

Correlates of internal party funding strategy: Mexico 2003

Alejandro Poiré
ITAM and IFE

Presented for a Conference at the University of California in San Diego
March 3-5, 2005

Introduction

Perhaps the most unique feature of Mexico's electoral system is also one of its least researched ones, namely, its party finance system. In the wake of the electoral reform of 1996, the goal of securing vast and predominantly public funds for all types of party activities became one of the cornerstones of the new institutional design that came about.

Following the path of the money has become an increasingly relevant theoretical and empirical topic in the study of electoral and party politics, and rightly so. In particular, the magnitude of funds destined by Mexico's electoral authority to political parties for their ordinary activities, and the additional sum devoted on every electoral cycle for campaign spending gives national party leaders an impressive political resource to manage internal party politics—and maybe even influence issues of federal governance.

This chapter addresses this aspect of Mexico's party system by analyzing the determinants of national leaders' decisions to make cash transfers from these funds to state-level party chapters throughout the country. It uses publicly available data on cash transfers for all parties with national registry during the year 2003, which is contained in the auditing records of Mexico's federal electoral authority. It builds on the basic assumption that a disbursement of cash from the national leadership to a local chapter is an important indicator of relative power of these sub-national units, and explores patterns of concentration, dispersion and distribution of these funds.

Mexico's heavily funded party system: a recap

The constitutional reform of 1996 has been characterized as one that not only laid the foundations of a strong and autonomous Federal Electoral Institute (IFE), but also provided the moneys needed to guarantee equitable conditions of competition for all parties. In this regard, the system set up two key components: large amounts of

funding were to be given to all political parties with formally registered by IFE, and this publicly provided funds would have to be larger than all non-public sources of income. Restrictions on business, church and foreign donations were sustained; campaign spending limits were set up, while the basic elements of party auditing instruments for IFE to use were put into law.

The amount of total party finance is almost mechanically dependent upon a formula laid out by the law. This calculation takes an estimate of the minimum cost of a federal deputy campaign as its base, and incorporates the number of parties in Congress and their vote shares in the last election to determine the total amount of moneys to be disbursed, as well as its distribution amongst parties.

Table 1 shows the amount of this funding for the 1991-2005 period, in 2003 Mexican pesos.¹

Table 1. Total public funding to registered political parties.

Year	Million pesos ('03)	Number of parties
1991	522.82	10
1992	372.77	6
1993	539.82	9
1994	752.97	9
1995	422.39	6
1996	1,156.48	8
1997	3,516.83	8
1998	1,469.64	5
1999	1,640.76	11
2000	3,515.84	11
2001	2,473.59	8
2002	2,536.89	11
2003	4,942.60	11
2004	1,763.44	6
2005	1,941.59	6

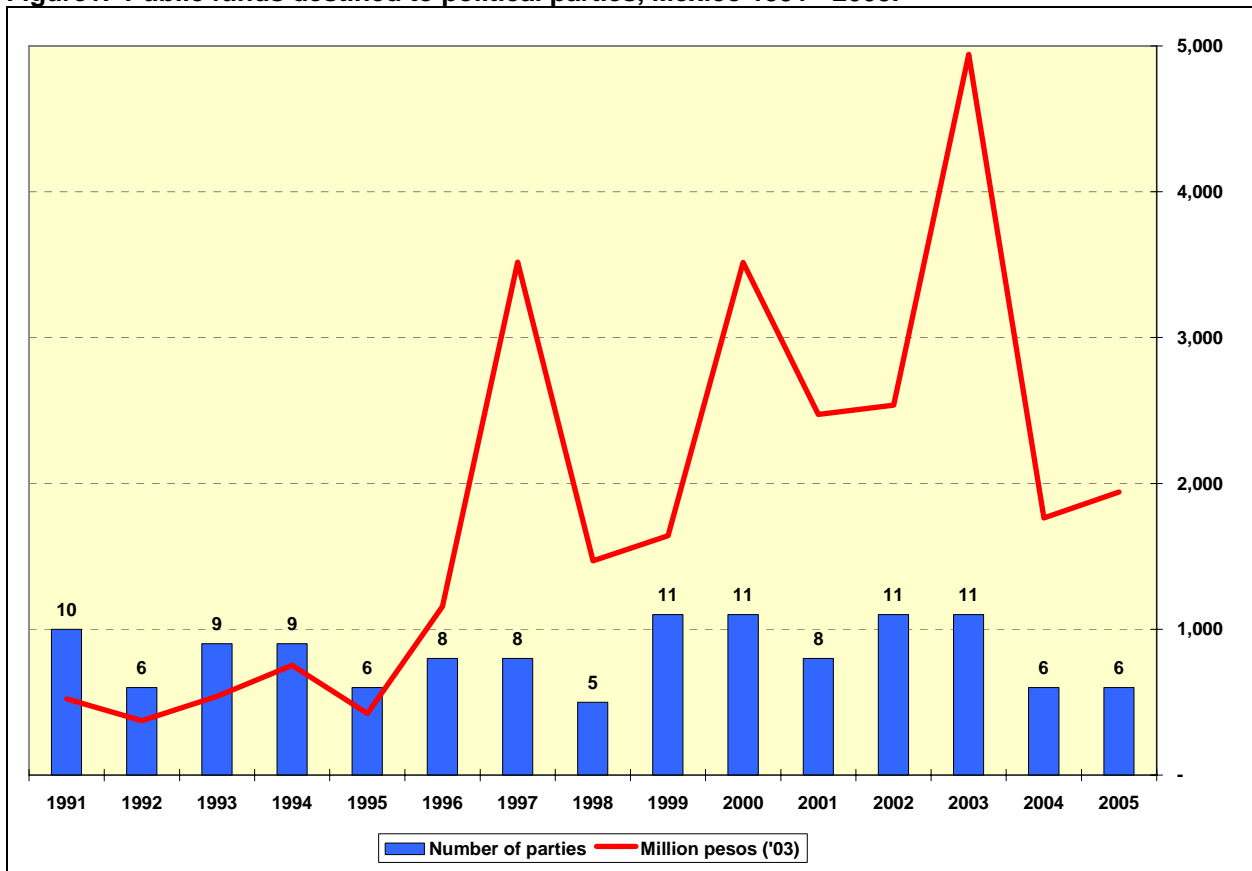
In boldface, years in which a federal election was held.
Source: Federal Electoral Institute, Mexico, 1991-2005.

¹ All figures in this paper are denominated in Mexican pesos. During 2003, the year for which the analyses are performed, the average exchange rate was of 11.3 pesos per dollar.

It is important to keep in mind that, according to the 1996 law, public funding is to increase two-fold in the years of a federal election (1997, 2000, 2003). This is because the law determines that, on top of the regular amount received by a party for its “ordinary” yearly activities, it shall receive an equivalent amount for its campaign activities. The distribution of both the ordinary and campaign funds among parties follows a 30-70% rule; 30% is distributed equally among each party, and the other 70% is directly proportional to the parties’ most recent showing in the congressional contest.

Figure 1 is useful in illustrating the structural change brought about by the 1996 legislation, as well as the election year peaks in public funding for parties.

Figure1. Public funds destined to political parties, Mexico 1991 - 2005.



In addition to ordinary and campaign related funds, parties may also receive up to a 75% reimbursement on previous spending devoted to the promotion of the 'civic culture' amongst their affiliates and the citizenry more generally. These funds have ranged around 100 million pesos a year, and are exclusively dependent on party activities, which might allow for smaller parties to obtain larger funds than their peers. Since these payments are received several months after the activities took place, the money can be used for whatever legal purpose by the political party.

Party moneys, party strategies

Worthy of notice is the fact that all of these funds are centrally delivered by IFE to national party administrators. These administrators are directly accountable to the national party leadership, and play a key role within the party, fulfilling several obligations related to IFE's audits of the party finance, and administrating the party's entire patrimony. From a fiscal perspective, national political parties are a single entity, a disposition which underscores the responsibility of the central administrator over local party chapters.

Many things can be asked about political party finance in general, and especially of a party system so eloquently dominated by centrally-administered public funding. This chapter focuses on the role played by transfers from the national leadership to state-level party administrators. The data used in this study, coming from IFE audits of party finance, shows the exact amount of cash transferred for local chapters to spend during the year 2003. These transfers include both ordinary and campaign-related activities by the parties. Table 2 provides a measure of how much of the net public funding received by each party was transferred to the states in 2003, as a basic measure of concentration of spending within the party.²

² Net funding figures include substantial reductions in payments for the PRI, due to previous irregularities sanctioned by IFE.

Table 2. Total transfers as a share of public finance, 2003.

	Net public funds received	Total transfers to states	%
PAN	1307.4	441.4	33.8%
PRI	1028.5	201.7	19.6%
PRD	556.3	108.9	19.6%
PT	286.0	83.5	29.2%
PVEM	363.8	26.6	7.3%
Convergencia	247.2	49.3	19.9%
Total	3789.2	911.4	24.1%

Figures in millions of Mexican pesos.

In 2003, about a fourth of the money delivered by IFE to national parties was transferred in cash for local chapters to spend. Three of the parties transferred almost the same share—a fifth—of their public income (PRI, PRD and Convergencia), while two others showed patterns of greater decentralization, with about a third of their moneys transferred to local parties (PAN and PT), and one other (PVEM) spent only about 7 out of every 100 pesos it received through local chapters.

The variation in share of money transferred amongst parties does not seem to be obviously determined by party budgets, ideological orientation, or overall degree of political power.

Another interesting pattern of variation is found in the dispersion of party transfers across the 32 states of the federation. Table 3 presents a Taagepera index for 'effective number of states' in which the voting population is distributed, as well as the effective number of states getting transfers from national party leaders.³

³ The Taagepera index was constructed with the same formula as the effective number of parties, substituting vote shares with state-level shares of money transfers by each party, and state-level share of the national voter registry.

Table 3. State dispersion of party transfers and voter registry, 2003.

PRD	24.71
PAN	21.40
PRI	19.58
Convergencia	19.50
PVEM	19.12
<i>Voter registry</i>	18.15
PT	17.11

Figures are Taagepera indices for effective number of states.

As the table indicates, the voting population is mostly distributed in 18.15 of the 32 local entities across the country. Only two of the six parties (PAN and PRD) dispersed their reimbursements somewhat more than what the population itself is, while only concentrated it more. The PRD, in particular, clearly dispersed its reimbursements much more than the population itself.

However, the interpretation of these variables may not be unambiguous: are transfers an indicator of weaker national parties, grudgingly relinquishing cash to strong and autonomous state chapters? Or are these just tightly knit relations where the central administration retains full authority over the way in which the money is spent?

More importantly, are party transfers the outcome of national party leaders trying to optimize a function which needs to take into account electoral incentives in the short and long run at the state level, as well as internal balance of power relative to the state leaders? The evidence presented ahead tends to support this strategic interpretation.

The big picture

Table 4 presents the full dataset of per-voter party transfers by state during the year 2003 in Mexico.⁴

⁴ Table 4.1. presents summary statistics for these variables, as well as for state-level voter registration.

Table 4. Transfers to states by political party, 2003.

	Voters (1000s)	PAN	PRI	PRD	PT	PVEM	Convergencia	Total transfers
Aguascalientes	632.4	12.09	7.29	2.21	0.56	0.35	0.56	23.06
Baja California	1,782.9	5.48	3.46	1.23	0.88	0.08	0.69	11.82
Baja California Sur	290.1	20.74	14.55	6.01	5.56	6.54	1.50	54.90
Campeche	435.9	21.24	15.82	5.74	2.03	0.18	10.87	55.89
Coahuila	1,555.7	6.40	1.56	1.89	0.79	0.41	0.46	11.52
Colima	369.3	20.37	1.84	5.39	5.87	0.08	0.83	34.39
Chiapas	2,327.0	4.68	2.81	1.70	1.36	1.10	0.61	12.26
Chihuahua	2,208.0	6.16	1.16	1.76	0.35	0.28	0.52	10.24
Distrito Federal	6,781.2	5.55	3.04	0.77	1.12	0.19	0.65	11.31
Durango	968.8	8.17	1.86	1.75	2.08	0.28	0.91	15.05
Guanajuato	3,097.3	6.94	4.18	1.29	0.97	0.80	0.14	14.32
Guerrero	1,926.0	3.80	1.77	2.55	0.74	0.22	0.76	9.84
Hidalgo	1,471.7	6.19	1.14	1.60	1.22	0.33	0.72	11.20
Jalisco	4,300.6	6.93	4.69	1.20	1.18	0.54	0.22	14.77
México	8,403.7	5.77	1.42	1.10	0.25	0.12	0.61	9.25
Michoacán	2,690.7	4.43	5.51	2.45	0.78	0.25	0.48	13.91
Morelos	1,079.1	11.42	5.40	1.32	1.94	0.83	1.23	22.14
Nayarit	619.4	9.03	7.86	3.21	1.63	0.61	1.76	24.10
Nuevo León	2,693.8	8.89	3.23	1.11	4.31	0.32	0.76	18.62
Oaxaca	2,135.1	4.32	1.27	2.02	0.57	0.50	0.84	9.52
Puebla	3,102.4	5.50	1.64	1.28	0.96	0.47	0.65	10.50
Querétaro	916.9	10.57	11.15	2.74	4.20	0.72	1.16	30.54
Quintana Roo	567.7	11.09	1.40	2.51	1.05	0.52	1.51	18.08
San Luis Potosí	1,441.1	15.67	3.22	1.95	1.59	0.34	0.98	23.75
Sinaloa	1,627.7	5.65	2.59	1.61	1.56	0.19	0.74	12.33
Sonora	1,526.8	8.88	1.42	2.28	5.55	0.27	0.76	19.15
Tabasco	1,213.8	7.35	1.68	4.52	1.13	0.74	1.41	16.83
Tamaulipas	2,011.2	5.45	1.00	1.49	0.49	0.69	0.57	9.69
Tlaxcala	636.7	8.02	7.19	2.20	0.64	0.10	0.87	19.02
Veracruz	4,538.6	4.95	1.22	1.63	0.70	0.30	0.90	9.70
Yucatán	1,069.7	9.25	8.80	2.04	0.64	0.40	0.83	21.96
Zacatecas	915.9	6.85	8.07	2.33	3.71	0.60	1.07	22.63
Nation-wide	65,337.0	6.76	3.09	1.67	1.28	0.41	0.75	13.95

Figures are in Mexican pesos per registered voter, and include both campaign and non-campaign related transfers.

On average, all parties transferred to local chapters about 14 pesos per voter living in the state. Perhaps transfers are related to the size of the state. Take the case of Baja California Sur and Campeche, for example. Two of the smallest states in the country, voter-wise, received the largest amount of transfers from national parties—but also perhaps due to pending local electoral processes. In contrast, the Federal District, with concurrent elections and a large voter registry, showed relatively small per-voter transfers.

A neat example of short term electorally driven transfers is the case of Convergencia in Campeche, where Layda Sansores, a Senator and daughter of a former governor ran for the gubernatorial post for Convergencia, with obvious support from the national chapter. Interestingly enough, none of the large parties would appear to be devoting especially large funding to party chapters in their bastions, as would be the case for the PRD in the DF, Zacatecas and Michoacán, or the PAN in Jalisco, Guanajuato and Baja California, or the PRI in Tabasco, Hidalgo, Oaxaca and Tamaulipas.

Correlates and determinants I: external dynamics

In order to more carefully evaluate patterns of transfers, three groups of evidence are presented. First, I offer results from regressing the sum of party transfers on the states on party-system level variables. Secondly, I present pairwise correlations of transfers for each of the parties, incorporating electoral variables in order to explore issues related to external competition on party funding strategy. Finally, I present regression analysis of PRI transfers to account for internal political dynamics exclusive to that political party. The overall of the evidence stresses the relevance of competitive influences on funding decisions by national party leaders.

Three alternative models of total party transfers are presented in table 5. A simple first model incorporates a control for relative size of the state economy—the state share of the GDP, an indicator of multipartyism, the Taagepera index for the state—estimated from the election results for House members at the state level in 2000; and the overall competitiveness of the state, for which the margin of victory for the previous federal election is also used.

Table 5. Determinants of total party transfers to states (all parties).

	Coefficient		
		<i>p-value</i>	
State share of GDP	-0.908	-0.886	-1.052
	0.08	0.12	0.08
Taagepera index, 2000	24.287	22.663	25.981
	0.07	0.13	0.04
Margin of victory in 2000	-0.708	5.981	0.688
	0.96	0.73	0.97
Governor election in 2003		8.188	
		0.23	
Governor election in 2004			-6.020
			0.14
Constant term	-29.215	-28.127	-30.587
R-squared	0.235	0.312	0.292

Coefficients obtained from OLS regression with robust standard errors.

This simple model, shown in the first column of table 5, suggests that parties in richer states get less funding from national parties; that more fragmented party systems get more money from the center; and that there is no competitive effect on central transfers whatsoever, at least as measured by the margin of victory in the previous election. The negative sign of the coefficient of state share of GDP is perhaps an indication that in richer states parties are likely to have greater access to alternative sources of income, and this structural effect allows national parties to ‘redistribute’ their transfers throughout less well-off states. The Taagepera index for effective number of parties is perhaps a better indicator of party-system competitiveness than margin of victory in order to explain system-level transfers. What seems to be the case is that, given mixed-member legislatures, greater fragmentation indicates greater competitiveness not only for the top post, but more generally for all parties, which could be driving transfers up, as the coefficient on the Taagepera index shows.

The second and third models incorporate dummy variables for gubernatorial elections in 2003 and 2004 respectively. While none of the corresponding coefficients are significant at a 90% level, their signs suggest that transfers might follow much more of a short-term, rather than a long-term electoral logic. In other words, parties send more money to states in which elections are taking place now, instead of investing for contests over the next periods.

Overall, the ‘redistributive’ or ‘complementary’ pattern of funding seems to be confirmed in the three models. Poorer states get more remittances from the center. Alas, this need not be *only* a matter of compensating for a shorter supply of political resources, but also the result of strategic spending by the national party. For instance, if a poor state is also a state in which door-to-door canvassing and mobilization strategies are extremely costly due to sub-par infrastructure, these strategies might be substituted by heavier media campaigning, which is seldom paid for by the local chapters of the parties, but mostly concentrated through negotiations between national parties and national-level agencies for radio and TV.

Analyzing correlates of transfers by party might prove useful to unearth the electoral incentives presented to the different parties across the country. In particular, it is important to evaluate the effect of gubernatorial incumbency and overall party strength in the state to assess whether parties are pursuing strategic patterns of spending, which might have important effects for local chapter consolidation or strengthening.

What is clear from a simple glimpse of table 6 is that each party internalizes electoral and economic variables in mostly different patterns. While PT transfers seem to be dominated by short-term electoral determinants, the three largest parties only seem to be driven by one common variable—electoral fragmentation, and only for PAN and PRI. This might suggest that strong internal party variables might be at work—an issue to which we return later for the case of the PRI.

Table 6. Correlates of transfers by party.

	PAN	PRI	PRD	PT	PVEM	Convergencia
State share of GDP	-0.273	-0.221	-0.423	-0.160	-0.156	-0.1422
Party incumbency	0.091	-0.515	0.121			
Party vote in 2000	0.202	-0.133	0.168	0.479	-0.090	-0.1643
Party margin in 2000	0.147	-0.099	0.350	0.354	0.114	0.0315
Governor election in 2003	0.332	0.205	0.117	0.374	-0.111	0.3677
Governor election in 2004	-0.079	-0.167	-0.044	-0.021	-0.154	-0.1317
Taagepera index, 2000	0.413	0.308	-0.018	0.270	0.429	0.0215
Coalition in 2003		0.428			0.208	

Figures are pairwise correlation coefficients, in bold are significant at 0.1 level, for a Chi-square test.

The National Action Party gave more cash in 2003 to states where a gubernatorial election took place in that year, and to states where the party system is more fragmented. Clearly, the fact that it had an incumbent governor made no obvious difference in their transfer strategy, nor did its previous electoral performance matter all that much. The case of the PRD is quite different, since it seemed to be most influenced by its previous electoral performance, as well as by a social economic bias towards poorer states. Party fragmentation did not make much of a difference to them, and neither did the fact that they held a gubernatorial post in certain states.

In particular, the absence of correlation between incumbency and fund transfers could indicate both a greater autonomy of the local chapter which won't need any help from the center to develop more strongly, alongside an opportunity for the national party to send more cash elsewhere. In this regard, the PRI case would seem to be at the extreme, since it appears to be sending substantially less money to states where it is an incumbent—a result coupled with the sending of more money to states where it formed an electoral alliance with the green party, where the PAN tends to be stronger.

Two additional points are worthy of notice. First is the fact that there seems to be no investing going on whatsoever. The sign of the 2004 gubernatorial election is always negative, even if not significant. Also, the PVEM and Convergencia patterns might remain underexplained: while in the latter case the aforementioned Campeche election seems to be driving all the results, in the former case, their heavily media-concentrated strategy makes it hard to find consistent patterns of behavior for their meager transfers.⁵

Internal dynamics driving transfers: the case of the PRI

In February 2002, Roberto Madrazo took over as PRI president after a nation-wide election amongst PRI sympathizers. He won with 50.9% of the 3.1 million citizens the

⁵ In the 2003 election, overall party expenditures in the media (radio, TV and newspapers) were 52% of their total spending. For the PVEM, this figure rose to over 70%.

PRI announced had participated. A broad coalition formed against him around the candidacy of former Tlaxcala governor Beatriz Paredes, who obtained 40.9% of the vote in a heavily contested election. The data resulting from that election is perhaps an excellent indication—both for the analyst and the practitioner—of the relative strength of the Madrazo coalition at the state level.

Should internal party dynamics play a role in the determination of party transfers, this variable might show some explanatory power. That is precisely what can be seen in table 7 below, which regresses PRI transfers on a model very similar to the one presented for all parties, only incorporating the Madrazo vote variable.

Table 7. Determinants of PRI transfers to states.

	Coefficient	<i>p-value</i>
State share of GDP	-0.079	0.49
Party incumbency	-5.085	0.00
Party margin in 2000	12.492	0.02
Governor election in 2003	1.272	0.50
Taagepera index, 2000	6.442	0.10
Coalition in 2003	3.001	0.01
Vote for Madrazo in 2002	5.459	0.10
Constant term	-10.385	0.28
R-squared	0.617	

Coefficients obtained from OLS regression with robust standard errors.

The party transferred less money to states where its governors were in office, and generally more money the better it did in the most recent federal election—as indicated by the party margin variable; finally, it transferred somewhat more money to states where it had a coalition with the green party.

Interestingly, concurrent elections in 2003 did not seem to drive its behavior as much, which could suggest a slightly less myopic perspective than the ones previously identified. The key finding in this table is the positive and borderline significant effect of the share of the vote for the current party president in 2002. Namely, Madrazo's

transfers to state seem to follow a strategy that does not necessarily reward all of the party chapters, but only those most loyal to him.

Preliminary conclusion

Funding of party activities is an important indicator of organizational, electoral strategies and internal balance of power within parties. Patterns of central party transfers to state chapters, as well as alternative interpretations on several hypotheses were presented here, based on 2003 data. In sum, local party chapters in rich states got less money from national parties, as did states where there was not a concurrent election taking place. Also, different parties showed different responses to state-level competitive pressures. Essentially, the study of the PRI transfer patterns unveils a telling influence of internal competitive dynamics on fund sharing.

Each of these areas of study holds promise for a better understanding of electoral and party politics in Mexico and in a comparative perspective.

Table 4.1. Summary statistics of party transfers to states.

	Mean	Std. Dev.	Min	Max
PAN	8.68	4.74	3.80	21.24
PRI	4.35	3.92	1.00	15.82
PRD	2.28	1.34	0.77	6.01
PT	1.76	1.62	0.25	5.87
PVEM	0.61	1.11	0.08	6.54
Convergencia	1.14	1.81	0.14	10.87
Total	18.82	11.52	9.25	55.89
*Voter registry in 2003 (1000s)	2041.8	1811.8	290.1	8403.7

Figures are per registered voter Mexican pesos at the state level.