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States and strategy in new federal democracies: Competitiveness and intra-party resource allocation in Mexico

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Abstract

A growing body of research demonstrates that parties are vital for the health of democracy. While party activities are therefore increasingly supported by direct public subsidies, we know relatively little about the ways in which parties spend this money. Using an original dataset of intra-party cash transfers, this article examines resource allocation in three major Mexican parties. The analysis demonstrates that parties' spending patterns differ. Decentralization, which has increased the power and prestige of subnational office, prompts all parties to focus spending on states holding local elections. Parties with a regionalized support base, however, invest primarily in states where they are competitive. This tendency to favour party strongholds has important implications for party system development, particularly for party system nationalization, as well as for emerging work on subnational authoritarianism.

Keywords

Decentralization, Mexico, party strategy, party system nationalization, resource allocation

Introduction

In new democracies the consolidation and survival of the political regime is closely linked to the development of a strong party system. A growing body of research demonstrates that parties are vital for the health of democracy and that democracy is more likely to thrive where a stable set of well-organized and territorially comprehensive political parties links citizens to the state (e.g. Hagopian and Mainwaring, 2005; Mainwaring, 1998). Constitutional architects in new democracies therefore devote considerable attention to designing institutions that are conducive to the emergence of strong parties. As parties provide an 'essential public good for democracy' (van Biezen, 2004: 702), direct public funding for political parties has become the norm (Casas-Zamora, 2005; van Biezen and Kopecký, 2007). Yet, we know relatively little about the way in which parties spend this money and which considerations underlie intra-party resource allocation in new democracies. In particular, the territorial dimension of resource allocation remains poorly understood. In light of the global trend towards decentralized governance, however, it has become increasingly important to conceptualize parties as multi-level organizations and to develop a better understanding of vertical interactions within parties (Deschouwer, 2003, 2006).

This article seeks to contribute to this emerging literature by examining intra-party resource allocation in three major Mexican parties. Each year central party organizations transfer a substantial amount of resources to their co-partisans at the state level. Which criteria guide the allocation of resources? Where do parties invest their money? The article develops the argument that decentralization influences resource allocation. Parties want to obtain powerful subnational offices and therefore direct resources to states holding local elections. In addition, parties with unequal territorial support have strong incentives to focus spending on states where they have a realistic chance of winning. The empirical implication of this consideration is high transfers to states where the party has performed well in recent elections. Decentralization thus leads parties to behave differently from their European peers during the era of democratization. In Western Europe, where the

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introduction of competitive politics coincided with the centralization of government activities, parties in search of support for national office pursued ‘catchalover’ strategies. They sought to ‘cover as much “space” as possible’ and thus ‘spread through constituencies that were hitherto in adversaries’ hands’ (Caramani, 2004: 6). This behaviour contributed to the progressive nationalization of party systems.

The analysis of resource allocation sheds light on party behaviour in new democracies, which in turn is likely to have important implications for the development of parties and for party system nationalization. Mexico provides a particularly interesting environment in which to study these issues. First, public funding for parties is extremely generous and constitutes the primary source of party income. In 2008, which was not an election year, Mexican parties received a total amount of 2.5 billion Mexican pesos for their ordinary permanent activities. This equals roughly 185 million US dollars or 2.80 US dollars per voter.¹ Second, there is considerable variation in party strength across states. Mexican electoral law requires parties to have a national orientation. Yet, while the same set of parties competes in all states, parties are not equally competitive across states. While the former hegemonic Institutional Revolutionary Party (PRI) entered the era of competitive politics with a nationwide organization, support for the two major opposition parties PAN and PRD was highly regionalized. Third, democratization in Mexico has coincided with the reinvigoration of federal checks and balances. As in many other new democracies, governance in Mexico has become more decentralized.

The first section of the article relates the current analysis to the relevant literature and explains why decentralization is expected to influence intra-party resource allocation. The second section lays out the Mexican political finance regime and identifies the relevance of different streams of political money for party functioning and performance. It is followed by a statistical analysis of the determinants of intra-party transfers for the three major Mexican parties. The conclusion explores the implications of the findings for the literature on party development and democratization.

Competitiveness and party strategies across space

In modern democracies, political parties are crucial political institutions for linking voters to the state (Schattschneider, 2003 [1942]). While the ‘party on the ground’ mobilizes voters on election day, the ‘party in central office’ coordinates these efforts and the ‘party in public office’ organizes government (Katz and Mair, 1994). Implicit in this typology of the ‘three faces of party organization’ is the understanding that parties are political systems rather than unitary actors. The conceptual language to describe these systems, however, has remained a ‘single-level language’ (Deschouwer, 2003: 213) and

theorizing parties as multi-level organizations constitutes a relatively recent development in the study of parties (Deschouwer, 2006). Vertical interactions within parties, i.e. the ways in which central parties relate to their co-partisans at the subnational level, have therefore received relatively scant attention. Recent trends toward decentralization, however, make the assumption that parties organize and function at a single level of government increasingly problematic. While conceiving of parties as single-level actors may have been useful and defensible in an era of highly centralized politics, the growing prominence of subnational electoral arenas renders this conceptualization inadequate. There are at least two reasons why territorial considerations are particularly relevant in new democracies.

First, parties in new democracies tend to rely less on programmatic and more on particularistic appeals (Kitschelt, 2000). This linkage mechanism requires an organization on the ground. In fact, the notion that a party’s rootedness in a certain region is key for electoral success underpins much of the literature on patronage networks and clientelistic forms of party organization (e.g. Auyero, 2001; Borges, 2011; Hagopian, 1996; Holzner, 2010; Van de Walle, 2007). The value of an organization on the ground – even in an age of direct media appeals – is also demonstrated by the literature on campaigning and voting behaviour in Latin America. For Mexico, Lujambio argues that the ‘existence of electoral machinery is not a sufficient condition for success at the polls, but it certainly is a *necessary* condition’ (2001: 90, emphasis in original). Wilson (2008) shows that a party’s organizational strength in a region shapes its ability to campaign and disseminate information. It therefore influences the likelihood that citizens will include the party in their consideration sets and, ultimately, vote for it. The extent to which parties are present in a given state thus has important implications for the party’s ability to win elections. Second, while party systems in most established democracies are highly nationalized, in new democracies the degree to which major parties are competitive often varies widely across the national territory (Harbers, 2010; Hicken, 2009; Jones and Mainwaring, 2003). Subnational party units are therefore likely to be heterogeneous and this heterogeneity creates distinct challenges for the central party.

One aspect of vertical interactions within parties is the support of central parties for their co-partisans at the state level. This study examines one specific type of central party support for local branches: intra-party resource allocation. Streams of money provide important insights into party behaviour (Blondel, 1969: 122; Duverger, 1964 [1954]; Sartori, 2005 [1976]: 82–85) because resource allocation is generally goal-oriented (Fiorina, 1981: 545). Tracing the flow of resources through the party can therefore reveal parties’ organizational priorities. There is a rich literature on inter-governmental transfers in new federal democracies, which demonstrates the importance of resource allocation for political outcomes

(e.g. Chhibber, 1995; Porto and Sanguinetti, 2001). It is therefore surprising that literature on intra-party resource allocation has remained focused on the United States (e.g. Herrnsen, 1989; Jacobson, 1985) with only scant attention to other regions of the world (but see, for example, Carlson, 2012; Casas-Zamora, 2005; Poiré, 2005). In light of the importance of party behaviour for party system development, it is striking that intra-party transfers have so far escaped our attention.

Which considerations guide the allocation of intra-party resources? In general, parties' goals are assumed to be electoral and ideological (Strom, 1990). While most parties will aspire to a combination of the two, the weight assigned to them may vary. For instance, parties with strong ideological commitments may forgo votes or a broad electoral appeal to maintain ideological purity. In Mexico, as in many new democracies, it seems appropriate to conceive of parties primarily as office-seekers (e.g. Greene, 2007). Mexican parties are thus motivated first and foremost by the desire to win elections and competition for office is an important consideration for parties when allocating resources to subnational branches.

Previous theoretical work suggests that the desire to win elections is indeed an important variable influencing central support for subnational branches. In Western Europe, parties' 'inherently competitive strategies' lead them to spread across national territories in search of electoral support (Caramani, 2004: 293). The rise of competitive politics prompted parties to 'cover as much "space" as possible' and thus 'spread through constituencies that were hitherto in adversaries' hands' (Caramani, 2004: 6). This, in turn, resulted in the nationalization of party systems as parties sought to broaden their territorial reach by strengthening their organization in states where they performed poorly in the past. The empirical implication of this behaviour would be high transfers to states with poor previous performance. This might be called offensive, or – in Caramani's terms – 'catchalover' spending.

Which insights can we derive from this for the spending patterns of parties in new democracies? As their West European peers, many parties enter the era of competitive politics with unequal territorial organizations. Despite this similarity, there is a crucial difference in the institutional context. In Western Europe, the rise of competitive politics coincided with the centralization of government activities and centralization played an important role in the development of nationalized party systems (Chhibber and Kollman, 2004). The focus of political parties shifted from the subnational to the national level as power became concentrated in the national arena (Caramani, 2004). In Mexico the consolidation of a nationwide hegemonic party also coincided with the centralization of government and fiscal authority (Diaz-Cayeros, 2006). In contemporary Mexico, by contrast, the rise of competitive politics coincides with the decentralization of government

activities. Subnational executive offices are highly desirable because governors enjoy access to considerable resources. This significantly alters the incentives to pursue the 'catchalover' strategy described by Caramani (2004).

For parties primarily interested in winning national office, a nationwide organization is essential to mount effective electoral campaigns. Thus, each additional supporter in another district is valuable for the party because he or she contributes to achieving the national goal. This calculus changes when subnational offices become relatively more important for the party. Particularly governorships are highly desirable as governors dominate state politics and control considerable monies. All parties are therefore interested in obtaining subnational offices and are likely to allocate transfers with this goal in mind. Parties with unequal support know that they have a realistic shot at winning only in some states. An additional supporter in a state where the party is currently not competitive is much less attractive than an additional supporter in a state where the party can realistically win. Even though broadening the support base in states where the party has done poorly in the past may thus be an important investment in the party's prospects, the desire to win elections in the immediate future and the reality of a limited pool of resources create strong incentives to favour strongholds. Even in decentralized democracies, of course, national office is still likely to be very powerful. The quest for national office is facilitated by a party's ability to campaign effectively in a significant number of states. A counterbalancing force to focusing solely on regions where the party has a shot at winning state houses is therefore the desire to win office nationally. Yet, the important point is that parties competing in multi-level systems are faced with more complex considerations than parties focused primarily on the national level of government.

From this discussion, we can derive two expectations regarding spending patterns for Mexican parties. First, all parties are likely to transfer more resources to states holding subnational elections. Second, parties with territorially unequal support are likely to allocate more resources to states where they are competitive than to states where they are less competitive.

Party politics and political finance in Mexico

Three major political parties dominate the Mexican political landscape: the former hegemonic Institutional Revolutionary Party (*Partido Revolucionario Institucional*, PRI), the centre-right National Action Party (*Partido Acción Nacional*, PAN) and the leftist Party of the Democratic Revolution (*Partido de la Revolución Democrática*, PRD). For most of the 20th century, decision-making power was concentrated within the PRI, and within the party in the upper echelons of the hierarchy. Politics, even at the state level, was therefore generally understood in terms of the

motivations and interests of the national party elite. The foundation of the National Revolutionary Party (*Partido Nacional Revolucionario*, PNR), which later evolved into the PRI, constituted an attempt to bring together subnational as well as national political elites under one roof, and to absorb the power of regional bosses into one nationwide organization (Díaz-Cayeros, 2006; Story, 1986). While the PRI had succeeded in maintaining this regional compromise for decades, the erosion of PRI support during the process of democratization proceeded at different speeds throughout the country (Gómez Tagle and Valdés, 2000; Magaloni, 1999). In Northern states, the PRI lost ground to the PAN. The PRD drew support mainly in the South and the capital city. In most states, the PRI has therefore competed either with the PAN or the PRD, rarely with both. Thus, even though there are three major parties, Mexico is 'less a three-party system than a pair of two-party systems' (Klesner, 2005: 109). This explains why the former opposition parties occasionally cooperate and form electoral alliances in state elections.² The PRI and the former opposition parties PRD and PAN thus entered competitive politics facing distinct organizational challenges. The challenge for the former hegemonic party was to maintain its nationwide structure and to prevent it from crumbling. For the PRD and the PAN, the challenge was to compete effectively without a nationwide organization. All parties, however, were confronted with a context of increasingly decentralized politics and reinvigorated federal checks and balances (Díaz-Cayeros, 2004; Hernández Rodríguez, 2003).

Before delving into the analysis of intra-party transfers, it is useful to lay out the basic characteristics of political finance in Mexico. The 1996 constitutional reform was one of the milestones in the development of the current federal public funding system. Article 41 explicitly states that, owing to their role as entities of public interest, registered national parties are entitled to public funding. The *Código Federal de Instituciones y Procedimientos Electorales* (COFIPE), which specifies the details of party funding, requires parties to submit income and expense reports on an annual basis, and determines that no other source of funding can surpass public subsidies. Even membership fees can thus never be the primary source of party income, which illustrates the conceptualization of parties as public rather than private institutions. In practice, the generous provision of public money has crowded out other sources of income. While private funding accounted for about three-fourths of total party income in 1994, its share dropped to less than 10 percent over the next three years (Lujambio, 2003: 383).³

Federal public funding can be divided into three streams of money. First, parties receive annual funding for ordinary permanent activities (*actividades ordinarias permanentes*). The total amount to be distributed each year is determined by the Federal Electoral Institute (IFE) according to a fixed

formula. Second, parties are entitled to funding for electoral campaigns (*gastos de campaña*). Subsidies in both categories are distributed between parties according to fixed criteria with 30 percent distributed equally among all parties represented in Congress and 70 percent allotted according to the vote-share obtained in the previous federal election. Third, parties can apply for a reimbursement of up to 75 percent of the costs of educational or research activities carried out in the previous year (*actividades específicas como entidades de interés público*). All of these federal funds are provided directly to the central party, which has to justify the use of these funds in its annual audit reports.

Mexican parties use the lavish resources they receive to invest in their organizations and resources are often seen as key currency for political success. Every year the parties' National Executive Committees (CEN) transfer part of their funding to state party chapters. In his pioneering study, Poiré (2005) has analysed intra-party resource flows during the 2003 Mexican federal election. Departing from a theoretical framework derived from the US congressional campaign literature, his analysis shows that national party leaders pursued an electoral maximization strategy. This article builds on Poiré's analysis, particularly the insight that transfers respond to electoral incentives. It extends Poiré's analysis by showing how electoral incentives influence transfers not only during federal electoral campaigns, but – due to parties' desire for powerful subnational offices – also in years without federal elections. To this end, the current article draws on a more comprehensive dataset, which provides information about transfers over the course of a decade from 1998 to 2007. While the transfer of resources from the central party to state chapters may not be sufficient to guarantee strong state-level party organizations, resources are certainly necessary. Transfers can therefore be considered an investment in the party's electoral fortunes in a certain state.

IFE reviews parties' use of public funds and summarizes the results in annual audit reports. Data about intra-party transfers have been obtained from these reports. As parties are entitled to make such transfers, they have no clear incentive to lie or hide information. In this sense, the transfers are different from campaign money, where parties may have strong incentives to downplay spending. Before analysing the determinants of party transfers, however, it is useful to explore how much money central parties transfer and for which share of subnational party income transfers account. Audit reports reveal that the PAN is the party with the most decentralized spending pattern. Between 1998 and 2007 the PAN transferred an average of 66 percent of its IFE funds to the states. The average is 36 percent for the PRD and only 20 percent for the PRI. IFE's audit reports distinguish between transfers for ordinary permanent activities, and transfers for local electoral campaigns.⁴ The majority of intra-party transfers fall into the first category.

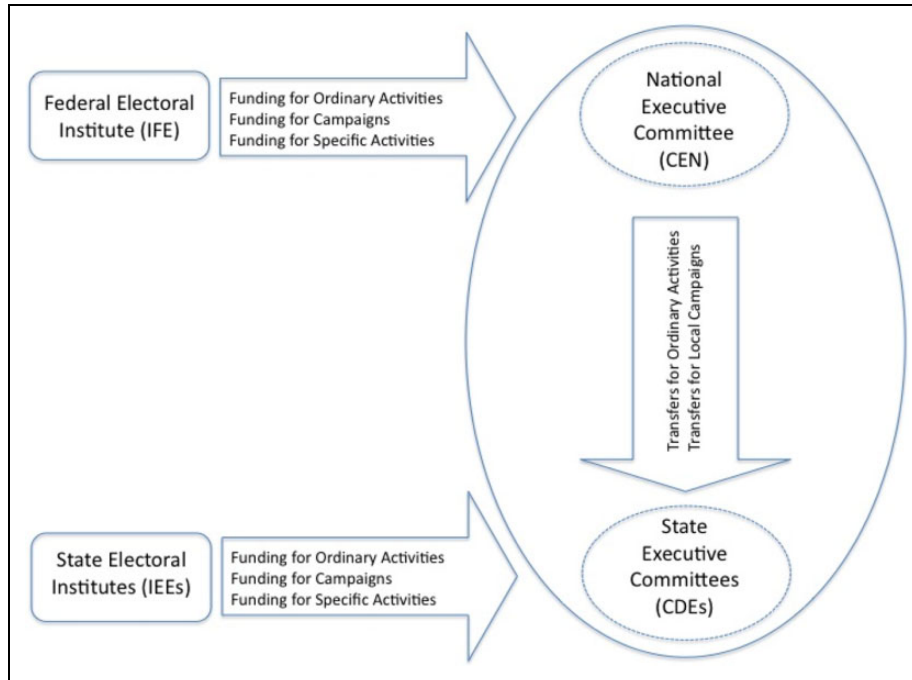


Figure 1. Streams of public funding and political money in Mexico.
Source: Own elaboration.

Between 1998 and 2007 the average share of transfers for ordinary activities was 82.6 percent for the PAN, 78.2 percent for the PRI and 63.6 percent for the PRD.

Yet, even though federal funding is generous, it is only part of the story as states have followed the federal lead in setting up a system of public funding. Authority over subnational party funding lies with the state-level electoral institutes (*institutos estatales electorales, IEEs*), which are autonomous from IFE.⁵ While IFE's funding is delivered to the central party, state funding for political parties is granted to subnational party chapters and handled directly by local party administrators (Poiré, 2005: 8).⁶ Federal and state-level streams of political money are illustrated in Figure 1.

Given that state-level funding provides party chapters with an independent source of income, it is useful to examine the composition of state party finances. Just how important are transfers for the functioning of subnational party units? While the importance of state-level funding has grown over time, transfers still account for a substantial amount of income. The average share of transfers across states and years is 54 percent for the PAN, 28 percent for the PRD and 23 percent for the PRI. To provide some context for these numbers, it is useful to compare them with data from the US, where transfers from the central party have generally accounted for less than 10 percent of budgets. Yet, both Jacobsen (1985) and Herrnsen (1989) find that even these limited transfers had a significant impact on political outcomes.

Analysing intra-party transfers: Measurement and estimation

Which criteria guide intra-party resource allocation? Where do parties invest their money? To examine transfers, a dataset containing time-series cross-sectional observations with 'state-year' as unit of analysis has been constructed. The period under investigation spans 10 years from 1998 through 2007.

The maps reported in Figure 2 provide a first visual examination of the data. For each state, the maps contain two pieces of information. The colour of a state reflects the average amount of transfers for ordinary activities in constant pesos between 1998 and 2007, with darker shades indicating higher average transfers. If transfers were guided by the principle of equality and central parties provided all state chapters with an equal amount of resources, all states would appear in roughly the same colour. Clearly, this is not the case and transfers differ considerably across states for all three parties. The second type of information – volatility in transfers – is measured by a coefficient of variability (CoV), with larger circles indicating higher volatility.⁷ Overall, variability is highest for the PRI (143), followed by the PRD (76) and the PAN (40). Variation in the size of the dots across states indicates that transfers to some states are fairly stable, while transfers to others fluctuate substantially from one year to the next.⁸

A few states stand out when taking a closer look at the PRI map. In Baja California, Baja California Sur, Guanajuato,

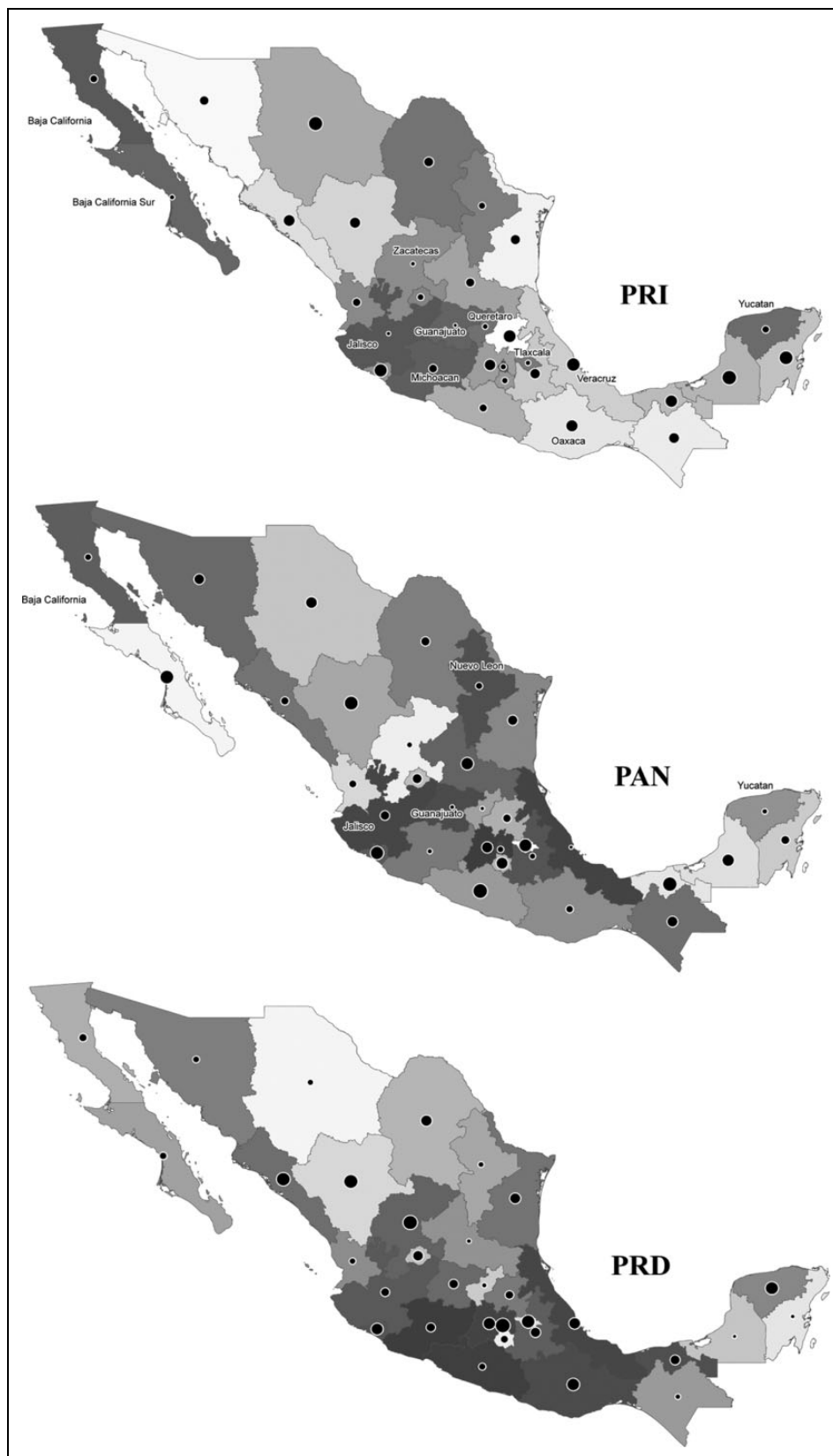


Figure 2. Intra-party transfers, 1998–2007.

The colour of a state reflects the average amount of transfers for ordinary activities in constant pesos between 1998 and 2007, with darker shades indicating higher average transfers. Dots indicate volatility in transfers, measured by a coefficient of variability, with larger dots indicating higher volatility.

Jalisco, Michoacán, Querétaro, Tlaxcala, Yucatán and Zacatecas mean transfer values are high, while the coefficient of variability is low. These states thus receive consistently high transfers from the central party. What these states have in common is that they are PRD or PAN strongholds and were not governed by priistas during all or most of the years under consideration. By contrast, transfers to traditional PRI states, such as Oaxaca, Veracruz or Puebla, are volatile with low mean values. This suggests that the PRI sought to recover ground it had lost to the opposition by providing support to weaker branches. The PAN, by contrast, appears to be determined to defend these strongholds, as transfers for Baja California, Guanajuato, Jalisco and Nuevo León are high with below average variability. PRD transfers appear to benefit primarily the Southern states, which is also the region where the party has been particularly strong. This first visual inspection of the data suggests that transfer patterns differ across parties, with the PRI leaning towards offensive spending and the PRD and PAN towards defensive spending. Yet, as amounts reported are absolute transfers and take into consideration neither the number of voters in the state nor other control variables, cross-state comparisons are not entirely straightforward. Moreover, because values are aggregated over a 10-year period, a lot of information is lost. The regression analysis developed in the following paragraphs explores determinants of transfers more systematically.

Measurement and estimation. The primary dependent variable for the regression captures per voter transfers for ordinary permanent activities. Transfers falling into this category can be seen as investments in party building. They cover the daily expenses of state party chapters, such as personnel and infrastructure, and may not be used for electoral campaigns. The second dependent variable measures the total amount of per voter cash transfers. In addition to transfers for ordinary activities it includes support for local electoral campaigns. Because it takes into account local campaign spending, we might expect short-term electoral considerations to play a stronger role in influencing this second variable. Both variables have been corrected for inflation with 2000 as base year.

As outlined above, all parties are likely to be interested in winning local elections and transfers should therefore be more generous during local election years. Mexican states hold gubernatorial elections every six years. Legislative terms at the state level are shorter and elections for local deputies take place halfway through the governor's tenure. To tap into the importance of local elections, a variable has been constructed that reflects the number of distinct local electoral contests. In years with gubernatorial and local congressional elections, the variable takes the value 2. If only congressional mid-term elections are held, it takes the value 1.

Competitiveness refers to a party's ability to win votes and campaign successfully in a given state. In the absence

of regular polling data, a party's best source of information about its strength in the state is likely to be previous election results. Competitiveness is therefore measured as the difference between the party's proportion of the vote in the previous election and the vote-share of the winning party. High values on this variable mean that the party trailed the winner by a considerable margin and was therefore less competitive. Competitiveness has been calculated on the basis of federal legislative elections.⁹

The governorship is the most coveted subnational office. Mexican governors dominate state politics and control considerable monies. The resources at their disposal enable them to provide substantial organizational support to their parties. A co-partisan governor thus generates many of the benefits the US campaign literature attributes to incumbency (Poiré, 2005). Transfers, according to these arguments, have little added value for incumbents, because their offices grant them name recognition, access to staff and the ability to shape public policy (Damore and Hansford, 1999; Jacobson, 1985). In Mexico, the added value of transfers may therefore be relatively marginal where the party holds the governorship. The electoral calendar for gubernatorial elections is staggered, so that in any given year some governors will have been elected recently, while others are about to finish their term. Moreover, governors assume office at different points during the year. For the regression the presence of a co-partisan governor is captured by a dummy variable and a positive score is assigned if the state had a co-partisan governor for at least six months of the year.

Resource allocation to state chapters is likely to be influenced by a number of additional considerations. These are included as control variables. While more money may be beneficial for all state party chapters, there is considerable variation in their respective ability to access funds from sources other than the CEN. Existing resource asymmetries between state chapters are therefore likely to affect the central party's transfer decisions and central parties may seek to compensate disadvantaged state chapters. Resource asymmetries between state party chapters arise from differences in state-level funding, their primary source of income. The amount of public funding a party receives in a state varies depending on two factors. First, the amount of resources states allocate to parties differs quite substantially. In 2007, per voter funding for all parties combined varied from 5 pesos in Baja California to 50 pesos in Zacatecas.¹⁰ Second, state-level funding is assigned in accordance with previous electoral results.¹¹ In states where a party has done well in the past, it will therefore tend to receive higher funding than in states where it has done poorly. The CEN may therefore decide to reduce transfers to state chapters that are already well funded (Poiré, 2005: 10). To account for this, the model includes a variable reflecting the amount of per voter state-level funding for ordinary activities.¹² The last two control variables – state

GDP and the number of voters – capture the relevance of a state. Descriptive statistics for all variables in the analysis can be found in Appendix B.

Transfer strategies are examined using pooled time-series cross-sectional analyses. For each party, the units of observation are ‘state-years’. Unbalanced panels such as these pose a number of econometric challenges. In this specific case, a further complication results from the fact that there is substantial correlation of disturbances across the three parties. It therefore makes sense to consider the party-level models jointly and to conceive of them as a system of equations (Greene, 2008: ch. 10; Zellner, 1962). Coefficients reported in Table 1 have been obtained using the procedure for seemingly unrelated regressions (SUR) with unbalanced equations suggested by McDowell (2004). In a first step, random-effects models are fitted for each party. In a second step, the parameters of the system of seemingly unrelated regressions are calculated using population-averaged generalized-estimating equations.¹³

Results and discussion

Models were run with two dependent variables; with the expectation that short-term electoral factors should play a more prominent role in predicting the second transfer variable. Yet, for all three parties there appears to be no systematic difference in the variables explaining transfers for ordinary activities and total transfers, including those for local campaigns. The same considerations guide transfers in the two categories. This is consistent with Poiré’s (2005) results for resource flows during the 2003 election. Electoral concerns appear to be on the mind of elites from all three parties, as they allocate significantly more resources to states holding local elections. One implication of this is that local elections are indeed crucial moments for a party and that much strategizing is influenced by short-term electoral considerations (see Wuhs, 2008). There is also some support for the notion that central parties seek to compensate poorer party chapters. The coefficient for state-level funding is negative and significant for the PRD. For both PRI models it is negative but not significant.

The key question addressed in this article is of course whether parties pursue offensive or defensive spending and if there is the expected difference between the PRI and the two former opposition parties. A closer look at Table 1 indicates that the PRD and the PAN indeed differ from the PRI with regard to their spending pattern and that – in line with the evidence examined in Figure 2 – the behaviour of the two former opposition parties is consistent with a defensive logic.

For the PAN, the competitiveness variable has a strong negative effect. A 1 standard deviation change in competitiveness (13 percent) decreases transfers for ordinary activities by 1.2 pesos per voter and total transfers by 2.4 pesos

per voter. Thus, the PAN spends more money where it has done well in the past. For the PRD, the effect of competitiveness is also negative. The effect of a 1 standard deviation change (15 percent) is 0.5 pesos per voter for ordinary activities and 0.8 for total transfers.

For the PRI, the competitiveness variable is positive, but not significant. There is, however, strong evidence that the presence of a co-partisan governor reduces transfers. Transfers for ordinary activities are 3.3 pesos per voter lower and total transfers are 5.4 pesos per voter lower in states governed by *priistas*. This highlights the pivotal role *priista* governors play in maintaining the party. After the PRI lost the presidency to the PAN in 2000, the governors famously emerged as the new strong men within the organization (e.g. Langston, 2006). Because governors now controlled significant monies and the central party was cut off from federal power, the CEN’s ability to control or discipline co-partisan governors has been weak. One corollary of this was that the CEN – in part to avoid clashes with the governors – focused its activities on states not governed by *priistas*. This appears to have contributed to the PRI’s ability to maintain a strong presence throughout the national territory. Governors are the undisputed leaders of state parties, leaving the CEN free to spend money elsewhere.

These findings support the notion that all parties orient spending towards states holding local elections. They are consistent with the expectation that decentralization makes it less likely that parties with unequal territorial support will pursue a ‘catchallover’ strategy. While the PRI, which developed a nationwide organization during an era of centralized politics, spends substantially less in states where it controls the governorship, the two former opposition parties focus spending on their strongholds.

Conclusion

While public funding for political parties has become the norm in new democracies, we know relatively little about the ways in which parties allocate the subsidies they receive. Yet, party strategies with regard to resource allocation are likely to have substantial implications for party system development, particularly in new democracies where resources tend to play a prominent role for parties (e.g. Dargent and Muñoz, 2011). By exploring the determinants of intra-party cash transfers within Mexican parties this article contributes to this important field of research. It develops the argument that decentralized governance creates spending incentives which are distinct from those faced by European parties after democratization. While the centralization of government activities in Europe made it beneficial for parties to engage in ‘catchallover’ strategies, decentralization in contemporary new democracies encourages parties with unequal territorial support to focus on states where they can win. Even though

Table 1. System of seemingly unrelated regressions on intra-party transfers to state branches.

	PRI			PAN			PRD		
	System A CEN transfers for ordinary activities per voter	System B CEN transfers for ordinary and local campaign activities per voter	System A CEN transfers for ordinary activities per voter	System B CEN transfers for ordinary and local campaign activities per voter	System A CEN transfers for ordinary activities per voter	System B CEN transfers for ordinary activities per voter	System A CEN transfers for ordinary activities per voter	System B CEN transfers for ordinary and local campaign activities per voter	
Competitiveness in previous federal election	1.5821 (4.6115)	0.8568 (7.0970)	-9.3782*** (1.1083)	-18.6141*** (3.1600)	-3.4712*** (0.5810)	-5.5011*** (1.1867)			
Co-partisan governor	-3.3050*** (0.6676)	-5.4152*** (1.0713)	-0.5586* (0.3101)	-0.5462 (0.8432)	-0.2616 (0.2190)	0.5727 (0.4354)			
Local elections	0.9825*** (0.3766)	3.2072*** (0.6652)	0.6176*** (0.1892)	4.8539*** (0.5189)	0.3522*** (0.1040)	1.8932*** (0.2120)			
State-level funding	-0.0590 (0.0370)	-0.0906 (0.0610)	-0.0042 (0.0199)	0.0148 (0.0533)	-0.0787*** (0.0177)	-0.1288*** (0.0346)			
GDP	0.0000 (0.0002)	-0.0001 (0.0004)	0.0001 (0.0001)	0.0002 (0.0003)	0.0001 (0.0001)	-0.0007 (0.0001)			
No. of registered voters	-0.0006** (0.0003)	-0.0010** (0.0005)	-0.0008*** (0.0001)	-0.0017*** (0.0004)	-0.0004*** (0.0001)	0.0000*** (0.0002)			
Constant	4.8597*** (0.7133)	7.6160*** (1.1898)	7.0828*** (0.3663)	12.1268*** (0.9827)	3.1690*** (0.2438)	5.1947*** (0.5189)			
N	215	205	215	193	215	193			

*** ≤ 0.01 , ** ≤ 0.05 , * ≤ 0.10 (two-tailed test). Standard errors are in parentheses. The Wald chi-squared statistic for the system of equations is 1303.25 in System A and 970.86 in System B.

all parties spend more in states holding local elections, the PAN and the PRD concentrate spending in states where they performed well in the past.

This finding is interesting for several reasons. For one, it suggests that we cannot expect progressive party nationalization to occur as a corollary of competitive politics. As decentralization makes it less attractive for parties to broaden their base, progressive party system nationalization is less likely. Because nationalization is generally considered to have substantial consequences for governability and democratic representation (Alemán and Kellam, 2008: 193), this is important.

This study also adds to an emerging body of research highlighting the unintended consequences of decentralization for parties and party systems in Latin America. During the 1980s and 1990s, decentralization reforms were adopted in many new democracies to improve the quality of democracy. For Colombia, Dargent and Muñoz (2011) demonstrate that the reforms not only failed to achieve the desired result, they also directly contributed to the de-institutionalization of the party system by undermining party aggregation. While their analysis focuses on the incentives for local politicians to join and remain loyal to parties, the current analysis highlights another pathway through which decentralization undermines nationalization. In addition to changing incentives for local politicians, decentralization creates incentives for central parties that make support for weaker branches less attractive. This top-down mechanism is particularly relevant for Mexico, where federal electoral law requires all parties to have a national orientation. The relative neglect of weaker branches by the PRD and the PAN also sheds light on the re-emergence of the PRI, which – despite its ouster from power in 2000 – still maintains a considerable advantage over competitors in national elections due to its nationwide organization.

Additionally, the results of this article offer new insights into the emergence and persistence of authoritarian enclaves within national democracies (e.g. Gibson, 2010; Giraudy, 2010). The literature argues that subnational authoritarian leaders engage in ‘boundary control’. In this view, the survival of enclaves is possible where governors succeed in cutting the local opposition off from allies and resources in the national arena (Gibson, 2005: 103). Yet, because cash transfers from national to local party branches are a significant linkage mechanism, it is important to focus not only on the policies of governors but also on the support co-partisans at the national level provide for the local opposition. Unfortunately, these are likely to see transfers to branches in such states as particularly poor investments because of the low likelihood of electoral victories. Directing transfers towards competitive races therefore means that the local opposition in authoritarian enclaves is in danger of remaining anemic not only because it is harassed by the governor, but also because national co-partisans fail to provide support.

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Notes

1. For comparison, consider that in the same year all US presidential candidates combined spent 1.8 billion US dollars on their respective campaigns, which equals roughly 7.80 US dollars per voter (www.opensecrets.org, last accessed 21 March 2009).
2. Electoral coalitions between opposition parties have been a common way to challenge the PRI at the polls. These coalitions are attractive because generally one of the two main opposition parties (PRD or PAN) is weak in the state and therefore better off negotiating some concessions with the major opposition party in return for cooperation than going it alone. Because the alliances are restricted to elections, however, they have limited consequences for party organizational development.
3. For a detailed discussion of Mexican party finance laws and the development of the relevant legislation, see, for example, Peschard (2006) and Lujambio (2003).
4. Information about transfers can generally be found under the report categories ‘Apoyos a Comités Estatales’ and ‘Transferencias a Campañas Electorales Locales’ in IFE’s reports. Transfers for ordinary permanent activities and for local campaigns are made every year. During federal election years the CEN may also transfer resources to state party chapters as part of the federal electoral campaign. These resources come from parties’ campaign budgets and are reviewed by IFE as part of the campaign finance reports. They are not included in this analysis. For an analysis of federal campaign transfers in 2003, see Poiré (2005).
5. For the most part, state electoral laws distinguish the same three streams of financing as the federal level. While the electoral reform process at the federal level has received substantial scholarly attention, the study of Mexican subnational electoral institutions is in its infancy (but see Monsiváis Carrillo, 2009; Peschard, 2008).
6. Even though evidence for the composition of party income at the subnational level is more difficult to come by than at the federal level, available data suggest that public funding is also the predominant form of income and state electoral laws

- generally provide caps on private funding akin to those in place at the federal level.
7. Transfer amounts have been adjusted for inflation, with 2000 as the base year. The CoV is obtained by dividing the standard deviation by the mean and then multiplying the obtained ratio by 100. The advantage of the COV is that it adjusts for the overall transfer volume, which differs substantially across states. While the standard deviation tends to take higher values where the mean is larger, the CoV is not influenced by the 'size of the pie' and therefore comparable across states.
 8. Note that colours and dots reflect relative values that are not directly comparable across parties. Absolute values are provided in the supplementary materials included in Appendix A.
 9. In models not reported, competitiveness was also measured as the rank obtained in previous elections and vote-share in previous elections, with results substantively similar to those reported. Legislative, rather than presidential elections, were used because competition for executive office tends to promote two-party or, more accurately, two-candidate contests (Cox, 1997; Duverger, 1964 [1954]). Legislative elections therefore reflect the relative strength of parties more accurately. As the revision of party finances takes place once a year, it is not possible to determine at what point during the year decisions regarding transfers were made or in which month resources were actually transferred. Yet, as parties know at the beginning of the year how much federal public funding they will receive, they are likely to prepare at least a rough outline of the budget relatively early on. If elections take place halfway through the year, the decision to transfer resources will therefore most likely have been taken prior to the election. All variables tapping into competitiveness therefore reflect the results of previous elections. Electoral results obtained in the year 2000, for instance, do not appear in the dataset until 2001.
 10. Research on state-level public funding to parties remains scarce. We therefore know relatively little about the motivations that determine the level of public funding. Poiré (2006) shows that funding does not correlate systematically with either population size or wealth.
 11. Allocation rules vary across states, with some applying different formulas than the 30/70 distribution between equal funding and vote-share maintained at the federal level. In Sinaloa, for instance, the breakdown is 20/80 (Capítulo VII, Artículo 45A, Ley Electoral de Sinaloa), while it is 15/85 in the Estado de México (Artículo 58, II-III, Código Electoral del Estado de México). Rather than vote-share in federal elections, distribution is based on vote-shares in local elections.
 12. Data for this variable are not available for all state-years. State-level electoral institutes are under no obligation to report the amount of public funding to IFE. The only way to find out how much public funding political parties receive at the state level is therefore to request this information directly from all 32 state institutes. Even though data on public funding should theoretically be public, obtaining this information is often difficult. Particularly for the early years, records may not have been well kept, and even well-kept records sometimes get lost in the archives.
 13. The results of these party-specific models are reported in Appendix C. While the SUR approach potentially takes fuller account of the data, in this case results are in fact very similar to those obtained through party-by-party estimations in terms of effect-size and significance. Models 1–6 (Appendix C) were fitted using the 'xtreg' command in STATA 10. Results are robust to several alternative specifications. Population-averaged generalized-estimating equations (Zorn, 2001) yield very similar results in terms of both effect-size and significance. All variables of interest except local elections are slowly changing or time-invariant. In such cases, fixed-effects models (FE) are generally not recommended as they can obscure the effect of these variables (Plümper et al., 2005). Yet, even if models are estimated with fixed effects the changes in results with regard to the main variables of interest are relatively minor. The competitiveness variable remains significant in Models 3, 4 and 6 (but not in 5), and the governor effect loses significance in Models 1 and 3. The inclusion of a lagged dependent variable (LDV) can help correct panel-specific serial correlation, but often at the price of inflating the effect of the LDV (Achen, 2000). The inclusion of a LDV in Models 1–6 does not affect the signs of coefficients. After their inclusion the competitiveness variable in Model 2 becomes significant. Overall, the party-level results are remarkably consistent across model specifications. Systems of equations A and B reported in Table 1 were fitted with the 'xtgee' command in STATA. One of the advantages of the procedure suggested by McDowell (2004) is that observations do not have to be balanced across equations. The command 'sureg', which also fits seemingly unrelated regressions, discards observations available for some but not all equations. In models fitted with 'sureg', 12 observations are lost in System B but the substantive results remain unchanged.

Supplemental material

The online data supplements are available at <http://ppq.sagepub.com/supplemental>.

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