AFTER NEOLIBERALISM
The Politics of Reregulation in Mexico

By RICHARD SNYDER*

IN 1989 the Mexican government launched a massive deregulation of agriculture.¹ For the mostly foreign-trained technocrats who designed these neoliberal economic reforms, the coffee industry posed perhaps the easiest target for deregulation. Although an entrenched state-owned enterprise—the Mexican Coffee Institute (INMECAFE)—dominated the industry, a powerful grassroots movement of small coffee producers had already mobilized against it.² Thus, neoliberal reformers had strong societal allies, making government retrenchment in the coffee sector an easy task.

Yet this easy retrenchment had surprising consequences. Rather than leading to unregulated markets, as the neoliberal reformers had anticipated, the dismantling of INMECAFE resulted in the formation of new institutions for market governance. Actors who had not previously intervened in coffee sought to control policy areas vacated by the old state-owned enterprise. Most notably, the governments of Mexico’s coffee-producing states established new regulatory frameworks and essentially “reregulated” what federal law had deregulated.³ As a result, by

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¹ Jonathan Fox, “Political Change in Mexico’s New Peasant Economy,” in Maria Lorena Cook et al., eds., The Politics of Economic Restructuring: State–Society Relations and Regime Change in Mexico (La Jolla, Calif.: Center for U.S.-Mexican Studies, 1994); and Wayne A. Cornelius and David Myhre, eds., The Transformation of Rural Mexico: Reforming the Ejido Sector (La Jolla, Calif.: Center for U.S.-Mexican Studies, 1998).


³ Mexico is a federal system with thirty-one states.

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1994 Mexico's coffee producers found themselves confronting a new and complex regulatory environment and not the free markets that had been anticipated.

The case of Mexico's coffee sector challenges expectations rooted in neoliberal economic theory. Instead of paving the way for triumph by free-market forces, neoliberal policies triggered the construction of new institutions for market governance. This surprising outcome exposes an important limitation of existing work in the political economy of development. Although many scholars have explored why countries choose neoliberal policies or how they implement them, few have addressed postimplementation issues concerning the effects of these policies—leaving us, consequently, without a framework for explaining the reconstruction of institutions for market governance after neoliberal reforms.

This article provides such a framework. It argues that by vacating institutionalized policy domains, neoliberal policy shocks in fact give political incumbents opportunities to expand their authority and their support bases by reregulating sectors of the economy. Organized societal groups have a stake in how sectors are reregulated and can mobilize to support or challenge politicians' reregulation projects. Hence, rather than unleashing free-market forces, neoliberal reforms may trigger two-step reregulation processes: first, political entrepreneurs launch projects to build support coalitions by reregulating markets; second, societal actors respond to these projects by mobilizing to influence the terms of reregulation. The varying strengths and strategies of politicians and societal groups, in turn, determine the various types of new institutions for market governance that will result from these reregulation processes.

Recognizing that neoliberal reforms create opportunities and incentives for institution building raises a further issue: what kinds of new institutions replace those destroyed or displaced by neoliberal policies? The case of Mexico offers an excellent opportunity to address this question. Despite striking historical, cultural, and socioeconomic similarities among Mexico's coffee-producing states, neoliberal policies resulted in a diverse array of institutional amalgams at the subnational level. In some states the new institutions reproduced long-standing patterns of top-down, exclusionary policy-making, an outcome that protected the interests of rural oligarchs. In other states, by contrast, the institutions that replaced INMECAFE opened new channels for small farmers to participate in the policy process. These participatory institutions fostered developmental partnerships between government agen-
cies and grassroots producer organizations that helped small farmers compete in the international marketplace. The framework developed here for analyzing the politics of reregulation helps explain these divergent institutional outcomes.

The following section reviews existing perspectives on the politics of neoliberal reform and shows why they offer only limited insight about the dynamics of reregulation in developing countries. The next section introduces a new framework for analyzing the politics of reregulation. The framework is then applied to explain the construction of varied market governance institutions across four Mexican states. A subsequent section sets these findings in comparative perspective by exploring how the politics of reregulation might unfold in other developing countries. The conclusion synthesizes the argument and proposes directions for future research.

FROM REFORM TO REREGULATION

The study of neoliberal reform has dominated work on the political economy of development during the last decade. Because most studies analyze market-oriented policies as a dependent variable, however, few explore the political effects of these policies. Many scholars seek to explain why countries choose neoliberal policies. Within this focus on policy choice, some try to account for cross-national variations in the timing of reforms. Others analyze differences in the composition of policy packages, attempting to explain, for example, why countries pursue orthodox or heterodox policies. Scholars have also focused on issues of policy implementation, identifying political and social conditions that help or hinder implementation of neoliberal reforms. Such studies mainly try to explain what makes neoliberal reforms possible, rather than explain their political consequences.

Previous work offers important insights about the factors that induce politicians to support or oppose neoliberal policies and about how po-

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6 Miles Kahler "Orthodoxy and Its Alternatives: Explaining Approaches to Stabilization and Adjustment," in Nelson (fn. 4).

litical institutions affect their implementation. These insights help explain why countries have had varied success achieving macroeconomic stabilization and structural adjustment. However, existing analyses shed little light on important postimplementation issues, such as the kinds of new institutions for market governance that replace those destroyed by neoliberal reforms. Because these institutions are likely to have decisive effects on how countries perform in the global economy, it is imperative that we understand their origins and dynamics.

The few analyses of developing countries that address postimplementation issues have been curiously apolitical. Scholars have increasingly noted that states acquire new capabilities in the course of implementing neoliberal reforms. However, they have focused mainly on capabilities linked either to technical requirements of neoliberal policies, such as preparing state enterprises for sale and improving control of public expenditures, or to global market pressures, such as providing sophisticated information about export markets to domestic producers to help boost their competitiveness abroad. These analyses underemphasize the possibility that neoliberal reforms can trigger politically motivated institution building, driven not by technical or market exigencies but by ambitious incumbents looking to control policy areas vacated by state downsizing.

Perhaps because most advanced industrial countries embraced neoliberal reforms earlier than their counterparts in the developing world, students of those countries have devoted considerable attention to postimplementation issues. Most notably, they have shown that market-oriented reforms in countries such as England and the United States actually increased government regulation of high-technology sectors, especially telecommunications and financial services. Although studies of regulatory reform in advanced industrial countries offer important insights for conceptualizing postimplementation issues, they deemphasize the distributive effects of regulatory policy and instead portray reregulation as a relatively apolitical process led by tech-


9 Chile is a notable exception. See Alejandro Foxley, Latin American Experiments in Neoliberal Economics (Berkeley: University of California Press, 1983).

nocrats who strive to promote economic performance, codify rules, or expand their bureaucratic prerogatives. Consequently, these studies provide weak leverage for understanding how reregulation works in developing countries.

In developed and developing countries alike, the distributive effects of regulatory policy generate powerful incentives for political action. In most developing countries, however, autonomous bureaucratic agencies insulated from “capture” by political actors are nonexistent or scarce. Hence, the impulse to reregulate often stems from politicians, not from technocrats. To understand the dynamics of reregulation in such contexts requires a framework that highlights politicians’ efforts to gain and keep power.

**The Politics of Reregulation: A Framework**

This section develops a framework for analyzing the politics of reregulation. The framework combines a focus on politicians’ choices of regulatory policies with a focus on subsequent bargaining between politicians and societal groups over the terms of reregulation. Taken together, these two perspectives help us account for varied reregulation processes and the divergent institutions for market governance that result from them. Figure 1 summarizes the core components of the framework.

**Reregulation Projects: A Politician-Centered Perspective**

The distributive consequences of market regulation give politicians strong incentives to harness regulatory policy to political purposes. Regulation makes it possible to distribute “rationed favors, privileged access, and individual exceptions to general rules,” thereby helping to “generate the resources by which to govern.” In contexts where bureaucratic agencies insulated from political control are scarce, we should expect regulatory policy to serve frequently as a tool that incumbent politicians deploy to build support and compete for power.

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11 According to Vogel (fn. 10), the “core agenda of regulatory reform” consists of efforts by bureaucrats to generate revenue and design new mechanisms for policy implementation (p. 19).


14 Bates (fn. 12), 131.
Neoliberal reforms give incumbents further reasons to regulate. First, such reforms often impose high costs on organized interest groups (for example, industrial labor, government employees), thus creating difficult coalitional challenges for politicians. Because regulatory policy generates divisible benefits and targetable rewards, reregulation can be a potent instrument for maintaining or restructuring support coalitions strained by neoliberal reforms. Second, neoliberal shocks evacuate policy domains, and, from the perspective of ambitious politicians, these vacant domains may represent opportunities for increasing their authority. Reregulation can thus serve not only as a means to preserve power in situations of coalitional crisis caused by neoliberal reforms but also as a way to expand power.

Combined with the distributive consequences of regulatory policy, the characteristic political challenges and opportunities posed by neoliberal reforms give incumbents compelling incentives to reregulate. There is therefore strong basis for expecting reregulation to serve as a coalition-building tool wielded by politicians in the paradigmatic "soft states" of developing countries that lack robust, autonomous bureaucracies.

The recognition that the impetus for reregulation stems from ambitious politicians, rather than from insulated technocrats, puts incumbents' strategic calculations at the center of the analysis. Yet politicians are not completely free in their choice of reregulation strategies: their policy choices are constrained by societal forces and political institutions. Furthermore, politicians often have ideas and beliefs that pre-
scribe a course of policy choice and implementation. An explanation of reregulation strategies requires a framework that links societal and institutional constraints as well as politicians' ideas and values to the shaping of policy choice.17

SOCIETAL FORCES

The configuration of societal interests in a policy area constrains politicians' reregulation strategies by delimiting the range of feasible policy options. Mapping the policy preferences of societal actors thus serves as an important first step for explaining reregulation strategies.

However, the distribution of societal preferences cannot by itself explain these strategies. As students of collective action have long observed, group preferences do not necessarily translate into group demands. Furthermore, even if societal groups do organize to defend their interests, it is politicians, not interest groups, that are authorized to make regulatory policy. And, as we shall see, the responsiveness of politicians to interest-group demands depends on political institutions.

In sum, focusing on societal forces helps explain the menu of policy options. However, such a focus, while important, serves more to narrow the range of the possible than to explain the actual. To account for politicians' reregulation strategies, we need to consider additional factors.

REGIME INSTITUTIONS

Regimes are the formal and informal rules of a political system that determine how authoritative decisions are made and who may participate in the decision-making process.18 Regime institutions have an important impact on reregulation because they define who holds authority to make regulatory policy. In federal regimes, for example, state and local governments may have authority over aspects of regulatory policy in their jurisdictions, which means that reregulation processes can unfold differently across subnational units and may involve intergovernmental competition to control policy areas abandoned by the federal government. In unitary regimes, by contrast, potentially autonomous policy jurisdictions usually do not exist at the subnational level, and reregulation is thus likely to be a territorially more uniform process than in federal systems. Nevertheless, a unitary system, too, can experience varied


reregulation dynamics, with variation occurring across economic sectors, rather than administrative units, and involving interagency, rather than intergovernmental, bargaining.

Regime institutions also shape reregulation strategies by defining the structure of the policy-making process.\(^{19}\) This structure helps determine the political tasks incumbents need to accomplish in order to achieve their policy objectives. In regimes with multiple veto points (for example, systems in which executive power is checked by a legislature and judiciary), politicians may face complex challenges in securing consent from actors empowered to overturn their policy initiatives. Regulatory policy in such contexts is likely to be a collective output that reflects the preferences of multiple actors from different government organizations and agencies. By contrast, in regimes with few veto points (for example, systems in which policy can be made or changed by executive fiat), regulatory policy may often reflect the preferences and political styles of a handful of leaders and their advisers.\(^{20}\)

Finally, regime institutions influence regulatory policy by determining the responsiveness of politicians to societal interests. Regime institutions shape incumbents’ career incentives by defining those to whom they are accountable. In competitive multiparty democracies, for example, elected officials often face strong incentives to represent citizens in their districts because their career fortunes hinge on winning reelection.\(^{21}\) In such contexts, incumbents are downwardly accountable and thus highly responsive to societal interests. In other types of regimes, by contrast, incumbents may be upwardly accountable to political elites and, hence, relatively unresponsive to societal groups. For example, in nondemocratic systems and in democracies with highly centralized parties or constitutional prohibitions against immediate reelection, performing constituency service can mean pleasing political masters, not societal interests.

Because they shape the responsiveness of politicians to societal pressures, regime institutions help explain how much their reregulation projects reflect the preferences of societal groups. If regime institutions give politicians compelling incentives to respond to societal demands, interest groups may exert decisive influence over reregulation strategies. By contrast, if regime institutions generate weak incentives to serve so-

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cietal interests, incumbents can have significant degrees of freedom choosing reregulation strategies.

POLICY REPERTOIRES

Although I assume politicians are motivated mainly by the goals of gaining and retaining office, regulatory policies are not necessarily optimal career-boosting strategies. Politicians often have distinct policy repertoires that condition their policy decisions and may lead them to support regulatory policies that do not enhance their career fortunes. Policy repertoires are coherent frameworks of beliefs, values, and ideas that prescribe a course of policy choice and implementation. These repertoires include conceptions about the proper role for government and the appropriate means of government intervention. They shape incumbents’ perceptions of both the types of policy tools at their disposal and the methods available for manipulating these tools to create political dividends.22

Policy repertoires consist of more than just expert knowledge transmitted by policy analysts and professional economists. In addition to embodying such pure policy knowledge, politicians’ repertoires are anchored in practical, applied knowledge, based on their accumulated experience in government and potentially distorted interpretations of expert prescriptions. Policy repertoires may develop through a path-dependent cognitive process in which understandings of policy options are shaped in profound and enduring ways by a politician’s formative career experiences. Consequently, rather than mirroring current expert consensus, policy repertoires may reflect outdated, past prescriptions.

Data about incumbents’ career paths and memberships in political cohorts or generations should help explain the content of their policy repertoires. For example, incumbents with extensive experience administering statist policies may have distorted understandings of how neoliberal reforms should be implemented. These understandings can lead them to interpret core neoliberal imperatives, such as achieving macroeconomic stabilization and increasing exports in sectors with comparative advantages, not as mandates for state shrinking, but rather as tasks that require expanding the state’s role.

By recognizing how ideas, values, and beliefs can shape policy choices, a politician-centered perspective need not reduce incumbents

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to faceless calculators of costs and benefits. Although it is a helpful and powerful simplification to assume that incumbents seek mainly to maximize their career fortunes, these efforts are framed by historically constructed, potentially idiosyncratic understandings about the range and consequences of policy options. A focus on policy repertoires thus illuminates how incumbents pursue political survival and helps explain why, for example, politicians seeking support from similar constituencies may have quite different policy agendas.

The influence of repertoires on policy choice should increase with the degree of autonomy incumbents have from societal forces. In several of the Mexican states analyzed below, governors had significant autonomy from societal pressures, and, as we shall see, their beliefs and ideological orientations played a decisive role in their choice of reregulation strategies.

**Institutional Outcomes: An Interactive Perspective**

Scholars have correctly emphasized the disorganizing effects of neoliberal policies and economic crisis on societal groups, especially organized labor. Coupled with the powerful incentives neoliberal reforms give incumbents to deploy regulatory policy as a political weapon, these effects provide a strong basis for inferring that reregulation projects are launched by politicians, not by interest groups. While a focus on politicians should thus offer the best vantage point for explaining reregulation initiatives, it is nonetheless necessary to bring societal groups into the analysis to account for the new institutions that result from these initiatives.

Although societal groups may not make the first move in reregulation processes, they can have a decisive impact on the institutional outcomes of such processes. Societal groups have stakes in how markets are reregulated, and politicians’ reregulation projects can supply incentives and focal points that help them surmount barriers to collective action and mobilize to defend their interests. Hence, depending on the strengths and strategies of societal groups, the new institutions for market governance that result from politicians’ reregulation strategies can

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24 Of course, politicians often try to anticipate how societal actors will respond to their policy choices, especially if regime institutions give them incentives to attend to societal interests. Hence, even in the absence of organized societal pressures, political incumbents may try to incorporate societal preferences into their policy decisions.
deviate significantly from what these politicians had intended. As we shall see, deregulation projects in Mexico often had the unintended consequence of galvanizing societal opposition that forced politicians to modify their projects.

To explain the institutional outcomes of deregulation, we should analyze strategic interactions between societal groups and political incumbents as they negotiate the terms of deregulation. This interactive perspective connects deregulation projects launched from above by incumbents to responses to these projects from below by societal groups. Making this connection is a crucial step toward explaining the institutions for market governance that replace those destroyed by neoliberal reforms.

Societal groups may choose any of several strategies in responding to politicians' deregulatory initiatives. They can support these initiatives. Alternatively, they can oppose and seek to defeat them, perhaps by launching a counterproject. Or they can engage and try to modify incumbents' initiatives so that the resulting regulatory scheme corresponds more closely to their own interests. And finally, they can ignore deregulation initiatives. Politicians' deregulation strategies should have a strong influence on how societal groups choose among these options. The relative power of societal groups should also be an important factor in how they respond to deregulation efforts.

**Applying the Framework: The Case of Mexico**

Neoliberal reforms in Mexico’s coffee sector did not have the effects anticipated by their technocratic architects. Rather than unleashing free-market forces, the deregulation of coffee triggered deregulation projects by state-level incumbents who sought to control policy domains vacated by the federal government agency, INMECAFE. Producer groups responded to these deregulation projects in different ways. Some mobilized to modify or defeat the projects, others chose to ignore them. The interactions between state governments and producer organizations resulted in a diverse array of new institutions for market governance across Mexico’s coffee-producing states.

In the states of Oaxaca and Chiapas the politics of deregulation led to participatory policy frameworks that gave organizations of small producers central roles in policy-making. In addition to meeting producer demand for a voice in the policy process, these participatory frameworks fostered partnerships between the public sector and producer organizations that helped improve the welfare and market competitive-
ness of small coffee farmers. In the states of Guerrero and Puebla, by contrast, the politics of reregulation resulted in exclusionary policy frameworks that denied small producers access to the policy process. These exclusionary frameworks generated spoils for political and economic elites, undermining the efficiency of coffee production.

Why did reregulation in Oaxaca and Chiapas result in institutions that promoted the welfare of small farmers and offered them new channels for participating in policy decisions? Why did reregulation in Guerrero and Puebla yield institutions that served elite interests and reproduced long-standing patterns of exclusionary, top-down policymaking? The following sections deploy the analytic framework developed above to explain these divergent outcomes. The analysis focuses initially on the different reregulation projects pursued by state governments. It then shows how bargaining between politicians and producer organizations over the terms of reregulation resulted in distinct policy frameworks.

**Reregulating Coffee**

In 1989, after two decades of extensive intervention in production and marketing of coffee, one of Mexico’s major sources of foreign exchange,25 INMECAFE began to withdraw, a move that eliminated production supports, price controls, and government-managed marketing channels for more than 200,000 small coffee producers.26 For most small producers, the dismantling of INMECAFE’s massive purchasing network gave them few options but to sell their harvests at exploitive low prices to local middlemen.

The governments of the major coffee-producing states responded to INMECAFE’s exit by launching two types of reregulation projects: one, neocorporatism, and the other, crony capitalism. In Oaxaca and Guerrero state government officials took INMECAFE’s departure as an opportunity to resurrect weakened corporatist institutions of political control in the coffee sector. They launched neocorporatist reregulation projects intended to give monopoly control of interest representation to official coffee-producer organizations—those affiliated with the ruling Institutional Revolutionary Party (PRI), which had governed Mexico without interruption for six decades. These projects sought to incorporate the

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25 Between 1970 and 1989 coffee averaged 5.1 percent of the total value of Mexico’s exports and 34 percent of the total value of agricultural exports. Approximately three million Mexicans depend on income from coffee production. See Santoyo Cortés et al. (fn. 2).

26 Small producers have less than twenty hectares of land (or approximately fifty acres).
thousands of small producers who had previously been tied to the PRI through INMECAFE into new, authoritarian institutions of interest representation.

Neocorporatist projects involved (1) transferring INMECAFE’s resources (for example, agroindustrial machinery) to government-sponsored small producer organizations and (2) constructing new mechanisms for regulating distribution of credit that excluded independent organizations not affiliated with the PRI. The neocorporatist project in Guerrero included outright repression of independent organizations and efforts to co-opt their leaders. These coercive measures were intended to force the organizations to renounce their independent status and affiliate with the PRI’s National Peasants’ Confederation (CNC).

In Chiapas and Puebla, by contrast, state governments pursued crony capitalist reregulation projects designed to benefit the coffee oligarchy. These projects sought to turn the clock back to the period preceding the intervention of INMECAFE, when local elites had dominated the coffee economy. In contrast to neocorporatist projects, which focused on building new institutions of interest representation for small producers, crony capitalist projects focused on resurrecting the monopoly control by local elites over coffee processing and marketing.

Crony capitalist projects involved efforts to create marketing boards managed by the coffee oligarchy. The government of Chiapas, for example, sought to give prominent members of the oligarchy control over licenses to export coffee. In addition to creating a major source of rents and income for these private elites, this new regulatory power promised to help keep small producer cooperatives out of export markets and thus force them to sell at low prices to elite-owned exporting firms.

What explains these different responses to the withdrawal of INMECAFE? Why did the governors of Oaxaca and Guerrero pursue neocorporatist strategies focused on smallholders, while the governors of Chiapas and Puebla chose crony capitalist policies oriented toward oligarchs? The analysis below shows how Mexico’s federal regime institutions gave state governors powerful incentives to reregulate policy areas vacated by neoliberal reforms. Although institutional factors help explain why governors reregulated, such factors do not explain how they reregulated. To account for their different reregulation strategies, we need to focus on societal forces and policy repertoires. In states where small producers or oligarchs dominated the coffee sector (for example, Guerrero and Puebla), societal forces explain governors’ strategies: the goal was to benefit the dominant group. By contrast, in states with no
dominant producer group (for example, Oaxaca and Chiapas), policy repertoires played the decisive role: governors chose strategies that fit their ideological orientations.

FEDERALISM AND UPWARD ACCOUNTABILITY

In federal systems subnational units are potentially autonomous policy jurisdictions. Mexico's federal institutions empowered incumbents at the subnational level, especially state governors, to reregulate what federal law had deregulated.27 Federalism thus defined the politics of reregulation in the coffee sector as an essentially subnational process.

Other core regime institutions structured accountability in ways that gave Mexican governors significant autonomy from societal interests. A constitutional prohibition against immediate reelection to the same office weakened incentives for elected officials to perform constituency service. Furthermore, virtually all governors were directly appointed by the president, who could also dismiss them.28 Because governors could not run for reelection and typically hoped to move on to high-level federal posts after completing their terms, their career futures depended on loyalty to actors at the center (that is, to the president or to a national-level political faction). Hence, governors were upwardly accountable to national political elites, not downwardly accountable to voters and interest groups. But if such upwardly accountable governors had autonomy from interest groups inside their states, why would they seek to deliver targeted benefits to such groups and respond so eagerly and decisively to opportunities for reregulating markets? To answer these questions requires more knowledge about governors' motivations than can be deduced from the formal rule prohibiting reelection.

Until the late 1990s Mexico had a hegemonic party system in which virtually all governors were affiliated with the PRI.29 Ruling party elites expected governors to maintain political stability and deliver quotas of votes to the PRI in local and federal elections. Governors who failed to accomplish these tasks saw their career fortunes plummet, and many were dismissed by the president, as illustrated vividly by the case of Guerrero, where since 1917 only six governors have completed a full,


Table 1
Institutional Context of Gubernatorial Decision Making in Mexico (1940–95)

<table>
<thead>
<tr>
<th>Rules of Office *</th>
<th>Incentives for Governors</th>
</tr>
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<tbody>
<tr>
<td>Formal rule</td>
<td></td>
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<tr>
<td>no reelection</td>
<td>upward accountability to political masters; ignore societal groups</td>
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<tr>
<td>Informal rules</td>
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<tr>
<td>appointed by the president</td>
<td>upward accountability to political masters; ignore societal groups</td>
</tr>
<tr>
<td>future career prospects depend on national-level elites (e.g., the president and PRI leaders)</td>
<td>upward accountability to political masters; ignore societal groups</td>
</tr>
<tr>
<td>maintain political stability</td>
<td>downward responsiveness to societal interests; seek alliances with societal groups</td>
</tr>
<tr>
<td>secure quotas of votes for PRI</td>
<td>downward responsiveness to societal interests; seek alliances with societal groups</td>
</tr>
</tbody>
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*With the exception of no reelection, these rules of office did not apply to the handful of governors in several northern states after 1988 who were affiliated with the center-right opposition National Action Party (PAN). None of those states produce significant amounts of coffee.

To get out the vote and maintain political stability, governors faced pressures to ally with local groups such as traditional elites who controlled patronage networks and political bosses from the PRI’s corporatist confederations. Even in the absence of a direct electoral connection, then, the unwritten rules of Mexico’s political system gave governors strong incentives to forge support coalitions, at least to the extent necessary to maintain stability and deliver sufficient votes for the ruling party on election day. Paradoxically, upward accountability to political elites at the center created pressures for downward responsiveness by governors to local interest groups.

Hence, as summarized in Table 1, although most governors entered office with autonomy from societal interests, their autonomy was bounded by the dual imperatives of securing votes for the PRI and maintaining stability. When the federal government implemented neoliberal reforms, deregulation offered a potent, new tool for governors to

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31 The term “electoral connection” is from Mayhew (fn. 21).
build the selective alliances with societal groups they needed to manage these imperatives and protect their career fortunes. The fact that the timing of the economic reforms coincided with a period of growing pressures for democratization and escalating political instability across Mexico made reregulation an especially important political weapon at the subnational level.

Taken together, federalism and upward accountability help us understand why reregulation in Mexico was a process led by state governors. However, regime institutions by themselves cannot explain governors’ reregulation strategies: although governors labored under similar institutional constraints, they chose strikingly different strategies. To account for this variation, we need to turn from regime institutions to societal forces and the policy repertoires available to governors.

A POLARIZED SECTOR

Like agroexport industries in many developing countries, Mexico’s coffee sector has a polarized production profile. At one extreme, 71 percent of coffee farmers have under two hectares of land each and produce only 25 percent of national output. At the other extreme, less than .5 percent of coffee farmers produce 22 percent of national output.32 These large farmers usually own processing equipment, and many earn a major portion of their income from processing and marketing coffee grown by small farmers. The main socioeconomic cleavage in the coffee sector thus divides peasant smallholders, who have little or no agroindustrial infrastructure, from an agrarian-industrial oligarchy that controls processing and marketing—the most profitable stages of production.

In an effort to strengthen political control in the countryside and increase foreign-exchange earnings, Mexico’s federal government began to intervene heavily in the coffee sector in the early 1970s. The principal instrument of government intervention was the state-owned enterprise INMECAFE, which, in addition to controlling export quotas for all producers,33 organized and dramatically expanded smallholder production. INMECAFE competed with the agrarian-industrial elite by opening alternative, government-managed processing and marketing channels that guaranteed small producers a set minimum price. In the late 1970s

32 Santoyo Cortés et al. (fn. 2), 25–30. This group comprises farmers with more than twenty hectares.

and throughout the 1980s many small farmers also organized autonomously to form producer-owned cooperatives that would establish new marketing channels free from the control of both the agrarian-industrial elite and INMECAFE.\textsuperscript{34}

The coffee sector’s polarized production profile gave national-level politicians two distinct options for deploying regulatory policy to their political advantage. They could help small producers improve their terms of exchange with the agrarian-industrial elite by intervening to give small farmers greater control over coffee processing and marketing. Alternatively, they could help the agrarian-industrial elite maintain its hegemony. Under INMECAFE’s supervision, a relatively uniform national regulatory scheme privileged small producers during the 1970s and 1980s. At the end of the 1980s, however, neoliberal reforms destroyed this national-level framework, giving state governors opportunities to launch new regulatory initiatives at the subnational level.

In Guerrero and Puebla the distribution of power between small producers and agrarian-industrial oligarchs strongly constrained the reregulation strategies open to governors when INMECAFE withdrew. As illustrated by Figure 2, the weakness of Guerrero’s oligarchy eliminated

\textsuperscript{34} Ejea and Hernández (fn. 2).
crony capitalism as a feasible strategy. In Puebla, by contrast, the weakness of small producers eliminated neocorporatism as a viable strategy. Although these subnational variations in social structure help explain why crony capitalism was not possible in Guerrero and, conversely, why neocorporatism was not possible in Puebla, a focus on societal forces alone is not sufficient to account for reregulation initiatives. Reregulation projects resulted from the actions of governors, not from lobbying by coffee farmers. Hence, societal pressures do not explain why politicians sought to reregulate in the first place: if they had been passive instruments of organized societal interests, the governors of Guerrero and Puebla should have responded to INMECAFE's withdrawal by doing nothing. The absence of a "reregulation lobby" in the two cases strengthens the argument that the impulse to reregulate stemmed not from interest group pressure but from governors' institutionally defined career incentives.

The cases of Oaxaca and Chiapas, which saw different reregulation projects despite similar configurations of societal forces, further underscore why a focus on societal demands cannot by itself explain politicians' reregulation strategies. As Figure 2 illustrates, the coexistence of powerful small producer movements and powerful oligarchies in Oaxaca and Chiapas weakly constrained governors' reregulation options: they could have chosen neocorporatist or crony capitalist projects. To understand why the governor of Oaxaca pursued neocorporatist policies favoring smallholders, while the governor of Chiapas chose crony capitalist policies favoring oligarchs, we need to analyze their divergent policy repertoires.

**POPULISTS AND NEOLIBERALS**

Heladio Ramírez López (1986–92), the governor of Oaxaca when INMECAFE withdrew, was a relic of a bygone populist era. He had launched his political career in the early 1970s with support from close advisers to President Luis Echeverría Álvarez (1970–76), and his political identity and policy preferences were forged in the mold of the statist-populist policies dominant at that time.35 Ramírez articulated his vision of the appropriate role for government in Oaxaca through the concepts of "Social Liberalism" and "Social Rule of Law."36 According to the official document summarizing the "legal framework" for

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36 The concept of "social liberalism" was in vogue at the national level after 1988. See Miguel Angel Centeno, *Democracy within Reason: Technocratic Revolution in Mexico*, 2d ed. (University Park: Penn State University Press, 1997), 205–10.
Ramírez’s administration, the Social Rule of Law sought to “overcome the limitations of classical, individualistic liberalism, which was characterized by state abstention, through dynamic state intervention that . . . promotes social justice and welfare.” The document criticized perspectives that saw the government’s role as limited to contract enforcement and protection of individual rights, because they were “imbued with a liberal, individualistic philosophy that paralyzes [the state’s] activity and minimizes its role.”

Ramírez codified government responsibility for economic management by amending the state constitution to stipulate that “the state will plan, implement, coordinate, and orient local economic activity and carry out the regulation and promotion of activities corresponding to the public interest.”

Given Ramírez’s populist roots and policy orientation, it is not surprising that he responded to the dismantling of INMECAFE by choosing the neocorporatist option over the crony capitalist one. The governor even appointed a former director of INMECAFE, Fausto Cantú Peña, to supervise the deregulation of the coffee sector. During the mid-1970s, as a member of President Echeverría’s populist government, Cantú had orchestrated INMECAFE’s transformation into a giant public enterprise with more than seven thousand employees. Under Ramírez’s guidance, Cantú founded a new state government agency—the State Coffee Council of Oaxaca—which he envisioned as a mini-INMECAFE that would resurrect on a subnational scale the regulatory framework he had built fifteen years earlier at the national level.

In Chiapas, by contrast, the governor had a starkly different conception of the appropriate role for government. José Patrocinio González Blanco (1988–93) avidly embraced President Carlos Salinas de Gortari’s (1988–94) project of market-oriented reform and economic “modernization.”

González’s economic policies combined privatization of government-owned enterprises with promotion of external investment in tourism, urban consumer goods and services, and agricultural exports.

In the rural sector, González’s government sought to expand large-scale commercial agriculture, especially cultivation of tropical fruit. Ex-

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38 Ibid., 45–46.
40 On the complex meanings of modernization among Mexican political elites, see Centeno (fn. 36), chap. 7.
The federal government implements neoliberal reforms, state governments launch reregulation projects, and producer organizations respond. The resulting institutions are impacted by the strength of small producer organizations and the response of small producer organizations to the reregulation project.

**Table 2: Negotiating the Terms of Reregulation**

<table>
<thead>
<tr>
<th></th>
<th>Oaxaca</th>
<th>Guerrero</th>
<th>Chiapas</th>
<th>Puebla</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reregulation</td>
<td>neocorporatist</td>
<td>neocorporatist</td>
<td>crony capitalist</td>
<td>crony capitalist</td>
</tr>
<tr>
<td>project</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Response of small producer organizations</td>
<td>engaged productivist strategy (i.e., seek to modify project)</td>
<td>partisan strategy (i.e., seek to defeat project)</td>
<td>disengaged productivist strategy (i.e., ignore project)</td>
<td>disengaged productivist strategy (i.e., ignore project)</td>
</tr>
<tr>
<td>Strength of small producer organizations</td>
<td>high</td>
<td>high</td>
<td>high</td>
<td>low</td>
</tr>
<tr>
<td>Resulting institutions</td>
<td>participatory policy framework</td>
<td>exclusionary policy framework</td>
<td>stalemate; federal intervention subsequently leads to participatory policy framework</td>
<td>exclusionary policy framework</td>
</tr>
</tbody>
</table>

The table illustrates how different strategies and strengths of producer organizations lead to varying policy frameworks in Oaxaca, Guerrero, Chiapas, and Puebla.
port crops, such as banana, mango, melon, and citrus fruits, received special attention, as evidenced by the government’s major project to upgrade the state’s port facilities. Large agribusiness export firms benefited most from these improvements in infrastructure, which helped lower their transportation costs and reduce shipment delays.

In contrast to Ramírez in Oaxaca, who pumped resources into a new government agency (the State Coffee Council) and launched a massive campaign of public investment that targeted small coffee producers, González sought to increase the export potential of large-scale agribusiness, which neoliberal doctrine defined as the most efficient, competitive form of production. And neoliberalism, with its emphasis on increasing the export potential of big agribusiness in sectors where Mexico had comparative advantages, was interpreted by the governor of Chiapas as legitimating crony capitalist reregulation. To promote coffee exports, González created a small regulatory agency charged mainly with issuing export licenses. He appointed owners of major coffee-exporting firms to supervise the new agency. In the hands of these elites, regulatory power served as a tool for attempting to block efforts by small producer cooperatives to export their coffee directly instead of selling it at exploitative prices to elite-controlled exporting firms. The governor's response to the dismantling of INMECAFE, which was congruent with his neoliberal policy orientation, gave agrarian–industrial oligarchs in Chiapas an important opportunity to reassert their monopoly control over coffee exports.

**NEGOTIATING THE TERMS OF REREGLULATION**

Although Mexico's governors moved decisively to control policy domains vacated by INMECAFE, they often failed to achieve their vision of how reregulation should be carried out. In Chiapas, for example, a powerful movement of small producers blocked the governor's efforts to help the oligarchy. And in Oaxaca, despite the governor's plan to impose an exclusionary policy framework that favored smallholders affiliated with the PRI, small producer organizations autonomous from the ruling party gained a dominant position within the new framework. As summarized in Table 2, three key variables explain these different out-

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44 Author interviews with leaders of coffee producer organizations, Chiapas, November 1995.
comes: the type of reregulation project, the response of small producer organizations, and the strength of those organizations.

The cases of Oaxaca and Guerrero highlight how the responses of producer organizations to governors' projects influenced the results of reregulation. Although neocorporatist projects were launched in both states, reregulation led to strikingly different institutional outcomes because of the distinct strategies of powerful producer movements. In Oaxaca the producer movement pursued an engaged productivist strategy that combined a focus on economic development goals with efforts to modify the governor's project. Because this strategy emphasized nonpartisan, economic objectives that did not pose a political threat to the state government, the governor was eventually willing to accommodate the producer organizations, and a participatory policy framework resulted. In Guerrero, by contrast, the powerful producer movement joined a broader struggle for political democracy in Mexico, thereby choosing a partisan strategy aimed at defeating the governor's project. Consequently, the possibilities for accommodation between the governor and the producer organizations were much weaker than in Oaxaca, and an exclusionary framework resulted.

The cases of Chiapas and Puebla show how variations in the strength of producer organizations affected reregulation processes. In both states producer organizations faced crony capitalist projects and chose disengaged productivist strategies that ignored the governor's project and focused instead on autonomous, grassroots development initiatives. Despite these similar producer responses, reregulation led to distinct institutional outcomes because of the varied strengths of the producer movements in the two cases. In Chiapas reregulation resulted in a stalemate because a powerful producer movement was capable of stalling the governor's crony capitalist initiative through its refusal to participate in his scheme. This stalemate was subsequently broken by an alliance between federal government reformists and the producer movement, which led to a participatory framework. By contrast, because a weak producer movement in Puebla lacked the capacity either to achieve a stalemate or to forge an alliance with federal reformists, reregulation resulted in an exclusionary framework.

The following sections analyze how institutions for market governance were reconstructed in each of the four cases after INMECAFE was dismantled. The discussion focuses on the interactions between state governors and producer organizations as they competed for influence over the new institutions that replaced those destroyed by the neoliberal reforms.
PARTICIPATORY POLICY FRAMEWORKS: OAXACA AND CHIAPAS

The cases of Oaxaca and Chiapas illustrate two distinct paths from deregulation to participatory institutions for market governance. In Oaxaca the lack of a dominant socioeconomic group in the coffee sector enabled the governor to pursue his populist policy agenda when INMECAFE withdrew. He took advantage of this opportunity by launching a neocorporatist reregulation project designed to benefit small producers affiliated with the PRI's official peasant confederation, that is, the CNC. When the governor launched his project in early 1989, a handful of autonomous small producer organizations were operating outside the CNC. A further objective of the neocorporatist project was to contain and weaken these autonomous groups by restricting representation within the new policy framework to CNC affiliates.

Ironically, the governor's project had the opposite effect: instead of undermining the independent producer organizations, it helped strengthen them. The threat of exclusion from the new institutions for market governance gave the independent organizations powerful incentives to join forces and mobilize. They soon formed a statewide confederation of autonomous producer organizations—the Coordinating Committee of Coffee Producers of Oaxaca (CEPCO). By offering marketing support and technical assistance, CEPCO rapidly recruited thousands of small producers who had previously depended on INMECAFE for these services. By late 1989 CEPCO was the most powerful producer organization in Oaxaca, comprising more than half of the state's fifty thousand small coffee farmers.

CEPCO pursued an engaged productivist strategy, which integrated a focus on economic development goals with efforts to gain inclusion in the emerging state-level policy framework. The organization successfully challenged the governor's neocorporatist project, winning formal representation in the State Coffee Council, the new state government agency responsible for policy in the coffee sector. The council subsequently served as an arena in which the government of Oaxaca and the producer organizations designed innovative, collaborative programs that made small coffee farmers more competitive in global markets.45

In Oaxaca the combination of institution building from above (that is, the governor's neocorporatist project) with organized pressure from below (that is, CEPCO's engaged productivist strategy) resulted in new

institutions that enhanced the efficiency and quality of smallholder production. Through his efforts to strengthen peasant support for the ruling party by reregulating coffee, the governor of Oaxaca unwittingly supplied institutional raw materials that a powerful grassroots movement was able to rework into a participatory policy framework.

In Chiapas, by contrast, reregulation took a different course. There the governor’s reregulation project posed a major obstacle to constructing a participatory policy framework, in its reliance on a crony capitalist strategy. The crony capitalist project rested on the assumption that small farmers should cede responsibility for coffee processing and marketing to elite-owned agroindustrial firms. Because the principal goal of most small producer organizations in Chiapas was precisely to gain control of these lucrative processing and marketing activities, the crony capitalist project gave them weak incentives to choose an engaged productivist strategy. In contrast to Oaxaca’s small producer organizations, which encountered a neocorporatist project compatible with their core economic objective of managing the processing and marketing of coffee, the small producer organizations in Chiapas confronted a reregulation project premised on denying these very aspirations. Consequently, they pursued a disengaged productivist strategy, ignoring the governor’s crony capitalist initiative and directing their energies instead toward autonomous economic development projects. By launching their own marketing cooperatives, the small producer organizations denied the elite-owned agroindustrial firms sufficient quantities of raw coffee to consolidate the crony capitalist scheme. The politics of reregulation in Chiapas thus initially led to a stalemate.

The stalemate ended in 1994 as a consequence of the Zapatista peasant rebellion in eastern Chiapas. The severe threat of ungovernability posed by the Zapatistas induced reformist federal officials to ally with the small coffee producer movement against the state government and coffee oligarchy. This reformist alliance defeated the crony capitalist forces, laying the foundations for a participatory policy framework.

In both Oaxaca and Chiapas powerful grassroots producer movements played pivotal roles in constructing participatory institutions for market governance. But in Chiapas the governor’s crony capitalist project supplied weak incentives and poor institutional ingredients for a Oaxaca-style reworking from below. To forge a participatory policy

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46 Attempting to defeat the crony capitalist project would have been extremely costly for the small producers, given the state government’s coercive capacities and demonstrated willingness to repress peasants. On state government repression in Chiapas, see Harvey (fn. 41).

47 On the Zapatista uprising, see Harvey (fn. 41).
framework, the producer movement in Chiapas first had to defeat the crony capitalist coalition of the state government and the coffee oligarchy. External allies proved necessary to achieve this goal.

EXCLUSIONARY POLICY FRAMEWORKS: GUERRERO AND PUEBLA

The cases of Guerrero and Puebla show how the politics of reregulation can result in exclusionary policy frameworks detrimental to small producers. Like his counterpart in Oaxaca, the governor of Guerrero also launched a neocorporatist project in response to INMECAFE's dismantling. In Guerrero, as in Oaxaca, a powerful small producer movement organized outside the PRI's official peasant confederation. However, Guerrero's independent producer movement had consolidated at the beginning of the 1980s, significantly earlier than the independent movement in Oaxaca, which formed in 1989 in direct response to the governor's reregulation project. The early consolidation of Guerrero's independent movement shaped its reaction to the governor's reregulation project in ways that hindered the construction of a participatory policy framework.

After hotly contested presidential elections in July 1988, the coffee producer movement in Guerrero became increasingly involved in partisan politics. The most important producer organization threw its support behind the center-left Party of the Democratic Revolution (PRD), and many rank and file became militant members of this new opposition party. When the governor launched his neocorporatist reregulation project the following year, the independent producer movement had already committed itself to the struggle for political democracy. In contrast to the newly formed statewide producer organization in Oaxaca (CEPCO), which carefully avoided partisan affiliations and focused instead on engaging and modifying the governor's neocorporatist project, Guerrero's independent organizations pursued a partisan strategy intended to advance political democratization and defeat the neocorporatist project. In Guerrero the producers' choice of a partisan strategy contributed to politicization and polarization of the coffee sector, which led to an exclusionary policy framework that yielded virtually no economic benefits for the farmers.

In Puebla, by contrast, small producers had few options. An engaged productivist strategy was not feasible, because Puebla's small producer organizations, like their counterparts in Chiapas, faced a crony capitalist project. Furthermore, the extreme weakness of Puebla's producer movement due to its small size eliminated the possibility of mobilizing to defeat the governor's project. Because of these constraints, Puebla's
producer organizations had little choice but to pursue a disengaged productivist strategy.

In contrast to their powerful counterparts in Chiapas, who also chose such a strategy, Puebla's small producer organizations were not strong enough to achieve a stalemate. In Puebla, as in Chiapas, reformist federal officials eventually attempted to intervene against the crony capitalist forces. These efforts failed, however, because of the weakness of Puebla's small producer organizations. The absence of a strong producer movement undercut the potential for an alliance between grassroots organizations and reformist federal officials. Whereas such an alliance defeated the crony capitalist coalition and forged a participatory policy framework in Chiapas, the crony capitalist forces in Puebla faced no significant opposition. The politics of reregulation thus resulted in an exclusionary policy framework that served the interests of the oligarchy.

POSTNEOLIBERAL PATHWAYS: LESSONS FROM MEXICO

These varied institution-building processes in a single sector in just one country provide a strong basis for expecting that neoliberal reforms have left a rich legacy of new institutions across sectors and nations. From the Mexican case, we can distinguish two plausible patterns of institution building after neoliberalism: innovation along corporatist lines and, alternatively, resurgence of traditional elites.

INSTITUTIONAL INNOVATION ALONG CORPORATIST LINES

Students of comparative political economy are increasingly skeptical about the efficacy of corporatist institutions at managing challenges of economic adjustment. This skepticism is based largely on the experiences of European cases, such as Sweden and Austria, where pressures from globalization of markets (for example, increasing demands for labor flexibility) eroded social democratic corporatist arrangements that, until the 1980s, delivered political stability and economic dynamism.

Despite such skepticism, the case of Oaxaca shows that innovation along corporatist lines is still feasible. In Oaxaca a neocorporatist reregulation project, originally intended to strengthen authoritarian modes of policy-making, instead supplied incentives and institutional raw ingredients with which a grassroots producer movement was able to forge

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a participatory policy framework. The State Coffee Council of Oaxaca served as an arena for mobilizing consensus among competing interests in the coffee sector and launching collaborative projects between government and producers. These collaborations creatively combined producer organizations' social capital with government's state capital in ways that improved the efficiency and quality of coffee production. The case of Oaxaca illustrates how engaged productivist organizations can transform exclusionary corporatist institutions into participatory policy frameworks that help manage the challenges of competing in the global marketplace.

Viewed this way, corporatist heritages—even those of the top-down, state corporatist variety—may offer important institutional comparative advantages for reconciling the often conflicting imperatives of political stability and economic growth.49 The task in developing countries with such heritages, for example, Brazil, Venezuela, Egypt, Ghana, and Ivory Coast, may therefore be to make corporatism work by making it inclusive and participatory, rather than to get rid of it.

The case of Guerrero, however, reminds us of the difficulties of crafting participatory policy frameworks from corporatist institutions in nondemocratic political systems. A neocorporatist deregulation project for a particular economic sector may often be linked to the maintenance of an authoritarian political regime. Producers are citizens, too, and if they become embroiled in struggles to democratize the political regime, framing their opposition to the neocorporatist project in partisan terms, as occurred in Guerrero, then it may be extremely difficult to establish a participatory policy framework. Spillover into the sector of contentious issues related to democratization may lead to politicization, causing the government to rigidify and refuse to bargain with a producer movement it perceives as part of the political opposition. Furthermore, producers motivated by partisan and civic goals may be reluctant to negotiate with the government for inclusion in the policy arena, because they may decide that gaining admission is not worth compromising their struggle for political democracy. As illustrated by the case of Guerrero, polarization and an exclusionary policy framework are the likely results.

These contrasts between the cases of Oaxaca and Guerrero, where neocorporatist projects led to distinct policy frameworks, suggest powerful tensions between political democratization, on the one hand, and

the construction of participatory institutions for market governance, on
the other. In the context of an authoritarian regime undergoing neolib-
eral reforms, one of the costs of choosing to be a democrat first and a
producer second may be forfeiting the opportunity to build economic
institutions that could help improve welfare and competitiveness.

Resurgence of Traditional Elites
Countries with corporatist traditions of interest intermediation exist
across the developing world. In such places, neoliberal reforms should
give politicians strong incentives to launch neocorporatist reregulation
projects to mobilize mass support. Mobilization of mass support is not
always the strategy politicians prefer, however. In cases where societal
elites are powerful, political incumbents may face compelling pressures
to ally with them by choosing crony capitalist projects.

As illustrated by the cases of Chiapas and Puebla, neoliberal reforms
can create opportunities for traditional elites to reassert their hege-
mony. Neoliberal policies get the state off these elites' backs, allowing
them to return to business as usual, which means enjoying monopoly
control over regional markets. If private elites command significant so-
cial control through patron-client networks, politicians may have
strong incentives to seek their support by launching crony capitalist
projects. Rather than leading to idyllic, decentralized governance, neo-
liberal reforms in the context of resilient traditional elites are likely to
revive old-fashioned decentralization, that is, the uncontested hege-
mony of local oligarchs.

The case of Chiapas shows how alliances between strong grassroots
organizations and reformist, national-level officials can offset the power
of local elites, allowing the construction of participatory policy frame-
works even in polarized contexts with strong oligarchies.50 When neo-
liberal reforms are launched in places with powerful oligarchies, such
alliances are probably a necessary condition for participatory policy
frameworks. If reformist government officials are absent or weak,
transnational nongovernmental organizations and solidarity networks
may serve as partial substitutes by providing resources that help sustain
grassroots mobilization. However, such external organizations often
cannot give durable, long-term support.

The alternative scenario is seen in the case of Puebla, which illus-
trates the difficulties of building and sustaining reformist alliances in

50 In his study of rural food provision, Fox calls this the "sandwich strategy"; see Jonathan Fox, The
Politics of Food in Mexico: State Power and Social Mobilization (Ithaca, N.Y.: Cornell University Press,
1993).
the face of weak grassroots movements. Thus, in Puebla, where reform-oriented federal officials lacked organized pressure from below, they failed in their efforts to break the grip of local elites on the post-INMECAFE policy framework. This case serves as a sobering reminder that, rather than leading to efficient, unregulated markets, neoliberal reforms in contexts with powerful oligarchies and weak grassroots organizations are likely to result in new regulatory institutions that generate monopoly rents for societal elites.51

SUMMARY AND QUESTIONS FOR FUTURE RESEARCH

Most recent work on the political economy of development seeks to explain why countries choose neoliberal policies or how they implement them. This study, by contrast, focuses on postimplementation issues, showing how neoliberal reforms can result in new institutions for market governance. Neoliberal shocks vacate policy areas, a situation that affords political incumbents opportunities to reregulate sectors of the economy. Politicians seize these opportunities because reregulation generates divisible benefits and targetable rewards that help them gain and keep power. Societal groups also have stakes in how markets are reregulated, and politicians’ reregulation projects can give them compelling incentives to mobilize. Hence, reregulation may be a negotiated process in which politicians and societal groups bargain over the rules of new institutions for market governance that replace those destroyed by neoliberal reforms. The relative strengths and strategies of politicians and societal groups who participate in this bargaining will determine the distinct institutional outcomes.

To cast this argument in a systematic form, I propose a framework for analyzing the politics of reregulation. The framework consists of two steps with a dual focus—on politicians’ choices of reregulation projects and on subsequent strategic interactions between politicians and societal groups regarding the terms of reregulation. First, incumbents’ reregulation strategies are explained from a politician-centered perspective that connects societal forces, regime institutions, and policy repertoires to the shaping of policy choice. Second, institutional outcomes are explained from an interactive perspective that focuses on bargaining between politicians and societal interest groups as they compete to influence the terms of reregulation. These two steps help

51 It bears emphasis that neoliberal reforms may result in the hegemony of new, rather than traditional, elites, as illustrated by the nontraditional oligarchies that have recently emerged in Russia and other former communist countries of Europe and Central Asia.
explain why neoliberal reforms in Mexico led to exclusionary institutions for market governance in some states and to participatory institutions in others.

This study offers several lessons for shifting the focus from the politics of neoliberal reform to the politics of reregulation. To illustrate these lessons, it helps to underscore a fundamental difference between neoliberal reform and reregulation. Neoliberal reform imposes concentrated costs on powerful interest groups and creates mostly nonexcludable benefits, such as a stable currency, low inflation, and reduced fiscal deficits.52 Reregulation, by contrast, creates concentrated gains and targetable, excludable benefits. To put it starkly, neoliberal reform is about taking away benefits, whereas reregulation is about reintroducing them. This fundamental difference has important implications for future research on the politics of reregulation.

First, we should go beyond the narrow emphasis on the commanding heights of the political system—heads of government and top-level technocrats—that characterized work on the politics of neoliberal reform. Rather, we need to broaden our focus to include rank-and-file legislators and subnational politicians. The distributive consequences of neoliberal reforms deflected attention from such midlevel incumbents, because they were correctly understood to have few incentives to support policies with concentrated costs and nonexcludable, delayed benefits. From the perspective of explaining the choice and implementation of neoliberal policies, “regular” politicians exposed to constituency pressures were seen as part of the problem, that is, as impediments to reform. Most work on the politics of neoliberal reform thus focused on high-level “change teams” consisting of top technocrats and national executives.53 Because they were potentially insulated from constituency pressures, these elites were understood to have the capacity to inflict costs on organized interest groups and, hence, to play a proactive role implementing neoliberal policies.

The distributive consequences of regulatory policy (that is, targetable rewards and concentrated benefits) make it likely that regular politicians intent on securing divisible benefits for constituents, rather than insulated elite change teams, will be the pivotal players in the politics of reregulation. The case of Mexico illustrates this point: reregulation was launched by state governors facing complex political imperatives, not


53 The term “change teams” is from Waterbury (fn. 8), 191.
by high-level technocrats insulated from political pressures. Work thus needs to be done to specify better the institutional contexts that structure the incentives of political actors. This task affords an important opportunity for students of the political economy of development to draw on the burgeoning literature on institutions of political regimes. That literature offers powerful analytic tools for unpacking regimes and exposing microlevel rules that define contexts of incumbent decision making and, hence, shape politicians’ choices about reregulation strategies.

Shifting our focus from elite change teams to regular politicians also poses conceptual challenges. Work on the politics of neoliberal reform commonly employed highly aggregated regime categories. Although such categories facilitate broad, cross-national comparisons, they often fail to illuminate politicians’ decision-making contexts. An important priority for future research thus involves crafting fine-grained concepts that pinpoint key rules and incentives that constrain incumbents situated at distinct levels of political systems.

In addition to focusing on new actors, students of reregulation should also explore new units of analysis. A striking whole-nation bias characterizes work on the politics of neoliberal reform: most studies analyze national systems, rather than sectors, regions, or other subnational units. Although a whole-nation focus may be appropriate for explaining macroeconomic stabilization, the highly divisible quality of regulatory policy suggests that reregulation dynamics will vary significantly across economic sectors and subnational administrative units. Hence, we need to move beyond whole-nation bias by employing research designs that disaggregate countries along sectoral and territorial lines. By making it easier to control for cultural, ecological, and socioeconomic variations, the study of subnational units within nations should complement efforts to focus more attention on how institutions determine politicians’ incentives.

Finally, this study’s empirical findings from Mexico raise intriguing questions about the kinds of new institutions that replace those de-

54 See, for example, Matthew Shugart and John M. Carey, Presidents and Assemblies: Constitutional Design and Electoral Dynamics (New York: Cambridge University Press, 1992); and Scott Mainwaring and Matthew Shugart, eds., Presidentialism and Democracy in Latin America (New York: Cambridge University Press, 1997).

55 See, for example, Nelson (fn. 4), 23; Haggard and Kaufman (fn. 8); and Geddes (fn. 23).


stroyed by neoliberal reforms. The cases of Chiapas and Puebla, where neoliberal reforms triggered a resurgence of traditional elites, highlight the potential perils of political decentralization. Rather than leading to efficient allocation of resources by market forces, decentralizing reforms in places with powerful oligarchies may instead yield reregulated markets that generate monopoly rents for local elites. This finding challenges facile equations of decentralization with participatory governance that are common in the development literature.\textsuperscript{58} Future work should specify further the conditions under which decentralizing reforms succeed or fail to deliver on their promise of stimulating participatory development.

Work on the politics of neoliberal reform has often lamented the lack of insulated technocratic agencies in developing countries, arguing that weak state capacity undermined economic adjustment by exposing the policy process to the distortions of political ambition.\textsuperscript{59} The case of Oaxaca casts political ambition in a different light: politicians in pursuit of power may unintentionally supply institutional raw materials ripe for transformation into participatory policy frameworks. In Oaxaca the governor's neocorporatist reregulation project provided incentives for a reworking from below by grassroots producer organizations that yielded participatory institutions for market governance. Rather than insulating policymakers, then, the challenge facing developing countries may instead involve reconfiguring political institutions so that ambition induces incumbents to supply institutional ingredients for participatory policy frameworks. Viewed from this perspective, the soft state may have a silver lining.

Future research should specify the conditions under which political ambition contributes to the construction of participatory institutions for market governance. The Mexican case illustrates one set of conditions: politicians with populist policy repertoires and institution-building agendas together with powerful, engaged producer organizations capable of challenging government policy, yet committed to achieving self-management of their economic activities. By pushing their analyses beyond the politics of neoliberal reform, scholars could discover other pathways to participatory policy frameworks.

Studies that address issues such as these will improve our understanding of politics and the prospects for development after neoliberalism.


\textsuperscript{59} See, for example, Callaghy (fn. 7); and Nelson (fn. 5).