history of political dominance. The fact that the PRI retained its majority in the Senate did not prevent the most significant change in the balance of power—the PRI lost control of the policy-making circuit and had to share power with other parties.

In the 2000 elections the PRI lost the presidency of the Republic for the first time since its foundation in 1929. Alternation of power was enormously significant because it signaled the completion of Mexico's protracted transition to democracy. But in terms of executive-legislative relations, the balance of power is not much different from that experienced after the 1997 elections. The new PAN administration headed by president Vicente Fox does not have the majority in either chamber of the Congress, therefore limiting its policy making authority. At the same time, given the size of its delegations to the Chamber of Deputies, the PAN holds a strong veto power that enables it to block any attempt to change public policy without its consent.

**The Role of Parties Opposition.** To understand the impact of divided government on the policy-making process we need to assess the strategic position of parties other than the one that controls the executive branch. Tsebelis's concept of "veto players" does not fully capture the role of the opposition parties under divided government in a presidential system like the one in Mexico. To be sure, the concept of a veto player is more applicable to parliamentary systems under minority governments where each governing coalition partner does, in fact, hold a veto power over cabinet decisions. This veto power derives from the ability of each coalition partner to bring the government down. As Laver and Shepsle (1996) assume in their model of parliamentary government: if the government falls the status quo prevails until a new government is formed.

In a presidential system, however, divided government allows for different roles for the parties that do not control the executive branch. The term "opposition party" is in some respects inaccurate since there is not a clear divide between government and opposition in presidential systems, especially when the president's party does not have a majority in the legislature. Under divided government, the strategic role of the opposition parties can take two forms, depending on whether they individually control decisive coalitions in the Congress or not. Opposition parties can be veto players, if individually they have the ability to block policy change. Alternatively, opposition parties can be "pivots" in the formation of law-making majorities.

In Mexico, if an opposition party controls the majority of seats in at least one of the chambers of the Congress, it becomes a veto player.<sup>10</sup> However, under divided government, an

opposition party can still wield significant policy influence even if it is not a veto player. An opposition party can provide the extra votes required to pass legislation through the Congress.

A veto player is a party who has to be part of any minimal-winning coalition; no minimal-winning coalition can be formed without this party. A pivot party, on the other hand, is an actor whose support is sufficient to form minimal-winning coalitions given the fact that other parties, including veto players, are backing the same policy initiative. Policy outcomes under divided government differ significantly depending on the strategic position of opposition parties in the policy-making process.

In the case of Mexico, policy making under divided government can be characterized as veto politics only if the party that controls the executive necessarily has to gain the support of a specific opposition party to pass changes in legislation. Following Krehbiel, policy making can be characterized as pivotal politics if the administration is in a position to build *ad hoc* policy-making coalitions with different opposition parties.<sup>11</sup>

To identify the type of interaction that has prevailed during Mexico's experience with divided government, we need to look at the allocation of seats in the Congress. Table 1 shows the number of seats held by each party in the Chamber of Deputies and the Senate over the last three administrations. In 1997, when the PRI lost its majority in the Chamber of Deputies, the seats lost by the PRI were divided between the main opposition parties, the center-right PAN (National Action Party) and the center-left PRD (Party of the Democratic Revolution). As a consequence no single opposition party became a veto player. Even more, as the PRI retained the majority of seats in the Senate, the party controlling the executive branch had the ability to block bills passed by a coalition of opposition parties in the Chamber of Deputies without having to use the presidential veto.

**Table 1**

**Allocation of Seats in the Congress (1994–2003)**

	56 <sup>th</sup> Legislature (1994–1997)				57 <sup>th</sup> Legislature (1997–2000)				58 <sup>th</sup> Legislature (2000–2003)			
Party	Chamber		Senate		Chamber		Senate		Chamber		Senate	
<b>PRI</b>	300	60%	95	74%	239	48%	76	59%	211	42%	60	47%
<b>PAN</b>	119	24%	25	20%	121	24%	33	26%	206	41%	46	36%
<b>PRD</b>	71	14%	8	6%	125	25%	16	13%	53	11%	15	12%
<b>PT</b>	10	2%			7	1%	2	2%	7	1%	1	1%
<b>PVEM</b>					8	2%	1	1%	15	3%	5	4%
<b>PSN</b>									3	1%		
<b>PAS</b>									2	0%		
<b>CD</b>									3	1%	1	1%
<b>Total</b>	500	100%	128	100%	500	100%	128	100%	500	100%	128	100%

In the 2000 elections, the PAN won the presidency, but failed to gain the majority in either chamber of the Congress. Since the PAN's gains in the Congress were mainly at the expense of the PRD, the PRI remained the largest single party in both the Senate and the Chamber of Deputies. However, the PRI had to add the loss of its majority in the Senate to the loss of the presidency, and it ended up with no real veto power after the 2000 elections. The type of interaction between the new PAN administration and opposition parties can be described as pivotal politics.

The only significant change in terms of the strategic interaction between the party controlling the executive and the opposition parties after the 2000 elections has to do with the constitutional amending process. The PRI retained its veto power on constitutional reform. PRI delegations to the Chamber of Deputies and the Senate after the 2000 elections control more than one-third of the votes in these bodies. In matters of constitutional reform, the system works in its veto politics mode with both the PRI and the PAN having the ability to block any attempt to change the Constitution.

### **A Model of Policy Making Under Divided Government**

The central characteristic of the policy-making model that prevails under divided government in Mexico is that the party controlling the executive branch has an unqualified veto but needs the support of other parties to pass legislation through the Congress. At the same time no single opposition party has veto power. In this model pivot parties are defined in relation to the party that controls the executive. However, to identify the pivot party for a specific policy issue is not sufficient to know which parties can provide the missing votes to form minimal winning coalitions. To do this, I build on Krehbiel's model of pivotal politics with one important difference: parties are assumed to be coherent collective actors in the sense that there is a single ideal point or most preferred policy for each party.<sup>12</sup>

Political parties are assumed to have "spatial" preference functions, meaning that "satisfaction is higher the closer the proposal is to the [party's] ideal" (Hinich and Munger 1997, p. 27). Spatial preference functions have the following properties in the pivotal politics model:

- 1) *Unidimensionality on only one issue.* Policy proposals can be ordered in a continuum in which we can locate liberal policies on the left, moderate policies in the center and conservative policies on the right.
- 2) *Preferences are single-peaked.* Political parties always prefer the policy that is closest to their ideal point.
- 3) *Voting is sincere.* If the utility of proposal  $x$  is greater than the utility of proposal  $y$ , the party votes for  $x$  regardless of what other proposal might later be raised if  $x$  becomes the new status quo.
- 4) *Symmetry.* Equal departures from the party's ideal point in opposite directions produce equal declines in satisfaction.

5) *Perfect information*. Each party knows the rules of the game as defined by the Constitution and the ideal points of the other parties.<sup>13</sup>

6) *Status quo is exogenous*. The status quo policy  $q$  is considered the result of a past decision-making process.

Given these properties, we can analyze how institutions and preferences interact to produce policy outcomes. The first important factor to take into account is the preference function of the party that controls the executive branch. There are two general cases we should deal with separately:

*Case 1. The most-preferred policy of the party that controls the executive is at the median position.* If the ideal point of the president's party is in a median position, the expected outcome is policy change with other parties fully converging around the ideal point of the president's party.

*Case 2. The most-preferred policy of the party that controls the executive is not median.* This is a more complicated case in which the outcomes vary depending on the position of the status quo policy with respect to ideal points of the party that controls the executive and the median party.

**Case 1: The President's Party is Median.** The median position has at least two properties that make it so important in a majoritarian decision-making process. 1) To be in a median position  $m$  means that no majority of legislators have ideal points to the left or to the right of  $m$ . 2) If the preferred policy of a party falls in the median position, it beats or ties all other proposals in pairwise majority-rule elections (elections comparing exactly two alternatives).<sup>14</sup> In fact, if the number of voters is odd, the ideal point of the actor located in the median position will always beat other proposals in pair wise comparisons.<sup>15</sup>

According to this definition, we can determine when the party that controls the administration is in a median position and what consequences this has for the policy-making process. The president's party is median whenever the location of its ideal point in the policy space splits up the opposition in two sides—one on its left side; the other on the right side—so neither side has sufficient votes to form a majority.

Figure 3 shows two examples taken from the 57th Legislature (1997–2000). In the first case, the PRI then the party controlling the executive branch of government is located in the median position. The group of parties positioned to the left of the PRI were able to muster only 135 votes. At the same time the PAN, the only party to the right of PRI in Figure 3a, has just 121 votes. If we move the PAN to the left of the PRI, as in Figure 3b, we have a situation in which the group of parties whose ideal points lie to the left of the PRI are able to form a majority of 261 votes. In fact, by moving the PAN to the left of the PRI, it becomes the new median. Neither the PRI nor the parties positioned to the left of the PAN can form a majority in figure 3b.

The location of the party that controls the executive at the median position is a sufficient condition for policy change. It assures that the ideal point of the party that controls the executive

will beat any other proposal, including the status quo, in pair-wise elections.<sup>16</sup> Actually, the ideal point of the party that controls the executive will be the Condorcet winner no matter where the status quo is located. Accordingly, the theory predicts that whenever the ideal point of the president's party is median and different from the status quo, policy change will occur and the most preferred policy of the president's party will become the new status quo.

However, the theory also predicts that given the existing constitutional arrangement the center will not always prevail. The presidential veto prevents convergence around the median when the median party is not the president's party. If an opposition party is median in one chamber, its proposal can be prevented from becoming the new policy of the government in two ways: 1) If the president's party has the majority in the second chamber, it will simply return the bill to the originating chamber. This is exactly what happened during the second half of the Zedillo administration. 2) Even if the proposal is approved by the whole Congress, the party that controls the executive can use the presidential veto to kill it. This is what is happening in the first half of the Fox administration.

Figure 3

**Identifying When the Party Controlling the Executive is in the Median Position in the Chamber of Deputies  
The 57th Legislature (1997–2000)**

Figure 3a

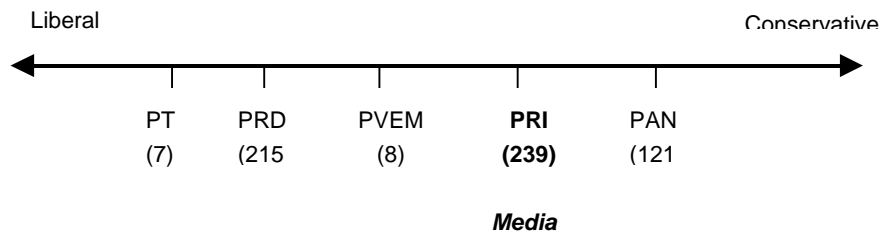
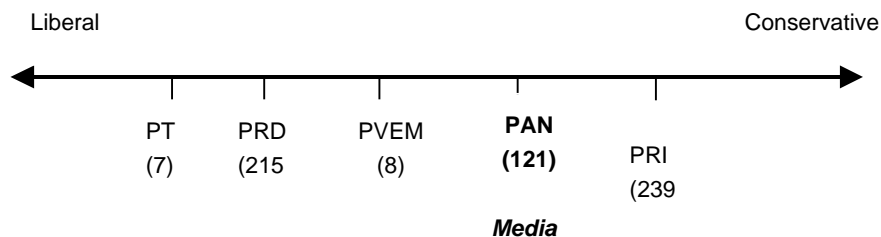


Figure 3b



**Case 2: The president's party is not median.** When the party that controls the executive is not median, policy making under divided government becomes more complex. The presidential veto power can lead to deadlock and prevent the enactment of the median party's ideal policy.



However, it will not always be in the interest of the president's party to prevent the legislative majority to change the status quo. That depends on the ideal point of the median party and the location of the status quo. Allowing a coalition of opposition parties to prevail can represent a gain of welfare for the president's party, if the status quo is located in an extreme position. In this case, the president's party will prefer the enactment of the ideal policy of the median party over the continuation of the existing policy, even if its most-preferred policy is distinct from that of the median party. Also, the president's party can use the executive veto as threat to exact concessions from the legislative majority. The closer the status quo to the ideal point of the president's party, the greater the concessions it will exact from the legislative majority. However, the location of the status quo could be such that any move in the direction of the median party's ideal point necessarily involves a loss of welfare to the president's party. In such a case, the president is expected to threaten Congress with his veto power to prevent policy change.

Figure 4 shows equilibrium outcomes of the policy-making process when the median party is different from the party that controls the executive. The ideal points of the president's party and the median party are identified as  $p$  and  $m$  respectively. In figure 4,  $p$  lies to the right of  $m$ , which means the president's party is more conservative than the median party. The variable on the horizontal axis is the location of the status quo  $q$  in the liberal-conservative spectrum. On the vertical axis, the figure shows the expected outcome given varying locations of  $q$  with respect to  $m$  and  $p$  in the policy space. On the vertical axis, high means conservative, low means liberal.

Point  $2p-m$  has a special significance in terms of the preference function of the president's party. At  $2p-m$ , the president's party obtains the same level of satisfaction as the enactment of the median party's ideal policy  $m$ . If the president's party were to choose between  $m$  and  $2p-m$ , it would be indifferent between the two and would prefer any point that falls in the interval  $[m, 2p-m]$ . Also, the president's party will always prefer  $m$  to any point to the right of  $2p-m$ .

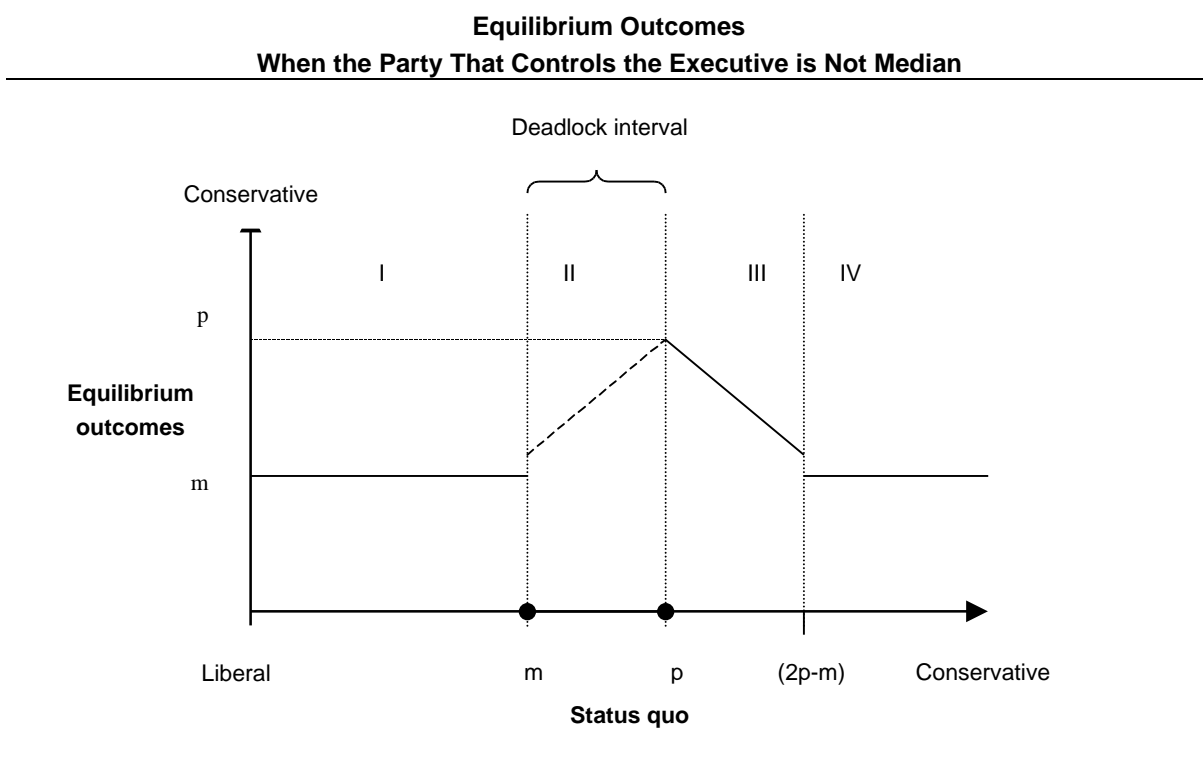
Assuming that  $m < p$ , we can partition the policy space into four intervals:

$$\begin{aligned} I &= \{q \mid q < m\} \\ II &= \{q \mid m \leq q \leq p\} \\ III &= \{q \mid p \leq q \leq 2p-m\} \\ IV &= \{q \mid 2p-m \leq q\} \end{aligned}$$

Interval II has a special significance in the model. If  $q$  falls in this area, the interaction between the legislative majority and the president's party can be represented as a constant-sum game; no gains for one party are possible without the other party suffering a loss. Policies lying in this interval are in equilibrium. The legislative majority and the president's party cannot agree on an alternative to  $q$ . As a result, the model predicts deadlock as the single equilibrium outcome. The median party in the legislature is expected to take no action, anticipating that the president will veto its proposal.

As  $q$  moves out of the deadlock interval (II) to interval I or farther to the right to interval IV, the incentives for the president to veto the initiative of the median party disappear. Any point within these intervals will yield a lesser degree of satisfaction for the president's party than  $m$ . Therefore, if the median party proposes  $m$ , the president's party will support the bill in the legislature and the president will sign it into law. For any location of  $q$  within intervals I and IV, the model predicts policy change with the new policy fully converging around the ideal point of the median party.

Figure 4



Interval III represents an area in the policy space where, despite the fact that the president's party prefers the continuation of the current policy to the enactment of the median party's ideal point, both parties face potential gains of cooperation. Cooperation is possible because there is a set of policies that both parties prefer over  $q$ . However, as Figure 4 shows, the outcome of cooperation will be neither  $m$  nor  $p$ , but a point lying in between. Specifically, the location of the new policy will depend on the proximity of  $q$  to  $p$ . The closer  $q$  lies with respect to  $p$ , the farther away from  $m$  the new policy will be. Also, the more  $q$  approaches the indifference point of the president's party ( $2p-m$ ), the closer to  $m$  the new policy will be. At any point lying with interval III, the model predicts policy change, with the outcome partially converging towards the ideal point of the median party.

The equilibrium behavior or optimal bill decision for both the median party ( $b^*$ ) and the party of the president ( $s^*$ ) can be formally represented as follows:

$$b^* = \begin{cases} m & \text{if } q \in \text{I or } q \in \text{IV} \\ \text{if } q \in \text{II} \\ 2p-q & \text{if } q \in \text{III} \end{cases}$$

$$s^* = \begin{cases} \text{if } b = \\ 1 & \text{if } b \in A(q,p) \\ 0 & \text{if } b \notin A(q,p) \end{cases}$$

Where,  $\text{if } b =$  represents no action, 1 represents support, 0 represents opposition and  $A(p,q)$  stands for the acceptance set of the president's party and can be defined as:

$$A(q,p) = \begin{cases} [q, 2p-q] & \text{if } q < p \\ [2p-q, q] & \text{if } p < q \end{cases}$$

Notice that once  $q$  moves outside the deadlock interval (II), it is out of equilibrium and the model predicts policy change. There are two factors that can drive  $q$  out of equilibrium: changes in preferences and changes in the value of  $q$ . Elections can produce the realignment of political parties along the policy space and also alternation of powers in the presidency. The value of  $q$  depends on contextual factors that lie outside the government's control. Both elections and changes in the policy context are exogenous to the model—they are treated as external shocks that *have* the potential to drive policies out of equilibrium.

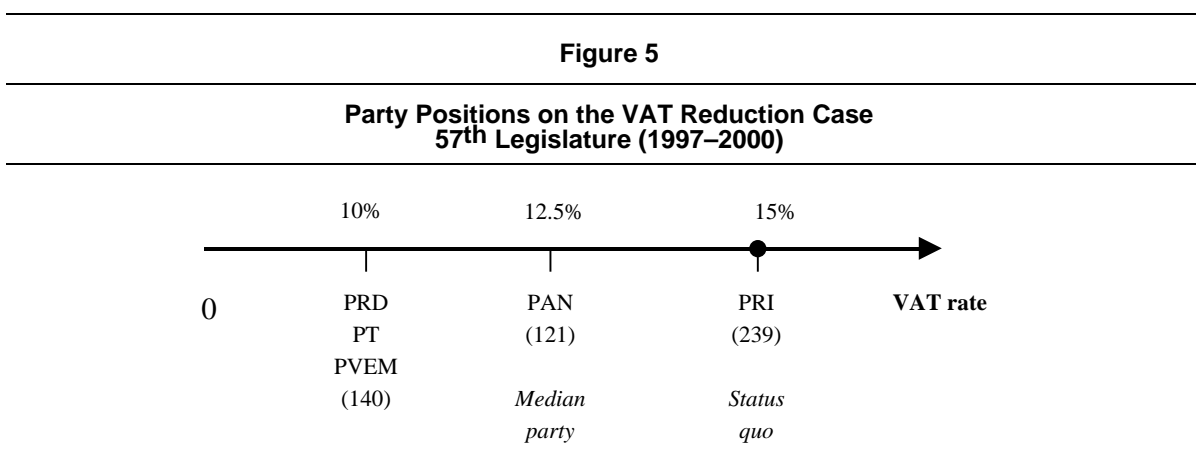
### Two Policy Cases

**a) Policy Deadlock: the VAT Reduction Bill.** One of the interesting cases of policy deadlock took place during the second half of the Zedillo administration right after the PRI lost its majority in the Chamber of Deputies. Opposition parties began to discuss the possibility of cutting the Value Added Tax (VAT). Two years earlier, in 1995, the PRI had approved a bill that raised the VAT from 10–15 percent. The VAT increase came as a response to the fiscal pressure resulting from the economic crisis triggered by the bungled peso devaluation in December, 1994.

By 1997, when the economy was in full recovery, opposition parties felt the time had come to relieve part of the tax burden levied by the PRI administration in 1995. Despite consensus among opposition parties regarding the need to cut taxes, there were significant

differences of opinion about the size of the cut. The center left PRD advocated a one-third cut to reduce the VAT rate to bring it back to its pre-1995 level. The center-right PAN dithered about the introduction of a larger cut, but in the end proposed to cut the VAT rate only 2.5 percentage points. The PRI administration, anticipating a substantive fiscal imbalance, announced its opposition to reducing the VAT rate.

The ideal points of each of the three main parties on the VAT issue are represented in Figure 5. The policy space goes from zero to higher rates. Notice that the status quo—a VAT rate of 15 per cent—and the PRI's ideal point are coincident. The reason for this is that the existing VAT rate was fixed when the PRI had the majority in the Congress and, therefore, the ability to enact its most preferred policy. Given the allocation of seats in the Chamber of Deputies and the preferences of the main parties on the issue, the PAN was located in the median position.



As expected from the model, the PRD backed the PAN's proposal which defeated the status quo on the floor. The coalition backing a new VAT rate of 12.5 per-cent included all parties except the PRI. This is also in accord with the model status quo was the PRI's ideal point. However, as the bill moved to the Senate, the PRI majority in the upper chamber had enough votes to prevent change even if it involved moving the status quo to the center as defined by the position of median party. Despite the fact that the PRI no longer had the majority in the Chamber of Deputies, the status quo was in equilibrium by lying within the deadlock interval [12.5, 15].<sup>17</sup>

**b) Policy Change: the Banking Rescue Program.** The banking rescue was initiated by President Zedillo's administration in 1995. A combination of rising interest rates and a severe economic contraction following the peso devaluation in December 1994 led Mexican banks into insolvency. As an alarming number of bank debtors were unable to pay their contracted debts, non-performing loans experienced an explosive growth in 1995. The government had the legal

mandate to protect bank savings. However, the PRI administration concluded that allowing some banking institutions to go into bankruptcy would be devastating for the whole banking system.

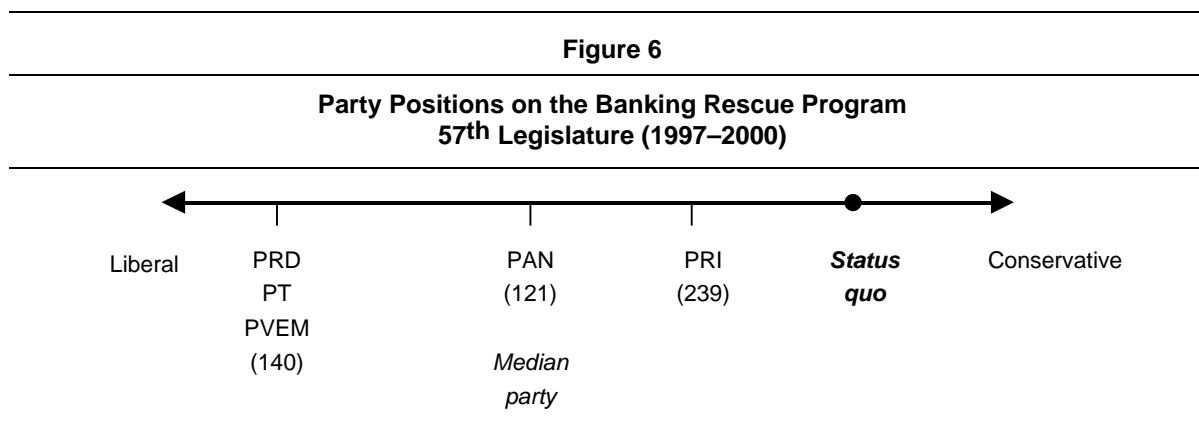
The banking rescue operation launched by the Zedillo administration consisted basically of the exchange of bad credit for fresh capital. For each peso of fresh capital that bank owners invested, the Banking Fund for Savings Protection (FOBAPROA) would buy two pesos of bad loans. Banks were to decide which part of their portfolio they would sell to FOBAPROA. The purchase was completed with promissory notes signed by FOBAPROA.

The promissory notes of FOBAPROA averted the collapse of the banking system, but could not raise levels of capitalization. By 1998, Mexican banks were still in bad shape, despite the enormous amount of public money committed to them. The FOBAPROA promissory notes turned out to be low yielding and not liquid.

In addition, without congressional endorsement there was uncertainty about the legality of the rescue operation.<sup>18</sup> To solve this problem, the executive sent an initiative to the Congress to convert the FOBAPROA promissory notes held by banking institutions into government debt bonds. As government bonds they would trade in the secondary market allowing banks to recover their capital. The president's proposal, however, arrived in the Congress in March 1998, shortly after the PRI had lost its majority in the Chamber of Deputies. The executive needed the support of part of the opposition to obtain congressional approval of the bill.

The FOBAPROA initiative turned out to be highly controversial. All opposition parties condemned the banking rescue on procedural grounds but there were differences of opinion among opposition parties on the substantive content of the policy. The center left PRD blamed the banking crisis on the privatization policy of 1989, which they opposed in the first place, and advocated full government control of the banking system. When President Zedillo sent his initiative to the Congress, the PRD demanded that the nonperforming portfolios bought by FOBAPROA be returned to the banks. The center right PAN supported the privatization of the banking system in 1989 but it was divided on the issue of the banking rescue operation. On one hand, the PAN agreed with the PRD on the questions of lack of transparency and unconstitutionality. But its opinion was close to the Zedillo administration on the substantive aspects of the policy. The PAN wanted banking institutions to remain mostly in private hands and agreed with the main purpose of the FOBAPROA initiative: the recapitalization of the banks and the reactivation of bank lending. The PAN wanted to reduce the cost of the rescue program but did not want more bank interventions from the government.

The Zedillo administration was more to the right of the PAN on the procedural substantive aspects of the policy. The administration and the PRI defended the banking secrecy and the constitutionality of the rescue operation. The first priority was that of providing legal certainty and liquidity to the FOBAPROA promissory notes.



As Figure 6 shows, the PRI was not in the median on the issue of the banking rescue program. Again the PAN was located in the middle between the president's party and the left center opposition. But the banking rescue program represents a case in which the value of the status quo was continuously deteriorating as time passed. The depreciation of the collateral of the bad credits purchased by FOBAPROA and the interests generated by the promissory notes were increasing the total cost of the banking rescue program. At the same time Mexican banks were showing no signs of recovery. In September 1998 the value of shares in the stock market had dropped below their book value per share, indicating that Mexican banks were facing imminent bankruptcy unless the FOBAPROA promissory notes were backed by the Congress.

Figure 6 shows the status quo moving away from the deadlock interval to the left of the PAN's ideal point because the extend of government intervention would have increased substantially had the banking system collapsed. By the end of the year as the deadline for the 1999 federal budget approached, the PAN was forced to decide between maintaining the status quo by simply servicing the debt contracted on by FOBAPROA or cutting a deal with the PRI administration to redefine the status of the FOBAPROA promissory notes for the long term.

Finally, the PAN proposed the following plan to the Zedillo administration: the FOBAPROA promissory notes would not be converted into public debt bonds but exchanged, instead, for bonds issued by a new banking fund for savings deposit—the Institute for the Protection of Banking Savings (IPAB)—that would replace FABAPROA starting in 1999. The new IPAB bonds would trade in the secondary markets as in the original proposal. The second part of the plan proposed that the bad loans acquired by FOBAPROA go through an independent audit with the understanding that irregular credits would be returned to the banking institutions that contracted them in the first place. The PANs proposal was accepted by the PRI and approved by the Congress though the rest of the opposition voted against it.

### Coalition Size

The model predicts that divided government does not have any significant impact on the volume of legislative change. In this respect, it is consistent with previous findings about the lawmaking process in Mexico since 1997 (Casar 1999). The model describes two *sufficient* conditions under which policy change can be effected when the party that controls the executive does not have the majority in both chambers of the Congress. First, the model shows that an extreme location of the status quo makes agreement on a new policy a dominant strategy for both the president's party that controls the executive and the pivot party. Second, the model predicts policy change when the party that controls the executive is at a median point and the status quo is located away from its ideal policy.

However, the exact location of the status quo and the ideal points of the parties involved cannot be empirically tested with the available evidence. This is definitely an important limitation. However, the pivotal politics model is more successful in making sense of existing data on the lawmaking process under divided government in Mexico than alternative models such as the one presented by the critics of presidential regimes. If political parties lack incentives to build coalitions in the legislature, change takes place only on unimportant and uncontroversial issues. Therefore, we should expect little variance in the size of lawmaking coalitions with change supported by consensus, if it happens at all.

In contrast, the pivotal politics model predicts that the coalitions that back policy change have various sizes depending on the location of the status quo. The more extreme the location of the status quo is with respect to preferences of the parties involved, the larger the size of the coalition. Table 3 shows coalition size measured by the number of parties in a sample of 237 roll-call votes in the Mexican Chamber of Deputies during the 57<sup>th</sup> Legislature (1997-2000). The data is disaggregated according to the type of legislation.

Table 3 shows that coalition size varied significantly. Certainly, change by consensus was the mode and on average coalitions were formed by 3.8 out of a total 5 existing parties. This also means that on average there was one party voting against the bill. It is significant that at least 20 percent of the bills approved were supported by minimum coalitions of only two parties. The reason constitutional legislation has a higher coalition size of average is because it requires two-thirds majorities. In fact, the average coalition size for constitutional amendments was 4.14 parties, the largest if we take out the public accounting bills that passed by consensus.

*Votos particulares* show how different coalition sizes may be simply reflecting various locations of the status quo. *Votos particulares* or amendment motions attached to committee reports have the smallest coalition size. The reason is because they come under consideration of the chamber after the bill has been approved in general terms and therefore constitutes the new status quo. In these cases the status quo has been already moved to the center before *votos particulares* are discussed and voted upon.

Table 2

Coalition Size											
Number of Parties Voting in Favor of Bill Passed by the Chamber of Deputies, 1998–2000											
Type of legislation	One		Two		Three		Four		Five		Average
Ordinary	1	1%	27	20%	15	11%	31	22%	64	46%	3.94
Constitutional	0	0%	0	0%	3	12%	11	42%	12	46%	4.35
Senate decrees	0	0%	1	11%	4	44%	0	0%	4	44%	3.78
Budget bill	1	7%	2	14%	1	7%	9	64%	1	7%	3.50
Revenue bill	1	11%	4	44%	1	11%	3	33%	0	0%	2.67
Fiscal miscellany	0	0%	3	19%	6	38%	1	6%	6	38%	3.63
Public accounting bill	0	0%	0	0%	0	0%	0	0%	2	100%	5.00
Symbolic legislation	1	6%	0	0%	4	24%	2	12%	10	59%	4.18
Voto particular	4	67%	0	0%	1	17%	1	17%	0	0%	1.83
<b>Total</b>	8	3%	37	16%	35	15%	58	24%	99	42%	3.86

\*The data represents roll call votes during March, 1998 to August 2000.

## CONCLUSIONS

Critics of presidentialism suggest that Mexico's transition from a single hegemonic party system to a competitive three-party system is a mixed blessing. On one hand, multipartyism brings with it the benefits associated with greater political competition and extended representation: transparency in decision-making and accountability for the actions of elected leaders. On the other hand, given the presidential nature of the constitution, multipartyism involves a serious threat: recurrent policy deadlock or governmental paralysis.

The shadow of paralysis was cast over the Mexican government as a result of mid-term elections in 1997. When the PRI lost the majority in the Chamber of Deputies, the future of President Zedillo's programs rested on an unlikely coalition between the PRI and the opposition parties. But the threat of paralysis looms larger after Mexican voters threw the PRI out of power for the first time in the 2000 elections. The party that won the presidency, the PAN, not only fell short of the majority of seats in both chambers of the Congress, but has a smaller legislative contingent than the PRI during the second half of the Zedillo administration.

Contrary to the argument concerning the vulnerability of multiparty presidential democracy, the formal analysis of the interaction between institutions and preferences shows that there are not sufficient reasons to expect deadlock as a regular outcome of the policy-making process under divided government. Assuming the president has a veto power subject to a two-thirds override, multiparty coalitions supporting substantive policy change can be produced



under two circumstances: 1) when the status quo moves to an extreme position, and 2) when the most preferred policy of the president's party is located at the median point.

The view that presidential democracies under divided government are not equipped to handle and respond to demands for change in times of trouble is directly challenged by the findings describe in this paper. If we represent an economic or political crisis as the continuous deterioration of the status quo, we can expect increasing incentives for cooperation as the status quo moves away from the deadlock interval. In fact, the more extreme the location of the status quo, the greater the potential benefits of cooperation for the parties involved in the policy-making process. The increased rewards for coalition partners as the situation deteriorates, cast doubt on the so-called trade off between governability and representation in presidential regimes.

To be true, unified government tends to respond more quickly to pressures for change. If we assume parties are coherent, the deadlock interval disappears under unified government, but so do some external restraints on the ability of the party that controls the executive to introduce policy change. The activation of those restraints under divided government renders the making of policy more complex and gives way to the possibility of deadlock. But deadlock only reflects lack of consensus on an alternative to the status quo between an elected chief executive and the congressional majority.

The view of deadlock as inimical to democracy responds to a purely majoritarian concept of democracy. According to this concept, the status quo should constantly reflect the preferences of changing majorities expressed through the median legislator. This conception of democracy, however, attaches no value to policy stability and takes on an uncritical view of the concentration of policy-making power in the hands of passing majorities. It is not clear at all how this concentration of power contributes to the stability of democratic regimes in the long term.

Finally, the theory developed in this paper may have some implications in terms of the correlation between democratic breakdown and governments without majority in presidential regimes. The correlation between regime breakdown and divided government might as well be empirically robust, but the theoretical explanation is rather weak. It is not at all clear that divided government leads to policy deadlock nor that policy deadlock is bad for democracy. In any case, this paper suggests that we need a more consistent and critical account of the observed higher rate of failure of past democratic experiments in presidential regimes.

## ENDNOTES

<sup>1</sup> Emphasizing its fatalistic consequences for democracy, Przeworski et al (1996) have referred to the absence of a single-party majority in the legislature in presidential regimes as “a kiss of death.”

<sup>2</sup> In other words,  $q$  is the reversion outcome or the fall-back position in the policymaking process. The value of  $q$ , however, can be altered by specific institutions such as the zero-expenditure provision in the budgetary process.

<sup>3</sup> In this respect, there is a significant difference between Mexico and other presidential democracies in Latin America, such as Brazil and Argentina, where presidents have the constitutional prerogative to issue executive decrees that without the approval of the legislature have the full force of the law for a limited period. See Carey and Shugart (1998) and Negretto (2000).

<sup>4</sup> The public revenue bill is regularly followed by another bill containing changes to various fiscal legislation necessary to put into practice the revenue program of the government. This bill is known as the “fiscal miscellany”.

<sup>5</sup> In this respect, it is important to note that the presidential authority to veto the revenue bill has not been questioned. However, the use of the executive veto on the revenue bill would stop the whole budgetary process, forcing the Chamber of Deputies to revise the expenditure bill.

<sup>6</sup> For a detailed analysis of the way in which electoral institutions shape the strategies of individual legislators to advance their political careers, see Nacif 2002.

<sup>7</sup> An important difference between senators and members of the Chamber of Deputies is that the former serve for a six-year term whereas the latter serve for only three years.

<sup>8</sup> This is not to deny that different political practices and conventions within the PAN can affect the relationship between President Fox and the PAN delegations to the Congress. However, there are strict institutional limits to the degree of independence that the president’s party can display in the policymaking process.

<sup>9</sup> Having the majority in a single chamber, however, can serve other purposes because it gives the president’s party complete leverage in the handling of the exclusive powers of that chamber.

<sup>10</sup> To gain an unqualified veto power on constitutional amendments an opposition party needs one-third (plus one) of the seats in either the Chamber of Deputies or the Senate.

<sup>11</sup> I borrowed the concept of “pivotal politics” from Krehbiel’s model as applied to law making in the USA (1999). There is an important difference, however, between Krehbiel’s model and the one developed here for the Mexican case. Krehbiel’s model is purely “pivotal”. There are no veto players in the strong sense used by Tesbelis. The reason is that political parties are not incorporated into the Krehbiel’s model as coherent actors. Without the assumption of party coherence, the significance of the presidential veto (in Mexico there is no filibuster veto) changes substantially. In Krehbiel’s model (1996), pivotal politics is about mobilizing consent around new policies to overcome the president and a potential filibuster in the Senate. In a model developed in this paper, the pivotal politics is about finding a coalition partner for the party that controls the executive to pass policy changes in the Congress.

<sup>12</sup> A similar assumption is made by Laver and Shepsle (1996) in their model of government formation in parliamentary democracies.

<sup>13</sup> One of the assumptions about the rules of the game that has to be made explicit is that no single party has agenda-setting power understood as control of the flow of legislation from committees to the floor of each chamber nor the ability to force other parties to make decisions in a “take-or-leave-it” situation. Agenda-setting power can be gained only by a single party if it has the majority in both different Chambers of the Congress.

<sup>14</sup> The proposals that beat other proposals in pair-wise elections is known in the literature of social choice as the Condorcet winner.

<sup>15</sup> For a demonstration of the median voter theorem see Hinnich and Munger (1997).

<sup>16</sup> Notice that for the president's party to be located at the median position no other party can have the majority in either chamber of the Congress. If an opposition party captures the majority in at least one of the chambers of the Congress, there are two veto players rather than one and pivotal politics gives way to "veto politics." Veto politics is an interesting theoretical possibility in which policy making becomes the result of the interaction between two veto players.

<sup>17</sup> What the model does not explain is why the opposition parties sent the initiative to the Senate knowing that the PRI would not pass it. It was obvious that the PRI was going to reject the bill in the Senate. Perhaps the opposition wanted to assert its authority as the new majority in the Chamber of Deputies and put the PRI in the difficult position of opposing a tax reduction bill.

<sup>18</sup> Opposition parties argued that the banking rescue operation was unconstitutional, since FOBAPROA did not have authority to issue notes with the implicit backing of the government without congressional approval. All opposition parties demanded the resignation of those responsible for the banking rescue program, but they never took the case to the Supreme Court.

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