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LATIN AMERICAN REVIEW

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Editorial contact:

Instituto de Investigación en Políticas Públicas y Gobierno,
Centro Universitario de Ciencias Económico Administrativas,
202-B Tower.

799 Periférico Norte Av.
Zapopan, Mexico 45100

<http://iippg.cucea.udg.mx>

iippg@cucea.udg.mx

iippg.udg@gmail.com

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EDITOR'S INTRODUCTION

This is the first issue of the Journal of Public Governance and Policy: Latin American Review, which aims to foster a space that will allow Latin American researchers to present the results of their studies on public governance, public policy and public administration to the global research community. The products of Latin American researchers are valuable and need to be known to colleagues in other scientific communities. The Journal intends to be a channel promoting communication and dialogue. The high quality of our editorial board and peer reviewers ensures an objective and fair assessment of the submitted articles, which is an essential condition to achieve a publication of academic excellence. Our journal will be published each semester. We invite Latin American researchers to share the results of their research, and we look forward to your feedback, comments and suggestions as well.

Sincerely.

Luis F. Aguilar / *Editor*
Universidad de Guadalajara

Our first number of the Journal of Public Governance and Policy: Latin American Review presents conceptual and empirical elements within the disciplinary perspective of public governance, public policy and public administration. The articles encompass theoretical references and use quantitative and qualitative methods of analysis.

Iván Alejandro Salas Durazo / *Managing Editor*
Universidad de Guadalajara

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FROM LOCAL GOVERNMENT TO LOCAL GOVERNANCE

Oliver D. Meza Canales *

ABSTRACT

The study of local government has undergone several stages that reveal the state of the art of the discipline. It is characterized by the gradual, continuous discovery of where the object of study is located. This article examines some of the stages in the literature. It reviews the questions and arguments that every current of thought brings to the study of local government, and the way discussions evolve. The idea of local government first involves observing local actors fighting over power autarchically, which then gives way to approaches currently known as local governance. They are now experiencing a political-administrative process embedded in a broader, richer institutional context.

INTRODUCTION

The literature on local government is extensive. Any review of the literature and authors would omit important authors and arguments on the subject. This paper seeks to clarify some of the main ideas in order to understand the change in the object of study: from local government to local governance. This implies specifically reducing the discussion to the debates that have explained how the distribution of power and decision-making guide the work and results of local governments.

The central argument of this essay is that studies on local governance have evolved into the gradual discovery and acceptance of the diversity of actors and institutions involved in the work of local governments and local politics. These developments were not initially regarded as matters of local governance, although recent definitions of the term appear to take up what was discussed in the mid-20th century. Local governance, understood as the process of actors and interests whose complex interaction affects the formulation and production of local government and local policy, (Stoker 2009) has become a concept that is widely used to explain what local governments and societies become locally in local policy decisions.

* Centro de Investigación y Docencia Económicas A.C. Región Centro.
email: oliver.meza@cide.edu

The literature on local studies has used the term governance extensively. However, though the various disciplines have not agreed on a specific definition, the interpretation of governance has aligned it with various other terms relating to citizen participation or social participation in public affairs. In Mexico and Latin America the effective participation of new stakeholders in public affairs has undoubtedly constituted a way of understanding local governance. In many cases, citizen participation has managed to influence the actions of local governments, and consequently the interests of the latter sectors have been maintained throughout the making and results of public policies. Manuel Canto Chac writes that “[...] *the demand for citizen participation (CP) has made governance a focal point of the 21th century so far...*” (Canto, 2010;21).

In the local sphere, however, the literature has shown a more complex construction of the concept. This essay seeks to provide an alternative perspective to the term “local governance.” To this end, it uses arguments and ideas drawn from various trends surrounding the issue of local government. It stresses the idea that local governance is a far more complex phenomenon in which social, public, private, local and non-local stakeholders seek to preserve or promote their interests through formal and informal institutions. These interests have an impact on government activity and are sometimes visible in the results of the local government decisions. Local governments are therefore important but not necessarily neutral actors, which participate, together with other stakeholders, in producing actions and pursuing ends in public affairs that also incorporate private interests. Restricting governance to civic participation is an idealized vision that limits the explanatory potential the term has constructed over the past 50 years in local government studies.¹

This paper consists of five sections. The first provides the historical background to local government. It explores how the encounter between two theoretical currents (pluralism and elitism) produced one of the most significant debates in the study of local government. That discussion laid the foundation, while the second section explained how other stakeholders be-

¹ For an explanation of governance in the context of studies of public management and administration, see Chapter 1.4 in Luis F. Aguilar (2006) *Gobernanza y Gestión Pública*. Fondo de Cultura Económica. Mexico.

came involved. In local affairs, adding other actors, in the context of the Neo-Marxist ideas of the mid-1980s, helped shape the urban regime program that is still in force. The third section readdresses the theory of regimes, to explain how they modified the study of local issues to achieve a more systemic approach, where the focus shifts from local aspects to the environment. Lastly, the paper explains how this experience precedes and informs the term of local governance. The essay therefore seeks to reformulate the concept of local governance, and understand it from the historical perspective of studies on local governments.

In the past decade, there have been calls for an agenda that creates new theories for local studies that are more versatile in time and space (Snyder, 2001; Sellers, 2005; Pierre, 2005; Stoker, 2011). This paper is part of these calls, and reframes the study of the local, evolving from local government to the study of local governance, as a result of the theoretical and historical analysis of local affairs.

1. THE DEBATE ON COMMUNITY POWER

The debate that overshadowed studies of local governments in the 1960s was called the *community power debate*. This debate, heavily influenced by political science, focused on the way the *power* of local governments was distributed. The prevailing theoretical framework was democratizing principles, and consequently the research sought to determine how democratic local government politics were. Whereas the pluralists argued that power led to plurality, through social and institutional processes, the elitists maintained that power was actually concentrated in the decisions of a select few (Harding, 1995).

The foundational study in this debate was Robert Dahl's 1961 *Who Governs?*, a longitudinal study of political evolution in New Haven, United States, which concluded that socio-economic changes modified the distribution of power in localities. Dahl's methodology, historical analysis, enabled him to observe how new and different industrial groups, coupled with reforms of the democratic institutions of the time, modified the old ways of doing politics. That is, it evolved from a policy dictated by a small group of nobles to the emergence of other power groups that positioned themselves to influence activity in the city. This new political class consisted of professional politicians and the main players in the then incipient political parties.

Dahl's conclusions had significant normative connotations regarding society's role in government. Clarence Stone (2005) suggests that Dahl's work applied the normative tenets of his predecessor, the pluralist David Truman, who in his 1951 work *Governmental Process* argued that giving society access to universal suffrage would enable persons to gather

and organize themselves around topics that concerned them. According to the pluralist's ideology, including society in democratic processes would create a space in which societies could interact on the basis of their interests. These interactions would influence the role of local government.

In order to qualify his conclusions, in 1961, Dahl wrote that although the political system became more plural, power was not exercised by the general population. In fact, power continued to be wielded by a few professional politicians. These new leaders represented various sectors, not only the local nobility, and formed alliances with politicians in government, who took decisions that ensured they would keep their government positions.

From the perspective of democratization theories, the study of politics in New Haven shed light on how politics is played and power is distributed in local governments. The object of study of this research was power: the actions taken by government in order to maintain it. Despite the aspect Dahl includes, his main legacy in local studies was institutionalizing the pluralist trend as a theoretical framework to explain the new distribution of power in local governments.

As a result of Dahl's study, the main criticisms of the pluralist current, at a local level, came from the elitist trend. Unsurprisingly, this preceded the pluralist approach. The pluralist vision was integrated into the study of community pow-

er as a result of the democratizing rhetoric that infused US political discourse in the early 20th century. Though elitist theories had been developed beforehand, they had not been challenged by apparently opposite tenets.

Elitist theories also observed the local distribution of power, but unlike the pluralists, they reached diametrically opposite conclusions. The elitists argued that power in local governments was concentrated in the hands of a few groups with the capacities and resources to influence the government's decisions, or control local government. This argument resembles the aspect added by Dahl, but not the implication. While pluralists spoke of democratic expansion, the elitists described a government dominated by elites.

Over time, this debate became known as the *community of power debate*. It was an antagonistic confrontation of ideas. Yet both currents were able to offer courses that stimulated the creativity of their questions and implications. They were not able to reach a theoretical synthesis on their own. Instead, both pluralists and elitists submitted their results to a questioning that actually attempted to discredit the research methods used by the opposite school of thought. Ultimately, the debate sought to identify epistemological differences in the means of observing and operationalizing the concept of *power* (Wolman and Goldsmith, 1992).

Alan Harding (1995) provides a

clear example to explain the debate between pluralists and elitists. He explains that elitist theories had found it difficult to gather empirical evidence that supported their hypotheses. This dilemma was by no means new, and was the main problem faced by Marxist theorists. The fundamental problem lay in making the elites recognize or admit their predominant role in the decisions made by local governments. When the elitists subjected the latter to the scrutiny of their actions, they obtained answers that were legitimized by more abstract concepts, such as divine right or the functioning of representative democracy. If, at the end of the day, the explanation lay in the catalog of institutions, asked the elitist theorists, how then could one empirically identify the existence of elites?

The first rigorous attempt to solve the problem was made by Hunter (1953), who used a method called analysis of reputation. It consisted of listing influential members, and placing them in four categories: entrepreneurs, government, civil groups and social organizations. This list was submitted to a panel, which identified the members with the greatest influence, based on their reputation. Hunter applied in-depth interviews to the stakeholders perceived as being the most powerful, and thus defined who the elites were and how they organized and worked.

The pluralists immediately objected to Hunter's results. They accused the elitists of using methodologies that obviously supported their hypotheses. The elitists also criticized their opponents' methodologies (Bachrach and Baratz, 1970). Among these objections, they said that the pluralists selected, from the wide range of decisions made by local government, those that would help support their theoretical positions (Judge, 1995). Thus the positions held within the *community of power debate* were not readily abandoned. This debate overshadowed the method of studying local government during the 1960s and much of the 1970s. While this theoretical sphere was in force, it permitted the production of many studies that applied these approaches to various contexts and moments.

2. BUREAUCRACY AND URBAN REGIMES

Studies of local government gradually distanced themselves from the pluralist-elitist debate, and three factors marked the change. The first was a natural result of the debate. When it came to an end, it became possible to question the tenets, ultimately creating new ideas and explanations. The second factor, also related to the first, were the results of studies on local governments applied in other parts of the world. This revealed other ways of interpreting local power, and above all, showed the other dominant actors involved. Finally, the historical literature observed a third factor in Neo-Marxist trends, which coincides with the weakening of the debate between pluralists and elitists. With the decline in importance of the discussion

on community power, paradigmatic changes occurred in local governance study. The object of study shifted from the distribution of power to others, such as the government's production or decision-making. A new school of thought subsequently emerged, which has prevailed until recently, and explains key aspects of local governance: the theory of urban regimes.

To return to the first factor, temporality became important in the debate on community power. This was particularly because more and new actors were perceived as having various degrees of influence on the distribution of power (Judge, 1995). One key example was provided by Peter DeLeon (1992) on the city of San Francisco, which he described as *hyperpluralist*. That is, an exacerbated pluralism that makes any local governance arrangement unsustainable or fragile. Like DeLeon, the literature would then question a purist vision between pluralism and elitism. Instead, it questioned whether the distribution of power observed in any location depended on the city's socioeconomic and political context. If so, then, how should a clearly pluralist or elitist political process be defined? If the labels "pluralist" and "elitist" are regarded as being on a continuum, then where should one draw the line between pluralist and elitist politics, when both approaches can find empirical evidence to support each of their postulates?

A second factor undermining the pluralist-elitist debate was the implementation of these theories in other countries, particularly Great Britain. This made it clear that the debate between pluralists and elitists was not precise enough to explain the concentration or distribution of power in local governments, and moreover that there was a need for a key actor such as local bureaucracy. For example, Dearlove (1973) argued that studies on local government had a heavy bias towards democratic theory, since their production was based on the North American context. Dearlove's theory (1973) circulated the idea of the need to explore the ideological aspect of the incumbent leaders. The author of *The Politics of Policy in Local Government*, a study based on two British localities, demonstrates that the local governmental organization was already fairly autonomous in relation to the local political environment, and that in addition to the local sphere, the ideologies of the governing bodies should be considered to explain local policy decisions:

My results vary in relation to mainstream theories [...]. Instead of suggesting that the government is weak, open and responsive to environmental influences, I suggest that it is strong, closed and non-responsive, capable of resisting

and avoiding demands for change. Instead of suggesting that the government is controlled by the environment, I would suggest that it can control the latter, at least as regards its actions. Rather than emphasize factors outside the government to understand its behavior, I highlight internal factors. Rather than minimizing the role of ideology, I choose to underline its importance. Finally, instead of emphasizing the way public policies are carried out, I focus on the way public policies are maintained (Dearlove, 1973).

Dearlove clearly states his position on the traditional paradigm to study local government, and incorporates two basic elements. He suggests looking at the importance of bureaucracy, in this case through the ideology it imposes on the government's decisions. This makes it possible to observe the second aspect, namely that the object of study has shifted from the distribution of power to government decisions.

In a similar vein, Dunleavy (1980) criticizes the pluralist-elitist dichotomy. In his book *Urban Political Analysis: The Politics of Collective Consumption*, he highlights the differences between countries. He states that the explanations offered in the United States are not suitable for explaining what happens in Great Britain. Dunleavy focuses on the role of local bureaucracy and its clients, as well as observing traditional political actors such as elected governments. An analysis of the local political organization concludes that in the British context, the increasingly wide range of services provided by local governments has politicized local bureaucracy and the new groups that use these public services. Second, these interactions between bureaucracies and consumer groups have had a proven impact on the way public policy is conducted in local governments. Dunleavy thus distances himself from the debate on community power to include a new stakeholder: local bureaucracies, and their influence on governments' activity.

According to Alan Hardin (1995), the theoretical influence of the *community power debate* was already waning when the criticisms sparked by the neo-Marxist approaches of the 1970s emerged. Neo-Marxist theories to explain local government were short-lived, but made a significant contribution. Its contribution was to reframe the role of local government in the wider context of its role in relation to the state. This proved extremely useful, as I will explain below, in suggesting new models that will make it possible to understand local power relationships and propose a new study program.

The common argument of the neo-Marxist vision is that the capitalist state must reconcile two contradictory objectives. It involves a conflict between the interests of two social classes: capitalist and proletarian. Pickvance (1995) notes that local government, together with the state,

encourages the capitalist class to accumulate capital through an adequate legal system and favorable macroeconomic conditions, while maintaining the legitimacy of the system among the working class, through social welfare initiatives that prevent proletarian uprisings. Under this premise, Marxist schools of thought justify the existence of local governments.

As a matter of fact, numerous theories try to explain the existence of local governments. For Pickvance, the three best known answers were Cockburn's *local state* (1977), Cawson and Saunders' *dual politics* (1983), and Duncan and Goodwin's *uneven development* (1988). The central idea of these explanations is for local governments to work together with the state to preserve the two objectives of a capitalist State: accumulating capital and enjoying legitimacy. There are numerous examples of this in Europe. In Great Britain, writes Pickvance (1980), local government implemented social welfare policies based on the structural order of the capitalist state. These same welfare functions are observed in several Nordic countries. Though the example loses its empirical basis when this framework is applied in North America, some postulates remain valid, giving rise to a new study program.

Although neo-Marxist theories were only useful for explaining local government for a short time, they left an indelible mark. This impact is reflected in the appearance of a new program to study

local government. Based on the Marxist concepts of *value in use* and *economic value*, in the context of the United States, Logan and Molotch (1987) developed the theory of *growth-machines*. The intuition suggested by the authors is very simple and therefore extremely powerful. Landowners have a monopoly on one of the three production factors, land. Unlike the other two, capital and labor, land is immovable. Landowners face the dilemma of increasing their economic power with a more or less fixed production factor, and the strategy that enables them to achieve this is increasing the added value of their asset. The strategy involves developing attractive spaces for capital and work, by maximizing the economic value of their income. The *growth-machines* theory involves establishing partnerships between the landowner and government sectors to implement urban plans that allow the creation of new economic development hubs (Hardin, 1995).

Observing the formation of urban alliances, as Logan and Molotch suggest (1987), proved to be an essential part of the new program to study local government. It is therefore hardly surprising that for Stoker (1995), the approach called *urban politics regime* was born from the contribution made by neo-Marxism in this sphere. The founder of this trend is Clarence Stone, who put forward the concept of urban political regimes in the late 1980s and used that study

plan to crystallize and explain many of the paradigmatic changes that had taken place in local government studies. The theory of urban regimes focuses on the production of local government rather than the distribution of power. It takes up the importance of local bureaucracy without overlooking traditional stakeholders with power; it widens the range of relevant actors to business and social sectors, which, “*although in conflict, form coalitions and guide the political decision process*” (Mossberger and Stoker, 1994; 206). According to Mossberger and Stoker (1994), the perspective of urban regimes is actually one of local governance or urban governance.

The study of regimes in Atlanta provides evidence of how certain private sectors with economic resources and social sectors such as the African American community converge in a stable coalition that moves government action to economically stimulate and shape the city. Urban regime theories identify power groups that lack exclusive access to decisions yet possess economic, political or information resources that are useful for performing non-routine public actions, and require fairly stable coalitions to pursue specific public policy objectives. Stone (2005) described political regimes as the bridge built on the basis of the link between private and public interests.

3. COMPLEX GOVERNANCE SYSTEMS

Like earlier trends, the tenets of the urban regimes were tested in various contexts (Deter and Mossberger, 2006), which served to enhance the understanding of local governance. The team led by Dowding (1999), which used the methodology of ideal types, proposed checking whether English localities could be explained using the regimes theory. To this end, the team proposed a definition of regime based on the following eight points to be checked in the field:

1. *An agenda of distinguishable public policy.*
2. *A long-term partnership.*
3. *A coalition supported by interests not necessarily derived from the institutional government structure.*
4. *It crosses economic and social sectors, and formal institutional limits.*
5. *It survives staff changes and successions of political leaderships, reflecting the fundamental ideology or values of coalition members, and allows a certain degree of electoral success.*
6. *It promotes the mobilization of external resources, creating positive sum games within the locality with the possibility of forming pub-*

lic-private arrangements that transcend party divisions.

7. *Associated with exceptional leadership, capable of forming a coalition with a distinguishable political vision.*
8. *It builds bridges between institutions and community interests that overcome the division between private and public sectors (Dowding and others, 1999, p. 515-545).*

The exercise applied to urban areas in Great Britain reached two significant conclusions. First, the regime theory was able to explain political processes in that country, which suggests certain similarities with the United States. However, not all the locations share a political process of the urban regime kind, and some possess a different governance framework. For example, districts such as Croydon, Wandsworth and Islington feature urban regimes similar to those observed in the United States. On the other hand, areas such as Westminster, Tower Hamlets and Lambeth provide evidence of other patterns of local governance.

The second conclusion that can be drawn from the research by Dowding (1999) for the purposes of this paper, is that when the evidence supports the theory of urban regimes, there are considerable differences between them. There are numerous types of urban regime, and at times they incorporate actors that the original version of regimes had excluded. Economic sectors are not the only ones to form urban regimes, "[...] *In the European context, key agents promoting urban regimes include party actors whose interests are shaped on the basis of a broader mosaic in the competition between factions within national parties.*"

From the outset, Clarence Stone had left open the possibility of observing several types of urban regime.² Indeed, creating regime categories was one of the main publication topics during the 1990s; these include the models proposed by Jon Pierre (1999) and Peter Ward (1998). Designing local governance models characterized by two dimensions became a very common method in studies of local issues.

² The names of these regimes are Maintenance, Developmental, Middleclass progressive and Lower class opportunity.

What distinguished the findings of Dowding's team was their inclusion of new agents in the urban coalitions whose *locus* transcended the local. These were non-local agents involved in urban regimes, and though this is not a new contribution to the study program, it represented a clear example of how institutional contexts, government structure, inter-governmental relations and national political-partisan interests influence local governance and the results obtained from it (Stoker, 2011).

Two conclusions can be drawn from this. First, urban regime theories do not contain sufficient elements to explain political processes in contexts different from the United States. Second, neo-Marxist influence is reflected in the reactions to urban studies that paved the way for the study of institutional contexts, and eventually provided a new framework to advance local governance, as described by Gurr and King (1999):

"We disagree with both the traditional theories and the neo-Marxist perspective [...] that localities in Western cities maintain the autonomy of both the central state and private economic interests" (Gurr and King, 1999; 43).

There were thus several facets to the analysis of supra-local factors in local governance. One of these was addressed by studying concepts such as local governance and autonomy. Early contributions to this topic were made by Rhodes (1999), whose book *Control and Power in Central-Local Relations*

underscores how the various levels of government use their legal, political and economic resources to establish inter-governmental networks. There the autonomy of the local government is important, insofar as it creates networks of policies that give it more room for maneuver as a government.

In other parts of the world, contextual factors were studied in the United States by authors such as Gurr and King (1999), who argued that autonomy of local government had two kinds of restriction. Type (I) is represented by the socio-economic conditions that limit the decisions of the local state. The autonomy of local governments is circumscribed in that their decisions are challenged by local economic or social groups, which can extract resources from the local economy through taxes. Type (II) refers to the fact that local governments are subject to structural hierarchies within a national context. These consist in restrictions imposed by other levels of government through constitutional and legal provisions that limit their functional attributions, the economic resources transferred to them, and their autonomy in relation to legal decisions and valid inter-governmental doctrines, such as the *ultra vires* doctrine.³

Gurr and King's study in *The State and the City* was one of the first of its kind to attempt to explicitly systematize the study of local governance and autonomy. It observed factors that transcended the localist approach that charac-

terized earlier approaches. At the same time, Page and Goldsmith (1987), followed by Page (1991), made a similar argument. According to those authors, greater or lesser local autonomy was configured through inter-governmental relations, and involved two dimensions: *legal localism* and *political localism*. The first is a characteristic of inter-governmental configuration, in which the central state delegates, punctually and by law, the allocations and space for maneuver accorded to local governments. Great Britain and the Scandinavian countries, for example, imposed clear legal limits on the activity of local government.

Regarding political localism, the concept refers to the need for local authors to resort to political-inter-governmental alliances to secure the economic and political resources to fulfil their government objectives. France, Italy and Spain belong to this category. Though the authors do not empirically prove it, they suggest that a correlation exists between the two dimensions. The level of political localism, for example, served as the prevailing strategy in response to an ambiguous or complex local legal framework. On the other hand, strict or clear legal provisions inhibit the possibility of accessing supra-local resources through inter-governmental alliances.

Page and Goldsmith (1987)

³ This refers to the legal doctrine that prohibits public bodies from carrying out actions that are not explicitly authorized by the law. In this case, they are the powers of local government.

relate the numerous alternative schemas that emerged to distinguish inter-governmental relations. Although the literature has advanced in this area, the structures for inter-governmental relations remain one of the focuses of study for understanding the capacities and autonomy of local governments.

4. LOCAL GOVERNANCE

Throughout the 21st century, local government studies have yielded a large number of inter-related concepts, which made it difficult to distinguish between the debates already occurring. These notions included some that appeared to assist the understanding of urban studies, notably the concept of *urban governance* and *local governance*, which ultimately became of great interest in the literature. Its usefulness was based on its flexibility and capacity to encompass in a single analytical framework theories on regimes, central-local State and urban policy, among others (Pierre, 1999).

The term "governance" began to be used in local studies from the 1990s onwards. The incipient definition applied to urban studies focused on identifying two aspects: the exchange processes between public and private spheres, and the results of these exchanges, rather than institutional formalities (Pierre, 2005). Moreover, the term served to describe a broader range of arrangements for both

horizontal and vertical exchanges between stakeholders at various levels of government (Stoker, 2011). Before long, the literature on urban issues integrated the confluence of structures, forces, networks stakeholders, resources and local and supra-local interests into this concept to explain the situation in local politics.

However, the historical background leading up the term, and its full meaning, has not been achieved in regions such as Latin America. The sense given to the term governance is often associated with the newly established interaction between the state and citizens. In this context, in his interpretation of Manuel Canto Chac, Flores-Xolocotzi suggests using the term “[governance] as the cooperative action of the State with various social actors (including notably individuals and social organizations).” (Flores-Xolocotzi, 2012; 177). Martin (2009) points to the transparency, accountability, the assumption of responsibility and citizen participation as central elements in the new form of collaborative governance (Martin, 2009; 15), thereby taking up the definition of governance by the United Nations’ Development Program as “...the way in which society organizes to take and implement decisions, achieving mutual understanding, agreement and action. [...]”. Sosa López, in reference to works by Pardo and Aguilar, states that governance “is sustained and legitimized by the widespread application of the principles of decen-

tralization, citizen participation, improved management, deregulation, transparency, efficiency and accountability to the structures and operation of public organizations...” (Sosa-López, 2012). Finally, Hevia, Vergara-Lope and Avila (2011), describing the theoretical input used by academics to understand the new mechanisms of citizen participation, suggest two categories that combine the concept of governance and the broadening of actors in the public sphere (Hevia, Vergara-Lope and Avila, 2011; 66).

This is not a false move. The definition of the term is currently being developed. Porras (2007; 168) notes that certain definitions are even incompatible with the Latin American context,⁴ but that in general, governance has been used to signify a new government process that distances itself from hierarchical control (Porras, 2007; Zurbriggen, 2011). Though the meaning of local governance goes far beyond citizen participation, the evolution from centralist governments to decentralized government systems with greater citizen contact and involvement constitutes a substantial change in Latin American local governance. In Mexico, for example, local government studies have used the concept to describe new local governance processes configured exclusively for local stakeholders. Ziccardi and Arzaluz (1995) explain how the new municipal social policies are the product of the inter-

⁴ This refers to the concept of “good governance.”

action between popular sectors not previously regarded as important actors, which, through citizen participation, manage to exercise influence on local governments. Grindle (2007) recently provided an explanation of innovations in local governments, based on the democratic advances experienced by Mexican municipalities in the past 30 years. Local Mexican governments have triggered a wave of political alternation that enables other parties to rise to municipal power. Grindle also carefully studies the local stakeholders and institutions that mainly explain the local agenda. The *Public Action* study by Enrique Cabrero (2006), for instance, develops the concept of governance as a similar process to that of Stone's urban regimes. It involves designing the agendas and work of Mexican municipalities, based on the influence resulting from partnerships established between economic and government actors. Cabrero uses the analogy of the double helix to undertake public action, which also creates a coordinated government agenda.

5. CONCLUSION

The term "local governance" has a long history that is sometimes overlooked by studies of local government. There is a tendency to equate it with citizen participation. Undoubtedly, greater citizen participation in decision-making represents a change in local governance, although these are not

interchangeable concepts. This work has emphasized one of the numerous theoretical-discursive lines that characterize the term "governance." It should be stressed that this line has different meanings from the concept of governance, which incorporates the newly established relation between state and society, but goes beyond it.

Local governance has been studied from its beginnings as the distribution of local power. This stage was largely dominated by the debate between pluralists and elitists in political sciences. At the heart of the debate was the rhetorical and political argument constructed by democracy theories to support it in the mid-20th century. The debate on community power, as it was then called, collapsed as a result of numerous factors, including the appearance of new evidence in regions outside the United States. At the same time, the neo-Marxist perspective positions, for the first time, local government with specific functions vis-à-vis the capitalist state. This approach soon became obsolete but assisted by new findings the authors agreed that it had considerable impact on local government studies. The study of local politics transcends the government to incorporate various stakeholders and other tiers of government, and goes far beyond the distribution of power as an object of study to determine production and local political decisions. This has given rise to what is now known as urban governance or local governance.

The agenda for local government studies is far from being exhausted. There are worldwide calls for a better understanding of the systems that produce various types of local governance. The emphasis is currently on formal and non-formal institutions (Stoker 2009), and on the inter-governmental relations that could lead to various governance processes, which will provide information on our local governments. Authors including Richard Snyder, Jefferey Sellers, Jon Pierre and Gerry Stoker (2001; 2005; 2005; 2011) clearly mention this situation, and the need for a perspective that summarizes the influence of the structure in a single argument. According to Jon Pierre (2011), studies on local governments are characterized by the difficulty of producing theoretical works whose generalization transcends spatial borders. It is therefore worth considering Lindstrom's (1998) suggestion of comparing governance systems rather than actual local governments.

Over the past ten years, there have been numerous requests for an agenda that creates more and new theories for local, subnational and urban studies, and which travel better in time and space. (Snyder, 2001; Sellers, 2005; Pierre, 2005; Stoker, 2011). This work is also a call to re-focus the study from local government to local governance in its broadest sense.

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PAYMENT FOR ENVIRONMENTAL SERVICES PROGRAMS IN LATIN AMERICA AS AN INNOVATIVE ENVIRONMENTAL POLICY INSTRUMENT

Marco Antonio Berger García *

ABSTRACT

Payment for Environmental Services (PES) Programs in Latin America and Mexico have dominated the market-based environmental policy realm in the past decade due to their new paradigm for solving the problem for ecosystem degradation. There are at least three reasons why a careful examination of the design and implementation of these types of programs is important for the environmental policy discussion in developing world contexts. First and foremost, PES schemes offer several advantages: they are cost-effective, they are institutionally simpler, and they are potentially good for poverty reduction. Second, PES schemes embrace the user-based principle instead of the polluter-pays principle and, in some cases, they have elements of a conditional cash transfer program. Third, from a geographical perspective, PES programs are flexible and adaptive to local, regional, national and international scales. Despite the advantages from a policy design perspective, PES programs present a set of issues and barriers at the implementation stage, especially within developing world contexts where a set of preconditions must be in place in order for PES programs to work well.

* Universidad de Guadalajara / email: maberger76@yahoo.com

INTRODUCTION

In the 1990's, Payment for Environmental Services (PES) appeared as an innovative market-based policy instrument for natural resource conservation. From there, it expanded throughout to most Latin American countries. After a decade of PES implementation, the empirical evidence regarding PES impact and effectiveness in Latin America is still diffused and inconclusive. Before we can evaluate the effectiveness and policy implications of PES, we must understand both its design and its implementation processes. Therefore, in this article the PES literature regarding five key issues is reviewed: PES scheme and program design; the political economy of Payment for Environmental Services; market and government failures associated with PES implementation; PES program effectiveness determinants, and distributional issues regarding PES.

The key question that environmental policy has engendered in the last 10 years is: Have PES schemes as public policy interventions changed the behavior of landowners where the environmental services are provided? Or, would landowners have protected the ecosystem regardless of intervention? A more subtle discussion has evolved around the question of whether "forest conservation on enrolled land is undermined by displacement of deforestation to other areas through spillover effects" (Alix-García *et al.*; 2010;

Pattanayak, 2010). Proponents of PES schemes claim that behavioral change is nurtured through the intervention while skeptics argue that potential and actual barriers (what they call "leakages") mitigate the effectiveness of the program. In the midst of this debate, practitioners, policy-makers, and scholars try to identify ways in which leakages of PES schemes could be minimized through careful consideration of institutional context, design, and implementation.

PES have become popular in developing world contexts because it is seen as a new paradigm for solving the problem for ecosystem degradation (Ferraro and Kiss, 2002). In particular, proponents of PES see it as a better course for environmental policy due to several potential advantages: cost-effectiveness, institutional simplicity, and poverty reduction. (Wunder *et al.*; 2008). Each of these advantages is based mainly on theoretical grounds. In practice, though, institutional constraints and bureaucratic and implementation failures may hinder their effectiveness.

Under some circumstances, PES intervention has proven more cost-effective than traditional command-and-control instruments such as designating natural protected areas. PES design reflects the famous Coase theorem regarding social costs: if property rights are well defined, a Pareto-efficient outcome will be achieved regardless of the initial distribution of benefits. Moreover, this result will be achieved without government

intervention. Two crucial assumptions underlie Coase's theorem: property rights must be well-defined, and transaction costs of the bargaining process should be low. How far away are these theoretical assumptions from actual PES design and implementation? These central research questions seeks empirical evidence and dominates the contemporary Payment for Environmental Services academic literature. Another key feature of PES design is that it is based on the beneficiary-pays rather than on the polluter-pays principle. This change in notion implies a significant shift in traditional command-and-control environmental policy.

1. PAYMENT FOR ENVIRONMENTAL SERVICES SCHEMES DESIGN

According to Wunder *et al.* (2008), whose work represents the most generally accepted PES characterization among scholars, a Payment for Environmental Service scheme must contain three of the following five features. First, and similarly to other market-based instruments, a voluntary transaction must take place. Typically, there are four economic agents that might interact on a PES transaction: private owners, non-governmental organizations, firms, and governments. Any interactive combination of these four agents

in a given scheme must be voluntarily. This is true even in the case of government-based PES programs. Second, and closely inter-related with the voluntary transaction condition, the environmental service (ES) must be bought by a (minimum one) ES buyer and, third, from a (minimum one) ES provider. Fourth, the ES must be well-defined (well-defined, in this case, the causal chain between the environmental resource and the service it provides is scientifically proven and ideally measured). Sometimes this relationship is not easy to establish either because little is known about the ES or because it is almost impossible to isolate a single ES from its ecosystem interactions. Despite this limitation, there are four conventional environmental services implemented in both developed and developing world contexts that scientists and policy makers agree on both the provision of service and the associated causal chain. These environmental services are: carbon sequestration, biodiversity conservation, hydrological services, and agro-forestry environmental services.

The fifth characteristic is conditionality and it refers to the assurance that the ES supplier guarantees the environmental service provision. Conditionality implies that the ES provider must comply with the agreed upon rules that are typically set in a given contract and which norm the behavior of the landowner towards the natural resource in order to guarantee provision of the environmental ser-

vice for a definite time period.

In addition to these five main characteristics, PES schemes may be differentiated by the “type and scale of ES demand, the payment source, the type of activity paid for, the performance measure used, as well as the payment mode and amount” (Engel *et al.*; 2008). Consequently, the effectiveness and efficiency of PES schemes crucially depends on their design.

Although Wunder's five-step definition has been broadly accepted and agreed upon by the environmental management scholarly community (as indicated by the number of citations), there is some disagreement about whether to include environmental policies that have PES characteristics but partially violate one or more of the five defining conditions (Somerville *et al.*; 2009).

A key difference between PES schemes involves the nature of the buyer of the ES. Government-based or supply-side PES schemes compensate ES providers in the form of a Pigouvian subsidy. NGO's may also apply supply-side PES schemes. On the other hand, demand-side, also known as user-based schemes, imply that the compensation payment might be made to the ES receiver who is able to identify the direct benefits of the environmental service. Frequently, environmental services are ignored, underestimated, or neglected by users, unless the scale and the consequences are directly perceived by the user. Watersheds with upstream and downstream users are a good ex-

ample of this situation.

Drawing a sample of developed and developing world countries, Wunder *et al.* (2008) found that user-based and government-financed PES schemes have significant differences in terms of concrete performance indicators such as targeting; tailoring to local conditions and needs; monitoring and enforcement to achieve conditionality; and confounding objectives. In these four aspects, user-based schemes performed significantly better, on average. The policy implications of this key finding don't necessarily condemn government PES schemes to failure, nor do they suggest that user-based schemes are always the best way to go. A combination of both kinds of schemes may interact simultaneously, with the institutional setting determining which type of scheme might work better in a given space and time.

In practice, PES schemes may encompass a bundle of two or three environmental services at the same time. For instance, Asquith *et al.* found that in Los Negros, Bolivia, a PES scheme compensated upstream farmers for not cutting down trees, hunting, or clearing forest on enrolled lands while downstream irrigators paid for upstream cloud forest conservation. Since the payment is an annual *quid pro quo* in-kind compensation scheme that includes “transferring beehives supplemented by apicultural training” (Asquith *et al.*; 2008) to upstream farmers, a third environmental service in the form

of pollination is considered in this complex scheme.

In general, bundling different environmental services is a frequent, advantageous practice that seeks to simplify information within a complex ecosystem context. If well designed, a bundled PES scheme may provide benefits by expanding potential markets and increasing payments to a particular area. Services are either sold together or subdivided and marketed to different buyers (Kemkes *et al.*; 2010). It may also be argued that bundling environmental services fosters participation since it increases the scope of the potential targeted population. Despite these potential advantages, especially if care is not taken in design, bundling may increase transaction costs and increase leakages if “each service has a different spatial distribution and therefore different beneficiaries”. (Kemkes *et al.*; *op. cit.*).

2. THE POLITICAL ECONOMY OF PAYMENT FOR ENVIRONMENTAL SERVICES

Contemporary Payment for Environmental Services schemes utilize Coasian and Pigouvian insights. According to the Coase Theorem, if property rights are well defined, social and private return rates should be equal. Therefore, an efficient outcome could be achieved regardless of the initial allocation

of those rights. The efficient outcome is achieved by bargaining between the two economic agents. For this to happen, transaction costs should be low and the number of participants should also be low. *Ex ante* government intervention is limited to make sure that property rights are well defined. *Ex post* government participation is limited to put in place conflict resolution mechanisms for potential disputes which, under Coasian conditions, shouldn't normally occur.

As the number of participants increases, however, collective action issues may appear. However, experimental economics literature has shown that the efficient outcome suggested by Coase may still hold even when the number of participants is relatively high. According to Hoffman and Spitzer (1986), the main conditions for the efficient outcome to hold even under a bigger than two person scenario are the capability of players –bargainers- to have open communication, side payments and enforceable contracts. Well-defined property rights are the cornerstone of Coase's theorem. However, there is a vast literature in natural resources that distinguishes between *de facto* and *de jure* property rights. Coase refers to the former, while the latter are not considered under the theorem but may be equally important regarding natural resource management (Baland and Platteau, 2003).

Payment for Environmental Services programs that are government-designed also have a

Pigouvian component. In a way, Payment for Ecosystem Services may be seen as a particular form of a Pigouvian subsidy. This kind of market-based policy instrument basically tries to identify the equilibrium price where social marginal benefits and costs meet, thereby correcting for a negative externality; (for example, excessive pollution levels) or augmenting production levels to ensure the optimal provision of positive externalities. Similar to a Pigouvian tax, the key challenge for governments is to set the level of the subsidy equal to the "price" at which marginal benefit and cost curves intersect. If this is not achieved, suboptimal results will emerge as a consequence and deadweight loss as well. Sometimes, PES schemes are a Coasian-Pigouvian combination. User-based and government-based PES schemes both imply a voluntary transaction between one provider and *at least* one buyer or consumer of the ES. However, under user-based schemes the buyer clearly identifies the externality and directly bargains and pays for the service without government intervention. In this sense, user-based schemes mimic the Coasian idea more closely. In addition, the key low transaction cost Coasian condition has different implications for user-based and government-based schemes. For example, it has been shown through case studies that user-based schemes have lower transaction costs than do government-based schemes (Wunder, 2008). This finding is not surprising

since government based schemes lend themselves more to "leakages" via middle man interaction, program design, timing, side goals, and program service delivery.

Another implicit assumption of the Coase Theorem is that the economic agents engaged in bargaining are single units, typically private firms or individuals. However, many natural resources in developing world contexts are appropriated, provided, or managed in the form of common pool resource governance systems (Ostrom, 1990). This circumstance shifts the basic assumptions of the Coase Theorem in a context where all sorts of collective action issues may show up. Additionally, and since the theoretical assumptions of the Coase Theorem –well-defined property rights, low transaction costs, few participants or small groups and no wealth effects- are difficult to achieve in practice, the bulk of the PES literature proposes alternative frameworks which take into account institutional contexts and settings where PES schemes may take place, such as distributional issues, uncertainty, social embeddedness, and power relations (Muradian *et al.*; 2010). These frameworks do not directly challenge the Coase Theorem's usefulness regarding PES-scheme design. Rather, they contest efficiency, the basic criterion of the theorem, as the only criterion for defining objectives and measuring performance.

Although PES has thrived as a market-based policy instrument *par excellence*, it is frequently the

state- and community-based institutions, both formal and informal, that determine its success. Vatn (2010) argues that some PES schemes are nothing more than a “reconfiguration of the role of public bodies and communities becoming core intermediaries or buyers”. The critical role of the state regarding regulation of property rights on the participant lands, strong participation of public agencies in many PES schemes worldwide, and the facilitation of these agencies for creating markets in the environmental realm are all factors that have to be considered for the “market-based” discussion (Vatn, 2010).

Not all contributors to the PES literature agree with the feasibility of applying the Coase Theorem to the environmental realm, particularly PES. In particular, the ecological economics approach, which differs theoretically in many ways from the neoclassical environmental economics approach, states that Wunder’s five main characteristics of an environmental service are not only unattainable in practice but also inappropriate in some cases. This argument hinges on the very definition of environmental services, which, for the ecological economics school, is as follows: “PES is a transfer of resources between social actors, which aims to create incentives to align individual and/or collective land use decisions with the social interest in the management of natural resources” (Farley & Costanza, 2010).

Implications of this definition are non-trivial. If the ecological economics approach is followed, distributional goals could potentially hold more weight than efficiency goals. Moreover, the instruments to achieve environmental public goods will follow more Pigouvian and state-based approaches rather than Coasian criteria. It is important to note that neither of these approaches explicitly considers the critical role that communitarian rules might play in PES design such as social norms and preferences towards public intervention. Some authors have recently called attention to the inconsistency of government-based PES schemes in that a government-based policy is, in principle, incompatible with the market-based mechanisms that it tries to promote (Fletcher & Breitling, 2012). This structural incompatibility may be one of the reasons for eventual implementation failure and leakages. According to Sommerville *et al.* (2010), “PES-like” schemes –the ones that aren’t completely voluntary transactions- are often considered inferior compared to those that comply with all the delineated characteristics, especially the voluntary aspect. However, the same authors argue that the focus should not be placed on the strict definition of the term and its characteristics but rather on a more flexible definition “best seen as an umbrella term for a set of resource-management tools that are based on the philosophy of implementing conditional positive incentives in a wide variety of institutional contexts” (Sommerville *et al.*; 2009; *op. cit.*).

3.EFFECTIVENESS AND LEAKAGES OF GOVERN- MENT-BASED PES SCHEMES

PES literature offers two main pathways to measure effectiveness and efficiency of PES schemes. On the one hand, Wunder proposes a comparative framework between schemes which includes seven transaction costs-related variables: baselines and scenarios; opportunity costs; additionally; land use service link; leakages; permanence; and start-up and recurrent transaction costs (Wunder *et al.*; 2008). Each of these variables influences the potential effectiveness of a given PES scheme. For example, the higher the opportunity costs, the more carefully implemented a PES scheme should be in order to correctly compensate the potential enrolled participant. Failure to do so will lead to greater leakages, since shirking may appear as a consequence of imprecise opportunity costs definition. Inclusion of these variables may paint a more accurate picture of potential leakages and spillovers of a given scheme. The inductive nature of this approach is helpful in identifying leakages at the design and implementation phases of a given scheme.

Pattanayak (2010) argues that this kind of typology is useful for descriptive purposes although insuf-

ficient to measure real impacts of the actual implementation of the program in terms of additionality. In order to reach the next level –impact measurement– it is necessary to apply impact evaluation techniques that account for additionality and effectiveness by controlling confounding variables and thereby responding to the basic evaluation question: What would have happened in the absence of the intervention? (Pattanayak, 2010).

A second approach that dominates the PES literature regarding the effectiveness of PES is a matrix diagram proposed by Engel *et al.* (2009). According to this approach, effectiveness of a PES scheme can be evaluated by comparing the value of environmental services. The most frequent and interesting possibilities are the ones that provide solutions that imply trade-offs between land use and environmental service benefits. Taking these trade-offs into account in designing PES schemes should improve efficiency. For example, PES schemes that offer potentially high environmental services value but low on-site profits for the private landowner are “leakage prone,” since, other things being equal, the enrolled participant will always tend to deviate to improve its private benefit at the expense of a social (environmental) cost. Given the heterogeneity of available empirical data from PES cases in the developing world, Wunder's and Engel's proposed methods are useful in identifying the potential characteristics of a given PES

scheme design. Consideration of these attributes allows for better identification of the variables that might inhibit or foster program impacts. In other words, it is crucial to identify which variables favor spillovers or leakages.

Another leakage source for government-based schemes is incomplete contracts. Conditionality necessarily requires a contract between the environmental service user and the provider. As in any contract, but especially those concerning environmental issues, it is very difficult to include all the terms, conditions, and possible consequences of the provided environmental service (Barzel, 1997; Williamson, 1985). Moreover, there is a trade-off between simplicity of the contract and the omission of details that might be important. There might also be a bias against the poorest households, those that are unfamiliar with technical language, and who just sign off with little knowledge of the consequences and commitments surrounding the contract.

It has been shown that asymmetric information is a recurrent source of market failure under typical PES schemes. Normally, the environmental service provider has better information than the environmental buyer—including governments—regarding the conditions and management of their natural resources. This asymmetry may be used to advantage by providers in order to obtain “informational rents.” If a significant number of participants in the program use in-

formational rents, program effectiveness and additionality will be reduced. Contract design is therefore a key instrument in potentially reducing asymmetric information. There are several ways to tackle asymmetric information and therefore reduce the leakages of a given program. Ferraro identifies three concrete mechanisms for this: “1) acquire information on observable landowner attributes that are correlated with compliance costs; 2) offer landowners a menu of screening contracts; and 3) allocate contracts through procurement auctions” (Ferraro, 2008). While the first option is the most standardized and used in different PES schemes, the second one implies a great deal of creativity and flexibility by the ES buyer. The third option is less common due to political difficulties. The goal of each of these approaches is “to reduce informational rents without distorting the level of environmental services provided.” Which scheme is better greatly depends on the institutional context in which it will be placed. For instance, the third approach implies a sophisticated setting of community-level information and bureaucratic practices.

The contract period is also very important. There is a debate regarding the optimal time period a contract should encompass in order to ensure that the environmental service continues to be provided even after contract termination. This may imply a behavioral change from the ES provider. The experimental economics litera-

ture depicts a vast set of situations where participants of the environmental service scheme may fail to comply despite what is established on the contract. Credible commitment issues may appear once a contract is terminated. In other words, they may not be “morally” committed to preserving the ES once the agreement is enacted. In many cases, the goal of environmental services conservation is not just to restrain people from using the natural resource base. It may also imply a series of actions or practices towards sustainability that aren't necessarily appraised, embraced, or appropriated by the ES supplier once participation in the program is finished. Ultimately, a crucial goal of any PES program is to achieve a behavioral change among former program participants. The hope is that they will become pro-conservationists and environmentally educated in such a way that they might develop their own sustainable economic and environmental long term plans.

Another important leakage regarding PES design is known as *slippage*. Although individual compliance might be sufficiently high for some communities as a result of participating in the program; neighbor communities may change their behavior adversely regarding program goals (Shapiro, 2010). Higher deforestation rates from neighbor communities, for example, may offset lower deforestation rates from participating beneficiaries. At the implementation level, bureaucratic or government fail-

ures may also influence PES effectiveness. If several agencies carry out a given program, coordination is needed. Moreover, if different government levels are involved, legal and institutional frameworks must be fine-tuned. Pattanayak *et al.* (2010) warn about the multi-agency issue. Because each agency might play a specific role in the program and therefore has a vested interest on it, inefficiency may come as a result (Pattanayak, 2010; Libecap, 2006). For instance, in the Mexican PES case, a forest development agency is responsible for running the program while the water federal agency collects the fees and revenues that are used for funding the PES program. Simultaneous program participation by beneficiaries may also be a government failure that reduces potential impacts of the program and raises transaction costs at the implementation level. This is especially true for programs whose incentives are not aligned, thereby sending mixed and contrary signals to program participants. A crucial factor in avoiding leakages of any PES scheme, thereby augmenting its effectiveness, is the development of a baseline to compare *ex ante* and *ex post* results. If baseline data is incomplete or poorly developed, it is very difficult to estimate impacts accurately. Geographical information systems may provide a substitute or complement as a resource for creating baseline data.

A key factor for the success or failure of a government-based PES program implementation is

the middleman who works directly with the participant community at all stages of the program. In the absence of efficiency wages and/or low skills, intermediaries are prone to shirk in the form of weak supervision or collusion with the PES provider. This issue leads to leakages from the program. Obviously, the intermediary leakage is reduced when skilled intermediaries are already in place, but this is often not the case, so training is crucial. Another way to improve intermediation performance is by utilizing existing nonprofit organizations as intermediaries. Yet another way under user-based PES schemes is to take advantage of the participation of the users in a group organization, such as a local utility department that lets users “make a payment through an additional fee on their bill” (Kemkes *et al.*; 2010). *Ceteris paribus*, the nearest potential participants with lower learning curves will be favored by the middleman. Bribing in the form of “unofficial tips” may be another source for inefficiency and participation bias. There are several ways to tackle the middleman issue: sound training; efficiency wages; and the implementation of quotas that favor minorities and reduce potential poverty biases. Despite its importance, the middleman or intermediary issue is scantily addressed in the PES literature. Pascual *et al.* (2010) maintain that the bargaining power of both the agents and the intermediary or middle man critically influence the performance, and hence the

effectiveness and additionality, of PES schemes (Pascual *et al.*; 2010).

Other leakages may arise when PES beneficiaries are communities rather than individuals. There is a vast literature that studies common pool resources dynamics as well as the risks and opportunities that communitarian arrangements offer (Ostrom, 1990). The fact that an agreed-upon contract takes place between a public sponsor and a community in order to guarantee and preserve conditions for ES provision tells us very little about the internal dynamics of the community itself and, ultimately, which outcomes and impacts will be generated as a consequence. Local *rules of use* may be incompatible with PES program requirements. Internal agreements or disagreements within communities may hinder or scale up program outcomes and impacts. For example, by comparing the design and implementation of three different programs in Cambodia, Clements *et al.* (2010) found that PES program effectiveness was significantly greater where local rules of use were taken into account (Clements *et al.*; 2010). The mechanisms of this inclusion were through local institutions empowerment and intrinsic motivation reinforcement. The latter aspect addresses the “crowding out” market failure that occurs when there is a gap between a community's intrinsic motivation and government or market-based logic. Crowding out occurs because “introducing monetary incentives can undermine collective action

that is motivated by social norms" (Kerr, 2012). Because payments may introduce a purely instrumental or utilitarian logic that disrupts environmental virtues that were historically practiced by local communities, crowding out may appear even under conditions where the scheme was set properly and according to market principles (Vatn, 2010). There are not Pareto efficient cases where, in addition to no additionality being made, the landowner acts as a poorer steward of the natural resources than before the program was implemented. This phenomenon is known as "crowding out" because government programs crowd out former institutional arrangements (Cardenas, 2000).

If PES beneficiaries hold property in common, the three factors that are stressed by Ostrom (1990) directly apply to PES schemes, namely, institutional supply, credible commitment, and monitoring. Externally, and due to asymmetric information and incomplete contracts, the ES buyer monitors the accomplishment of predefined goals regarding the environmental service. Internally, and at a communitarian level, another set of rules to ensure monitoring are required to comply with the environmental goal as defined in the transaction. Good communitarian monitoring, based on trust, punishment, and informal interactions are crucial to PES scheme compliance.

At first glance, if a participant community does not comply with predefined rules, it seems reason-

able that they be admonished or ejected from the program. The payment then would go to a community that shows more potential to attain program goals with the respective transferring and transaction costs. However, in some cases it might be more productive to identify the main drivers from the non-compliant communities. Perhaps they share characteristics with other *ex-ante* rejected or non-participant communities that have not participated in the program, yet have similar weighting on providing and preserving the environmental service at the relevant unit of analysis. Therefore, if we explore and gain a better understanding of the nature and characteristics of the local dynamics drivers, the consequent knowledge generated might be used for PES program or scheme redesign in terms of contracting, monitoring, and, ultimately, goal achievement.

Taking account of communitarian dynamics is crucial for PES scheme performance. This is especially true when the benefits of the scheme are transferred to communities that either hold land in common or where the environmental service is associated or is perceived by the community to be a public good. In these cases, "there is a danger of cooption of benefits by subgroups within the community that leads to widespread disillusionment" (Sommerville *et al.*, 2010). Alternatively, those who receive the transfer as representatives of the community may apply informal command

and control internal policies or patronage practices in order to manage their program performance as a group. In a way, these practices countervail the original spirit of the program which is incentive-based and market driven.

All in all, the literature on PES focuses on ways in which additionality levels become high and leakage effects remain low (Wunder, 2008). It is not uncommon to find cases in which participating landowners' behavior is not altered by the implementation of the program. If this is the case, then the program or PES scheme is not really adding to the preservation of the natural resource that provides the ES. Another way to consider additionality is what happens after the PES contract is terminated. In theory, ES providers should behave post PES as if they were still participating in the program. For this to happen, long term behavior must be altered in such a strong way that it changes preferences, values, or cultural attitudes. If this does not happen, then we can say that additionality is not obtained. (Pattanayak, 2010). Rather, beneficiaries of the program made sustainable practices in order to receive program benefits while they were enrolled, yet endurance wasn't developed to guarantee long term results.

Lack of additionality in a PES program may have several behavioral implications. First, there is a debate on how much time is needed before a behavioral or preference change is made, assuming that the ES suppliers did not already

have a consistent PES behavior. If all other market failures are addressed but Payment for Ecosystem Services is directed to beneficiaries who would have conserved the ES supply in the absence of the program, it is just a transfer without positive net impacts. Therefore, it is crucial to efficiently target the object population under a scheme where participants need to realize a tangible environmental benefit.

4. PRECONDITIONS FOR PAYMENT FOR ENVIRONMENTAL SERVICES SCHEMES

As argued by Engel *et al.*; careful design is critical for PES efficiency and effectiveness. Consequently, program design should be aligned with the institutional and social preconditions that prevail within the targeted population context. The question then becomes, should PES schemes respond to the preconditions that already exist in a given context, or, should PES schemes foster desirable conditions that have not yet been put in place?

Considering local communitarian dynamics is especially important under a weak institutional context. As Engel and Palmer (2008) demonstrate for the case of Indonesia, PES schemes that are not carefully developed to account for communitarian dynamics may be counterproductive in their outcomes. For example, where logging communities do not have

clearly defined property rights (even after decentralization) and, at the same time, there is economic pressure from logging companies to obtain timber, a standardized PES scheme that ignores local informal dynamics may merely serve as a leverage negotiation tool for informal landowners to get better deals with logging companies (Engel & Palmer, 2008). This is a good illustration of what Ostrom calls policy prescriptions as “the only way” referring to the common mistake that environmental policy makers make when they deem the prisoner’s dilemma, the tragedy of the commons or Olson’s group theory as the only possible results when collective action issues arise (Ostrom, 1990). If a PES scheme is implemented in a market-based structure without first understanding of local rules in use, then the natural resource management outcomes may well be worse than no intervention at all. Furthermore, such a scenario may also lead to a “tragedy of the commons” (Hardin, 1968). In this sense, public intervention may hinder self-enforcement mechanisms that work at the informal level in local communities and result in positive outcomes.

In the same vein, Kosoy *et al.* (2007) found evidence in Central America that PES schemes may serve as an environmental conflict-resolution mechanism between upstream and downstream environmental service users and providers (Kosoy *et al.*; 2007). Other scholars like Cranford and Mourato (2011), suggest that PES are

more effective if designed and implemented in a “two-stage approach.” This means that a community-based environmental management (CBEM) approach should be implemented in the first stage in order to foster education, alternatives, and social consensus. Such preconditions might be followed by the typical incentive-based mechanisms under which a traditional PES scheme works (Cranford & Mourato, 2011). These kinds of preconditions (cognitive, alternative, and social agreements) differ from market preconditions, such as property rights definition, financial markets, or contracts that are typically discussed. From the policy perspective, one drawback of the two-stage approach is timing. Robust knowledge and potential change at the first stage might take a great deal of time and thus be incompatible with policy agendas. However, at least taking into account the communitarian variables at the first stage might improve further design, implementation, and effectiveness of a given PES scheme.

In the two-stage approach, the government has several roles. First, it is responsible for ensuring that preconditions hold, that is, guaranteeing that property rights are well defined and encroachment is punished and enforced. Second, it collaborates to maintain low transaction costs. Third, it develops a legal and institutional context, such that flexible schemes may be put in place without need of complex reforms. Fourth, it certifies sound

environmental practices under potential user-based PES schemes.

Consequences of incomplete preconditions on eventual program implementation are uncertain. If the potential target population is sufficiently large, there might be a bias against the poorest households (those lacking the preconditions to participate). Following the Coase Theorem, clear property rights definition is a basic pre-condition. However, in many developing countries where the PES operates, property rights for potential participants are ill-defined, especially for the poorest households. Although not properly a market failure, this inconsistency may have important distributional consequences.

Preconditions are important to ensure the development of any PES scheme. For instance, if property rights are not well defined, interchange and bargaining between buyers and sellers of the environmental service simply cannot take place. Given the fact that many developing world countries have incomplete property rights definition at a national scale, it is common for PES programs to be targeted to geographical units where there are enough potential participants that possess with the basic preconditions of a PES program.

5. DISTRIBUTIONAL ISSUES OF PAYMENT FOR ENVIRONMENTAL SERVICES PROGRAMS

Distributional issues are often overlooked in the PES literature. This is not surprising since, following the Coase Theorem, it doesn't matter what the initial allocation of property rights is, as long as it is well defined and transaction costs are negligible. The problem with relying on the Coase Theorem is that the initial allocation of property rights might be very unequal. Hence, the bargaining power of the involved economic agents isn't the same. This feature of the Coase Theorem has led some authors in the PES literature to argue in favor of equity and to question efficiency as the sole criterion for PES-scheme design. Even under efficiency grounds, distribution matters if potential win-win situations regarding poverty alleviation and environmental service provision are to be achieved. These situations are not uncommon considering the potential trade-off deep connection between environmental sustainability and alleviating poverty environment and poverty that prevails in many developing world contexts

Pascual *et al.* (2010) go one step further and argue that not

only is equity advisable under win-win PES scheme contexts that seek for efficiency as the main goal and poverty alleviation or another distributional rule as a by-product (Pascual *et al.*; 2010), but also that PES schemes should aim for equity even when equity is achieved at the expense of some efficiency (the classical efficiency-equity trade-off). This tradeoff in favor of equity is justified by fairness procedural reasons in order to break up power imbalance among the social groups involved and to address path dependence issues and bias against poorest households. Typically, these programs have a high income bias, since the existence of clearly defined property rights is associated with higher income levels. Hence, there is a bias against the poorest amongst the poor (Muñoz, 2008). Other experiences have shown that the mere existence of PES schemes might encourage nonparticipants and local governments to speed up property rights definition and certification processes in order to become participants in the future (Sommerville *et al.*; 2010).

A second key precondition is minimum poverty levels thresholds. Very poor communities are automatically excluded from participation in the program since they are incapable of complying with all the requisites that participation demands. Some of these communities live very close to the forests from which they make their livings. Some of them apply sustainable practices; some of them do

not. Therefore, if the PES scheme does not include a component that addresses the lowest income households, who happen to live in areas where significant environmental services are provided, conservation success at a global scale might be hindered.

Much of the literature says that PES programs should not have only a single environmental goal, especially in developing world contexts (Pagiola, 2005). Depending on contextual circumstances, a sound PES program may also contribute to social benefits in addition to ES preservation. The most popular side goal found in the PES literature is poverty alleviation. Defenders of this approach say that, because a significant number of PES beneficiaries are poor and live within marginalized areas, a well-targeted PES program may contribute to both goals simultaneously: ES supply and poverty alleviation.

Not everybody agrees with the idea of including poverty alleviation and/or other side goals in government PES programs (Landell-Mills *et al.*; 2002; Kerr, 2002). The argument stresses the fact that there are already too many market failures and potential leakages surrounding PES schemes in developing world contexts. Adding yet another goal component to a given program would further reduce its chance of success. The more side goals that are added to a program, the more difficult it will be to manage. Side goals, reduce flexibility and divert focus from key issues of PES programs

such as additionality. Therefore, according to this view, a sound PES program should limit its scope to environmental service provision regardless of distributional and equity concerns. In this sense, the only concern of an efficient PES should be the achievement of Pareto efficient levels. Adding side goals to a PES program implies a detour to the main efficiency goal of an environmental service provision. Policy-makers and some economists are attracted by the idea that poverty alleviation can be met through environmental service provision. The social benefit to simultaneously tackling both goals is enormous. What are the implications if the poorest of the targeted population are excluded from the program? None, from a Paretian or Coasian perspective, neither of which takes distributional issues into account. As long as participants of the program are part of the targeted population and efficiency criteria are satisfied, the program should be considered plausible from a social standpoint. This reasoning implies, however, that every potential beneficiary of the program is valued equally, regardless of income status, and therefore their marginal contributions to the goals of the program are also of equal value.

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TEMPORARY MIGRATION PROGRAMS: DO THEY PROMOTE SOCIAL INJUSTICE?

Ivan Sanchez Rodriguez *

ABSTRACT

Temporary work programs have long been an essential part of social policies in developed countries aiming to get reliable source of labour, promote domestic economy and discourage illegal migration; however, in practice these programs seem to be designed just to ensure cheap labour as the lack of monitoring due to the blurry guidelines established fosters abuse by employers, encouraging violations of human and labour rights of temporary workers that result in large-scale social injustices.

INTRODUCTION

Mexico has traditionally been a country of asylum for migrants from Central and South America; however, over the past five decades Mexico has become an expelling and a recipient country at the same time. On one hand, expelling nationals constantly to the United States of America (U.S.) and on the other hand, receiving large flows of irregular immigration, in transit to the U.S. and Canada. Because of this, the single largest origin group of Latin American immigrants has been from Mexico. The number of Mexican immigrants living in the U.S. rose rapidly from 1960 to 2000 -nearly tripling during the 70's and doubling during both the 80's and 90's (Stoney & Batalova 2013).

* University of Melbourne / email: ivsanrod82@gmail.com

In this context, there are many reports exploring the migration phenomenon between Mexico and the U.S. from economical, political, cultural and social perspectives, as the historical relationship between these countries has always been strong due to the shared border. In this sense, different types of temporary migration programs have been developed and implemented by the U.S. over the years, but one in particular stands out by its historical relevance: the “*Bracero* program”.

This program is used in this essay as a case study to explore the advantages and disadvantages of temporary migration programs according to David Miller's concept of Social Justice, in order to answer the question posed: do temporary migration programs promote social injustice?

This essay will begin with a literature review that explores different concepts related to social justice, social policy and a broad overview of the causes and consequences of migration. The literature review will also consider the different aspects of Mexican migration to the U.S. including the conditions that generate the demand for low-skilled migrants. The findings from the literature review argue that this demand for migrants is linked with migration programs, which leave migrants vulnerable to abuse.

After noting why a case study method is being employed here, the essay then briefly outlines in general terms the “*Bracero* Program” in order to take an insight from a specific temporary mi-

gration program and the related consequences. The last section consists of an analysis of the case study, providing insight into the arguments outlined in the literature review. This analysis will contextualise and provide arguments and reflections about the advantages and disadvantages of this kind of migration programs, analysed from the perspective of social justice.

1. LITERATURE REVIEW

In his book, *Principles of Social Justice*, David Miller (1999) argues that social justice deals with the distribution of good (advantages) and bad (disadvantages) in society, specifically with how resources are allocated to people by social institutions. In this sense, on one hand some of the advantages for social justice include money, property, jobs, education, medical care – including child and elderly care-, personal security, housing, transportation, and opportunities for leisure. On the other hand, some of the disadvantages include military service, dangerous work, and other hardships. Hence, whether something is just or unjust depends on the way those advantages and disadvantages are distributed in society.

Miller's argues that for a theory of social justice to have any relevance to real public policy making, it must take account of popular beliefs. His pluralistic theory

takes part of a larger debate regarding the contrast between justice in small-group contexts and justice across whole societies, as well as contrast between beliefs about justice and people's behavior when asked to allocate some valuable resource. He suggests that our notion of just distribution varies from "modes of relationships": Solidaristic community, instrumental association and citizenship (Miller 1999:25). In this sense, the focus of this paper will be Miller's third mode of association: Citizenship related to equality as its primary distributive principle which will be explained linked to the case study in the analysis section.

Keeping this in mind, another concept that must be explained is migration, which is as old as human history. Whether we consider ourselves the descendants of different cultures that developed parallel to one another or, as the most recent research indicates, we come from a small group of Africans who first left Africa some 100,000 years ago, migration has characterized the behavior of humans for centuries (Toro-Morn & Alicea 2004:15). Migrants always seek to better their lives, and even if the right to emigrate is enshrined as a basic principle in the United Nations, not everyone has the chance to get a visa, buy a flight or bus ticket and work in a different country easily. In this regard, Helen Huges (2002:7) explains that migration is characterized by 'Push' and 'Pull' factors. 'Push' factors include people escaping from economic hardship and religious, ethnic and political prosecution. 'Pull' factors beckon economic migrants to start a life anew, particularly for their children, in countries with economic, social and political opportunities.

By way of definition, temporary workers are people who are imported to meet labour market needs in the U.S. or in any other country for limited periods of time. Their admission is not considered a basis for permanent residence or permanent stays in the country. Such programs have covered workers at all skill levels. There are many temporary worker schemes that meet high and medium-skill labour market needs (Meissner 2004); however, temporary migrant workers in general have something in common: they are all frequently regarded as a precarious group¹ (Boese et al n.d.). This paper uses a case study regarding the unskilled temporary

¹ See Boese et al n.d. 'Temporary migrant nurses in Australia: Sites and sources of precariousness' at 318-319 explaining the concept of precariousness.

category, which lies in seasonal agricultural and tourist workers from lower income countries.

There are many arguments both in favour and against temporary work programs and the main challenge is to find a middle ground. In this sense, Hiroshi Motomura (2013) discusses the contrast between supporters and sceptics in order to find the best way to design a program of these features, and analyses the temporary worker programs from four different perspectives: (I) domestic economy; (II) immigration outside the law; (III) international economic development, and (IV) citizenship and integration. These perspectives are remarkable as they deal with a problem of condensing many problems and different variables into four simple perspectives, which roughly shows that the current design of temporary work programs bring many unintended consequences.

Taking into account Motomura's assessment and following the concept of social justice mentioned before, is important to consider the concept of social policy to get the whole picture of the problem and answer the research question. Alison McClelland (2010:12) defined social policy as a discipline that derives from the belief that we can change society in a planned and purposeful manner and improve people's welfare through the use of knowledge and research. In this sense, based on the case study that will be analysed below, it will be possible to observe the multiple

variables that can arise during the implementation of a program, and understand the factors involved that lead to abuses and inequities within these kind of programs, such as the social context, geographical location and political situation, among others.

In this sense, according to Aviva Chomsky (2007:14), sociologists have used the concept of the dual labour market to explain the system that has worked throughout the history of the U.S. On one hand the primary labour market refers to jobs that are regulated. Under this market, workers are protected by laws that establish living wages, health, safety standards and benefits. Their jobs are long term and secure and they have the right to organise unions, which are protected by law. On the other hand, the secondary labour market consists of jobs that are generally not regulated. Wages are low, and working conditions are dangerous and often harmful to workers' health. Not only are the jobs unpleasant and poorly compensated, they are also a dead-end: there is little or no room for advancement. Unfortunately, temporary worker programs are usually allocated within the secondary labour market, which is an open door to worker abuse, and therefore, strongly raise the question of whether or not social justice exists in such programs.

Notwithstanding the above, there are arguments that support these kinds of programs. For instance, Cristina Rodriguez

(2008:1115) argues that compared to permanent immigration, temporary or circular migration is more responsive to employers' workforce needs—especially for jobs requiring little training or formal education—. Temporary workers benefit the economy without the social, fiscal, or political impact of the same number of long-term immigrants.

Nevertheless, there are many critics of such programs. Mary Bauer (2007:25) refers that this kind of temporary programs often emphasizes exploitation, observing that these workers are vulnerable to harsh and dangerous working conditions and other workplace injustices. Aviva Chomsky (2007:11) also argues that rising inequality, concentration of wealth and cheap products, all go together. She refers that products can be produced cheaply when business expenses—things like wages, benefits, taxes, infrastructure costs, and the cost of complying with health, safety, and environmental regulations—are low. Chomsky explains further that businesses have always wanted to keep their costs down and that is why they tend to oppose regulations, which add to their expenses. In this sense, inequality helps them keep costs down in several ways. For instance, when workers are poor and lack legal protections, they are more willing to work long hours for low wages. So businesses benefit when there exists a pool of workers with-

out economic or legal recourse. As she explains, this is one of the reasons why early industries relied on immigrant workers; why agriculture in the U.S. has used slavery, guest workers, and immigrants; and why businesses tend to oppose restrictions on immigration today. It also helps to explain why deregulation of the economy, and even why increasing repression and criminalisation of immigrants, actually creates a greater demand for immigrant workers.

Following this idea, Jeffrey Cohen & Ibrahim Sirkeci (2011:79) refers that while it may be true that wages for unskilled work are marginally impacted by migration, migrants are not to blame. It is really employers who are suppressing wages and migrants are filling the jobs that are available. Hence, low wages, exploitation, harsh conditions and an unintended illegal migration are unfortunately just part of the list of abuses and consequences, but they are conditions that even presidents had recognised. President George Bush once said: "If somebody is willing to offer a job others in America are not willing to do, we ought to welcome that person to the country" (Jacoby 2002:43). Immigrants are willing to accept conditions abroad that they would never accept at home, they do jobs that American citizens would not do—in Mexican former president Vicente Fox notorious and shameful words, "jobs that not even blacks want to do"—because they are not trying to live a decent life in the U.S. (Chomsky 2007:16).

2. RESEARCH METHOD

This essay employs a case study method to investigate the research question and test the established literature. The advantages of case studies lie in their ability to provide a deep analysis of wide issues by reducing the number of objects of research.

The approach is usually directed toward a single phenomenon, the parameters of study being imposed by nature of the phenomenon and the range of participants. Hence, the historical relevance of the case study used in this paper brings the advantage of description and exposition of a large number of variables that are generally derived from similar programs. The political and social context as well as the geographical position of the countries involved in the case study, created a peculiar situation that unleashed a series of situations that answer the question posed.

3. CASE STUDY

The 1940's mark a sharp turning point in the history of both Mexico and the U.S. as the entry into World War II offered a great opportunity for Mexican migrants to enter to the U.S. labour market (Toro-Morn & Alicea 2004:133). The Mexicans who had been reviled and expelled during the lean years were suddenly in high demand due to the shortage of labour for U.S. agriculture.

The "Bracero program" seemed promising as it contained many significant written legal protections; providing workers "the most comprehensive farm labour contract in the history of American agriculture" (Hahamovitch in Bauer 2006:4). Individual contracts, under government supervision, included housing with minimum standards, paid either minimum wage or prevailing wage whichever was higher, transportation and the guarantee of a minimum number of working days were part of the rules.

In the context of the development of the *Bracero* program, Mexicans were accustomed to work for low wages and in miserable conditions, they were ethnically and linguistically distinct from the majority population, and their homeland was close enough that they were unlikely to put down roots and try to blend in (Henderson 2011:65). The *Bracero* program created a new, legal way for Mexican workers to be used as a secondary labour market and involved around 4.5 million people. They were brought into the U.S. on temporary visas that defined them as "arms" rather than people (*bracero* comes from the Spanish word *brazo*, or arm) and treated essentially as indentured servants of the business that hired them (Chomsky 2007:19). The program imported agricultural workers on a seasonal basis, although in later years it also involved workers for railroad companies. At its root, however, it was an agricultural program.

There were elaborate contracts that covered wide-ranging contingencies regarding housing, wages, and labour conditions. The contracts included the withholding of ten percent of workers' wages, which went to the government of Mexico², to be given back to workers when they returned to Mexico. Workers under contract were not free to seek other employment, negotiate for better pay and conditions, or quit their jobs (Henderson 2011:66). It was not slavery, but the two certainly look alike, taking into account that the conditions and economic needs of the migrant workers push them to accept such harsh conditions.

The *Bracero* program had three main objectives: (1) To ensure growers and railroad interests of a reliable source of labour for the duration of wartime emergency (most of the *braceros* were destined for the fields, but many of them worked in track maintenance for the railroads during war years); (2) To protect the rights of Mexican "guest workers"; and (3) to eliminate the need for, and thus curtail, illegal immigration (Henderson 2011:68). Unfortunately, these objectives faded quickly. The immediate and immense popularity of the program among poor Mexicans practically ensured that abuses would occur.

The "prevailing wage" (around 30 cents an hour) was never respected. Instead, it was settled by the American growers associations prior the harvest, and it had to be low enough to ensure that it would not attract domestic workers. Systematic racial discrimination appeared, especially in the state of Texas, restriction of movement and poor housing conditions, contract violations, and the flux of undocumented workers increased.

To this point and with the evidence presented we can conclude that among the positive aspects that the program reached during its existence is that it was achieved through a bilateral agreement during difficult times and kept the interest of both countries; it also achieved the goal for which it was created, as male workforce was employed in agriculture on a temporary basis, and finally, efforts were made to ensure minimum standards of legality, hiring, safety, labor, transportation, housing and salary -in a very questionable way but reached after all-. However, some of the negative aspects and the ones with long-term consequences

2 Many labourers said they never received the pay, and many never even knew that 10 percent of their salaries was deducted. In 2001, lawyers filed a class action lawsuit in California and in 2010 they did it again in Mexico. The U.S. government has kept to the sidelines on the issue of fraud, claiming that the money for the workers was sent to the Mexican government. To this day, the Mexican government continues to find ways to evade its responsibility (Belluck 2008; Méndez 2010; Zarate 2014).

that can be mentioned are the parallel flow of undocumented workers increased, the lack of incentives to return to their country of origin, the lack of a plan of Mexican rural development, and finally, the high operating costs of the program, corruption and influence peddling.

The “*Bracero Era*” came to an end in 1964 after two decades in which migrants acquired important knowledge about how to cross the border and where to find jobs, developing social networks of help to plan and carry out the journey. Through this, they were able to migrate without the support of any program or any documentation (Toro-Morn & Alicea 2004:134). As a result, a new category for filling the demand of workers emerged: workers who were deemed “illegal”.

4. ANALYSIS

The *bracero* program was initially an excellent idea, full of great intentions and with good results during its early years. However, the first problems soon arose, creating deplorable situations for most temporary workers. Nowadays, the U.S. has the highest stock of illegal immigrants, reflecting past open attitudes to immigration of low paid workers from Mexico and other Latin American countries, and the relative ease of crossing the border from Mexico. An overwhelming majority of United States voters are opposed to immigration, especially if it is illegal (Jim Leher News

Report, SBS, 26 March 2002), but strong special interests, mainly agribusiness, want migrants to continue to keep down rural wages.

As is well known, during the last 15 years a debate has been taking place between the government of Mexico and the U.S. in order to find the best solution to the immigration problem; the idea of a temporary worker program is a sensitive issue, as the conditions have changed radically to what it was during the years of the *bracero* program. Moreover, it is evident that any temporary migration program with intentions of implementation will have detractors and promoters. In order to develop a comprehensive program there are different factors that cannot be avoided and must be listed: the labour market in which temporary workers are inserted, the impact on the countries of origin and destination, the specific characteristics of the temporary workers, their legal condition, and the condition of the labour contract -private or official-.

In this sense, following Miller's concept of social justice and how this concept must deal with whether something is just or unjust depending on the way the advantages and disadvantages are distributed in society, we must understand that the context does not mean in any way arbitrary justice. In order to succeed in developing and establishing a model of justice in a regional context which, in this case, involves two countries, a temporary work program and thousands of workers and employers, we must

understand that is a complex task because of the diversity of interests involved and that produces a loss of the idea of justice as consensus, which is exactly what happened during the implementation of the *bracero* program.

Notwithstanding with the above, even with the design of a comprehensive and complete temporary worker program, something that has not been well understood is that a program, including such features listed above, is not adequate to regulate migration flows. Neither is it sufficient to meet the demand of the U.S. labour market instrument, nor the supply of Mexican labour in order to cover the expectations of the Mexican government.

This is because temporary migration programs definitely are part of a dysfunctional system created by business interests and far from being socially oriented or truly international cooperation programs. Some authors like Hiroshi Motomura understood the problematic situation and propose solutions aimed to end the growing inconsistencies and inequities generated in these programs; yet, his proposals have not been implemented, so their outcomes are still unknown.

Moreover, high levels of migration are a symptom of a global economic system that privileges the few at the expense of the many. Aviva Chomsky (2007:188) explains this in a plain and simple way: “[*the economic system*] could be called *capitalism, neo-liberalism, globalisation or neo-colonialism, but as long as it keeps*

resources unequally distributed in the world, you are going to have people escaping the regions that are deliberately kept poor and violent and seeking freedom in the places where the world's resources have been concentrated...”; thus, while goods and merchandise can be moved legally from one place to another, the millions of migrants that every year risk or lose their lives seeking a better life, are not subject to the same globalising glorification. It cannot be argued that migration flows are the great exclusion from globalisation.

Unfortunately, exploitation of workers is a universal problem with temporary worker programs because of the inherently unequal relationship between an employer and a worker, under which the worker's ability to stay in the country is dependent on a visa tying him or her to specific employers. The most common problem arises from the wage and hour abuses, as they continually get the lowest possible wage in the market and are forced to work more hours without receiving the legal extra payment. Further issues commonly occurring involve contract violations, the lack of access to appropriate medical care or benefits, poor housing conditions and systematic discrimination.

Some of the authors cited in the literature review offer solutions to the problems that arise from the temporary migration programs; yet, the primary question of focus for this essay is not how to solve those problems, rather, if tempo-

rary migration programs actually promote social injustice. The analysed evidence suggests that these programs are highly harmful for temporary migrants as they carry a high physical and mental cost to the workers. There is a vast disparity in power between workers and their employers that should be monitored if the intention is to continue having these programs.

In this regard, the case of study demonstrates a significant increase of social injustice due to the precarious situations and unintended consequences occurring as a direct result of temporary migration programs, hence providing an argument against such programs. Three of the main flaws that the *bracero* program, and temporary worker programs have in general, that may provoke exploitation are: (1) migrants are typically bound to one employer for the duration of their contract, (2) they are not permitted to travel with their families, and (3) they are generally not permitted to apply for citizenship status.

The first flaw clearly leads to a series of abuses by employers against workers as it was mentioned before. The second flaw can be seen as a psychological, coercive element as it affects workers psyche, forcing them to think about the need to return home instead of thinking about staying in the country permanently. Finally, the third flaw is one of the most controversial and largely discussed in academic journals, books and media.

Following the discussion of the third flaw about opening the possi-

bility of granting immigrants citizenship, is relevant to mention that one of the unintended consequences of the case study presented was the parallel increase in the flow of illegal workers to the U.S. This is relevant because of the reasons that provoked this increase: for instance; the needs of the labour force of the U.S. economy were always greater than the number of visas granted within the *bracero* program (Durand n.d.:46). In this sense, with a growing number of legal and illegal immigrants in the U.S. the debate on the possibility of granting citizenship has been in the political agenda of both countries for years. On several occasions, Mexico's government has tried to ensure that the rights of Mexican migrants in the U.S. are respected and the issue of citizenship has always been on the table; however, at the same time politicians in the southern states of the U.S. have tried to impose laws to prevent the constant flow of Mexicans to their country. Governors from California and Texas have been lobbied on many occasions to approve enforcement laws to criminalize immigrants. This is because immigrants are often blamed for economic recessions in the states with greater Mexican presence.

Under these circumstances, we must understand that social justice as fairness applies under the right economic and social conditions, and it cannot be applied anywhere and in any context; it is reasonable, but it is not the solution to all problems. Some of the

claims of temporary workers now and during the bracero program is precisely to be able to access to citizenship as a reward for their hard work and good behaviour, but, whoever wants to be considered as equal citizen, must be subject to both rights and obligations, but if the subject does not want to take into account the latest, he will only receive alms, and we must remember that alms depend on what you want to give, and not on what would be reasonable to give. According to Miller, "the status of citizen is an equal status: each person enjoys the same set of liberties and rights, rights to personal protection, political participation, and the various services that the political community provide for its members" (Miller 1999:30).

Hence, in order to get a more realistic view is necessary an impartial dialogue here and now, which should be applied to the primary social goods that must guarantee a minimum of basic equality to citizens. This is where the commitments are reflected in numbers; they can be counted as public discussion spaces, access to jobs, schools, health, housing, minimum income so that any citizen may remain without a level of basically decent living.

The bracero program made it clear that Mexico and the U.S. need each other, as they both need for a population of workers to work in agricultural areas. Their economies depend largely on their work and their remittances. For this reason, the idea of "strengthen-

ing" or "close" the border should not be a real option. Unfortunately, part of the legacy of the program is precisely the existence of an undocumented population, creating a situation in which many suffer abuse and live hidden without the right to ask for basic social services.

Given the situation, it has become possible to re-create a program similar to bracero, which from a certain point of view, could be a positive policy. Guest workers may have more rights and protection, as the situation now is very different. However, there is a possibility of creating a second class of people who are not entitled to be a citizen and never will. Critics also note that such a program would not change the immigration status if farmers still have the option of hiring undocumented people for less money, and moreover, the current political situation in the U.S. remains very much against migrants, which hinders any chance to build a just program.

Therefore, the migration problem positioned between Mexico and the United States of America is still far from finding a solution. Whether for political, social or cultural issues, much of the problem was caused by the implementation of a temporary worker program that unleashed a series of social injustice problems that have not been solved. Hence, the case study shows that temporary work programs have caused more problems than solutions. The constant growth of the flow of illegal immigrants, the rise of cases of racial

discrimination and separation of families are just a few of the negative consequences. It is clear that justice as a concept is quite broad and covers many different visions, but only through this impartial dialogue in a harmonious way and with a shared interest sense, there will be an opportunity to build a genuine social justice applied to temporary work programs. While it is true that not all temporary work programs have promoted social injustice, the evidence shows that unscrupulous employers and opportunistic politicians have provoked great inequalities where migrant workers are the most affected.

5. CONCLUSION

The preceding analysis has summarized part of the existent debate about temporary worker programs, using one case of study that involves two countries. In general terms the case study has shown that this kind of program indeed promotes social injustice, as it is difficult to control the economic nature in which the employers have greater power over employees and further take advantage of the ignorance of workers.

In different societies with different prevailing conceptions of the common good, worldview, or the most appropriate development policies, it is clear that temporary worker programs are far away from reaching the ideal of justice, and they need to find at least a middle ground with ethical and equitable

principles.

Therefore, it is important to understand that social policies and temporary worker programs by themselves do not take people out of poverty and their need to migrate, and in order to find a solution attached to social justice, they must be committed to economic growth. No one can make a serious, sustainable social policy or a temporary worker program if there is no growth and employment.

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GOVERNANCE AND ECONOMIC GROWTH IN LATIN AMERICA: SOME STYLIZED FACTS AND RELATIONS

Antonio Ruiz Porras *
Nancy García Vázquez **

ABSTRACT

Some stylized facts and relations appear between the governance and the economic growth in Latin America. The principal findings suggest that: 1) In the region, the worst perception recounts to the indicator Rule of Law; nevertheless, this indicator is the one that best explains governance at aggregated level; 2) the indicators Voice and accountability, Rule of law and Control of corruption have relationship with the form of inverted U growth; and 3) the indicators Stability - politics, Governmental Efficacy and Regulative Quality have linear and positive relations with the growth. The panel of information includes annual indicators for eleven economies during the period 2001-2010.

INTRODUCTION

Traditionally it is considered that the development of an economy depends on the existence of "good governance" (see Knack, 2003; Feng, 2003). This belief is often supported by specialists from the growth and economic development and by international institutions of development and aid. So the relationship between governance and economic growth is often seen as unambiguous, positive and significant. Moreover, some people assume that governance is a prerequisite to increase living standards in a sustained manner (see Dellepiane-Avellaneda, 2010).

Paradoxically, the literature shows that there is no such consensus. This situation occurs for conceptual, empirical and ideological reasons. First, governance is a multidimensional concept difficult to conceptualize and measure (Bevir, 2011). Usually, governance refers to the forms of social coordination and governance practices in an economy. For this reason,

* Universidad de Guadalajara / email: starp2000@yahoo.com

** El Colegio de Jalisco / email: nancy.garcia@coljal.edu.mx

it is usually defined in terms that are difficult to assess and quantify (social, political and institutional). In fact, the measurement of governance causes major controversy among specialists (Norris, 2011).

The empirical literature on governance and economic growth also tends to be ideologically polarized. This polarization is usually manifested between those who argue that governance is linked only to democratic regimes. So some argue that the relationship between governance and growth may be positive, negative or not significant (see Feng, 2003; Dellepiane-Avellaneda, 2010). In addition, some argue that political governance is not linked with political regimes. In the vision of these last, what matters are the institutions and property rights (North 1990 and 2005; Acemoglu and Robinson, 2006 and 2012; Acemoglu, Johnson and Robinson, 2005).

In this study some stylized facts and empirical relationships on governance and economic growth in Latin America are shown. Methodologically, the research is based on using descriptive statistical techniques, principal components and ordinary squared minimums. To ensure international and intertemporal consistency of indicators databases "Worldwide Governance Indicators, WGI" and "CEPALSTAT" are used. The panel includes annual data for the eleven indicators economies during the period 2001-2010.

Conceptually, here the definition of governance by Kaufmann,

Kraay and Mastruzzi (2010:6) is used. Thus, governance is equivalent to the traditions and institutions by which authority in a country is exercised. It includes: a) the process by which governments are chosen, monitored and replaced; b) the effective capacity of the government to formulate and implement reasonable policies; c) the respect of citizens and the state with the institutions that govern economic and social interactions among them. This definition is used because the WGI data base is built assuming the validity of it.

Methodologically, the research uses descriptive statistics and principal components regression techniques. The technique of principal components is used to construct and analyze an aggregate indicator of the Governance by the data contained in the WGI. The WGI includes six variables related to different dimensions of governance. Regression analysis is used to estimate the empirical relations between governance and growth. The seven estimated relationships are analyzed from a medium-term perspective. For simplicity, the estimated results are presented graphically.

The document is divided into six sections. The second section includes a review of the literature. The third describes the economic and institutional indicators. The fourth includes the descriptive analysis of indicators to show some stylized facts on governance and growth in Latin America. It also builds and analyzes the aggregated indicator of the Governance

by main components. In the fifth estimated empirical relationships between governance and growth is. The sixth section summarizes and discusses the results.

1. LITERATURE REVIEW

This section provides an overview of the theoretical discussions and empirical studies examining the relationship between governance and economic growth. In this context, it should be noted that although there is no consensus on the definition of governance, it has a prescriptive connotation as it means an end and a result (Aguilar, 2010). Therefore, in the first paragraph it is prescriptive and normative connotation in the context of relations between governance and economic growth is emphasized. In the second section the empirical literature is reviewed.

1.1 GOVERNANCE AND ECONOMIC GROWTH

The literature that has studied the relationships of governance and economic growth is linked to the institutionalists theories proposed, among others, by North (1990) and Olson (1996), and the proponents of the "School of Compatibility". These theories argue that development depends on the ability to secure property rights and enforce contracts in the economies. Governance, and eventually democracy, promotes growth because they ensure property rights, busi-

ness transactions, social rights and the provision of public goods.

Studies of the relationship between governance and growth cannot be separated from the debate about the role of government in the economy. Particularly, Bevir (2007) and Aguilar (2010) argue that the concept of governance reflects the transformation in the vision of the State that occurred after the reforms of the public sector of the years 1980 and 1990. As is known, these reforms reduced the importance of bureaucracy and introduced market criteria in decision-making. For this reason, studies on governance have normative connotations.

Governance has changed the way of formulating and implementing public policies; these are no longer considered as unilateral processes. Public decisions, from the perspective of governance, involve coordination, discussions, understandings, negotiations, agreements and public, private and social commitments¹.

In this context, Bevir (2007) and (2011), highlights the importance of markets, social networks and non-state actors for public policy. For this reason, Bevir emphasizes that governance defines rules that go beyond those defined by the formal powers of the State².

Traditionally it is assumed that an improvement in governance and institutions can promote economic growth (North, 1990 and 2005; Acemoglu, Johnson and Robin-

¹ A comprehensive review of the concept of governance can be found in Bevir (2011).

son, 2005, Acemoglu and Robinson, 2006 and 2012). So, some argue that consolidated governance and democratic institutions can enhance the growth of developing economies. However, it should be recognized that this regulatory requirement has been questioned by Glaeser et. al. (2004) and by advocates of the "School of Conflict" and "skeptical school". Therefore, despite popular belief, there are still theoretical debates on the relationship between governance and economic growth.

1.2 EMPIRICAL STUDIES

In the empirical literature there are several studies that have examined the relationship between governance and economic growth. Among these studies are found the Knack and Keefer (1995), Mauro (1995) and Alesina (1997). These studies were pioneers in evaluating the mentioned relationships focusing on the role of institutions and property rights. They pioneered the use of cross-sectional indicators for statistical validation. Furthermore, they were the first to consider governance as a multidimensional phenomenon and that its analysis could be separated from the political regimes.

Contemporary studies on the relationship of governance and economic growth emphasize the role of property rights and the quality of institutions. These studies tend to find positive relationships between the development of institutions and growth. Among these studies are those of Knack and Keefer (1995) and Ndulu and O'Connell (1999), who evaluate how risk and violence are linked to economic growth. Rivera-Batiz (2002), meanwhile, analyzes the relationships between democracy, good governance and economic growth.

The mentioned studies are important because they tend to support the institutionalist theories (see North, 1990 and 2005; Olson, 1996). Furthermore, they are important because they complement other studies on economic development. In particular, they complement studies that emphasize the role of political rights and civil liberties (Grier and Tullock, 1989), democracy and social conflicts (Keefer and Knack, 2002) and the importance of social capital (Gutierrez-Banegas and

² These new rules emphasize the ethical content of the political and economic institutions, while desirable aspects such as honesty and independence prescribe justice, low corruption or civic responsibility. See Jalilian Kirkpatrick and Parker (2006).

Ruiz-Porrás, 2014). Also they complement studies that emphasize the role of labor institutions (Freeman, 1988 and 1998) and financial (King and Levine, 1993) institutions.

Methodologically, the main limitation of the empirical studies is that there are few consistent measures of quality of institutions and governance (see Kurtz and Shcrank, 2007; Bevir, 2011; Norris 2011). As indicated, the measurement of governance causes strong controversy. So far, the most ambitious project to measure governance consistently is the database *Worldwide Governance Indicators (WGI)* developed by Kaufmann and Kraay and extended by Kraay and Mastruzzi (2007, 2010). In this project, governance is assumed as the ability of institutions to exercise authority and promote economic, social and political long lasting development.

WGI data base has been used to evaluate the relationships between governance and economic performance. Particularly, Gani (2011) found that political stability and government efficiency are significantly and positively correlated with growth. Voice prompts and accountability, and control of corruption are correlated significantly and negatively. Ruiz-Porrás and Hosten (2012), meanwhile, found that governance is positively related to foreign direct investment and that this relationship is of long term for Latin American economies.

The theoretical and methodological debates on the relationship between governance and

growth justify the need to develop empirical research. In this context, it should be considered that governance has a multidimensional nature and linear relationships could not exist. It also should be noted that a first evaluation should focus on the “stylized facts” of relations between governance and growth. These considerations are emphasized because these are what define the methodological approach of the research conducted.

2. ECONOMIC AND INSTITUTIONAL INDICATORS

In this section data and indicators used in this research are described. Particularly, governance indicators are constructed using the database “*Worldwide Governance Indicators*” (WGI) from the World Bank. The economic indicator of economic growth is the one included in the base “Cepalstat” of the Economic Commission for Latin America and the Caribbean (ECLAC). The set of variables analyzed is a balanced annual panel of 110 observations. It comprises data from eleven Latin American economies for 2001 and 2010.

Statistically, the panel includes data comparable and consistent over time. The panel includes data for Bolivia, Brazil, Colombia, Costa Rica, Ecuador, Honduras, Panama, Paraguay, Peru, Uruguay and Venezuela. The panel comprises several variables and indicators adjust-

ed. Panel variables include variables of disaggregated economic growth and governance. The WGI uses six variables of governance because it is believed that it is characterized as multidimensional. Table 1 describes the variables of growth and governance used in the study.

TABLE 1. VARIABLES OF GROWTH AND GOVERNANCE.

	Name	Variable	Source
Economic Growth	Per capita GDP growth	GDP	Cepalstat
Governance	Voice and Accountability	VAA	WGI
	Political Stability	PSAA	WGI
	Regulatory Quality	RQ	WGI
	Government Effectiveness	GE	WGI
	Rule of law	ROL	WGI
	Corruption control	COC	WGI

Source: Own construction.

Analytically, disaggregated governance variables allow building governance adjusted indicators underlying the analysis of stylized facts. As mentioned, Kaufmann, Kraay and Mastruzzi (2010) note that variables of governance are built on the assumption that governance are the traditions and institutions by which authority in a country is exercised. This definition is emphasized here because there is no agreed framework of governance from an empirical perspective. Disaggregated indicators are defined in the table 2³.

³ Governance variables are estimated using unobservable component models using qualitative indicators on the perception of government. The indicators are derived from surveys, NGOs, information providers in commercial enterprises and organizations of public sector.

TABLE 2. DISAGGREGATED INDICATORS OF GOVERNANCE.

Indicator	Definition
Voice and Accountability	It measures the extent to which citizens of a country can participate in selecting their government, as well as freedom of expression, freedom of association and freedom of the media
Political Stability	Measures perceptions of the likelihood that the government will be destabilized or taken by unconstitutional or violent means, including acts of political violence or terrorism
Government Effectiveness	It measures the quality of public services, the quality of public administration and its degree of independence from political pressures, the quality of the formulation and implementation of public policies and the credibility of the government's commitment to such policies
Regulatory Quality	It measures the ability of the government to formulate and implement appropriate policies and to enable and promote private sector development regulations.
Rule of law	It measures the extent to which agents have confidence and obey the rules of society; in particular, it measures the quality of contract enforcement, the actions by the courts and the police force; as well as the likelihood of crime and violence acts to be committed.
Corruption Control	It measures the extent to which public power is exercised for private gain and corruption in small and large scale, as well as control of the state by elites and private interests.

Source: Own based on Kaufmann, Kraay y Mastruzzi (2010).

Methodologically, it should be noted that the six governance indicators disaggregated are adjusted to facilitate their interpretation. Adjustments are made so that the indicators are expressed on a scale of zero to 100⁴. Also, the data is adjusted so high indicator values indicate high levels of governance. In this context, and to simplify the analysis, an aggregate indicator referred as Indicator Added Governance is estimated. The indicator summarizes the information of the disaggregated indicators based on the main components method.

⁴ The adjustment is required due to the fact that governance variables are expressed on a scale of -2.5 to 2.5.

3. ANALYSIS OF DESCRIPTIVE STATISTICS AND PRINCIPAL COMPONENTS

This section shows the descriptive statistics of the indicators of growth and governance for Latin American economies during the analyzed period. The analysis of the main components is also developed.

An analysis of the Governance aggregate indicator is needed to assess the representativeness of the indicator and to analyze the contribution of disaggregated indicators in its construction. For simplicity, the results are shown in tables. Table 3 shows the descriptive statistics. Tables 4 and 5 show the results of principal component analysis.

TABLE 3. DESCRIPTIVE STATISTICS OF THE GROWTH INDICATORS AND GOVERNANCE.

Indicator	Obs.	Average	Standard Deviation	Slant	Kurtosis	Minimum	Maximum
Growth							
Growth rate	110	2.711	4.109	-0.422	5.221	-11.000	16.190
Governance							
Indicator Added Governance	110	46.694	26.417	0.505	2.154	0.000	100.000
Voice and Accountability	110	51.447	11.191	0.481	1.997	31.970	72.740
Political Stability	110	40.582	15.727	-0.032	2.508	2.200	69.730
Regulatory Quality	110	45.768	11.232	-0.519	2.332	17.840	61.940
Government Effectiveness	110	42.587	10.139	0.283	1.763	27.430	62.730
Rule of law	110	39.105	12.434	0.567	2.297	17.100	63.920
Corruption Control	110	42.848	12.878	0.766	2.987	21.090	74.890

Source: Own based on Kaufmann, Kraay y Mastruzzi (2010).

Table 3 shows some facts concerning the behavior of the indicators. In particular, the table shows that, on average, the economies had annual growth rates of per capita GDP of 2.7 percent. Similarly, with respect to indicators disaggregated governance, the table shows that: 1) The best perception of governance in Latin American countries refers to Voice and Accountability; 2) refers to the worst perception rule of law; and 3) perceptions of Political Stability experience the greatest variations among the analyzed economies.

TABLE 4. MAIN COMPONENTS AND CORRELATIONS.

Component	Eigenvalor	Diffrence	Proportion	Cumulative
Comp1	5.08	4.56	0.85	0.85
Comp2	0.52	0.29	0.09	0.93
Comp3	0.23	0.16	0.04	0.97
Comp4	0.07	0.02	0.01	0.99
Comp5	0.06	0.03	0.01	1.00
Comp6	0.03	.	0.01	1.00

Source: Own calculation.

TABLE 5. MAIN COMPONENTS AND EIGENVECTORS.

Variable	Comp1	Comp2	Comp3	Comp4	Comp5	Comp6
Voice and Accountability	0.4312	0.2063	0.0135	-0.4485	-0.1224	-0.7451
Political Stability	0.3589	0.7829	0.2349	0.2309	0.3037	0.2399
Regulatory Quality	0.3872	-0.4882	0.6632	0.3714	0.1176	-0.1419
Government Effectiveness	0.4221	-0.3002	-0.1650	-0.5430	0.4968	0.4034
Rule of law	0.4341	-0.0049	0.0150	-0.0732	-0.7912	0.4242
Corruption Control	0.4108	-0.1268	-0.6909	0.5544	0.0779	-0.1564

Source: Own calculation.

Tables 4 and 5 show the analysis of the main components. Table 4 shows that the aggregate indicator of Governance summarizes the 85 percent of the indicators disaggregated information. Table 5, shows the informational contributions from the six disaggregated governance indicator. These contributions, measured from highest to lowest, are: 1) Rule of Law; 2) Voice and Accountability; 3) Government Effectiveness; 4) Control of Corruption; 5) Regulatory Quality; and 6) Political Stability.

Finally, it should be emphasized that the main stylized facts on growth and governance are: 1) on average, the economies had annual growth rates of GDP per capita of 2.7 percent; 2) the best insight on governance refers to Voice and Accountability; 3) the worst perception refers to rule of law; 4) added Governance Indicator 85 percent summarizes the information disaggregated indicators; 5) Rule of Law provides the greatest contribution to build the aggregate indicator; and 6) Political Stability provides the lowest contribution.

4. ANALYSIS

This section estimates and analyzes the estimated empirical relationships between economic growth and governance. To do this the average of both types of each economy indicator are calculated. These averages are used to study the relationships seen from a medium-term perspective. Methodologically the ordinary minimum squares method are used to analyze these relationships. In all cases, governance indicators linear and quadratic used to estimate potential nonlinear relationships. For simplicity, the estimated results are presented graphically.

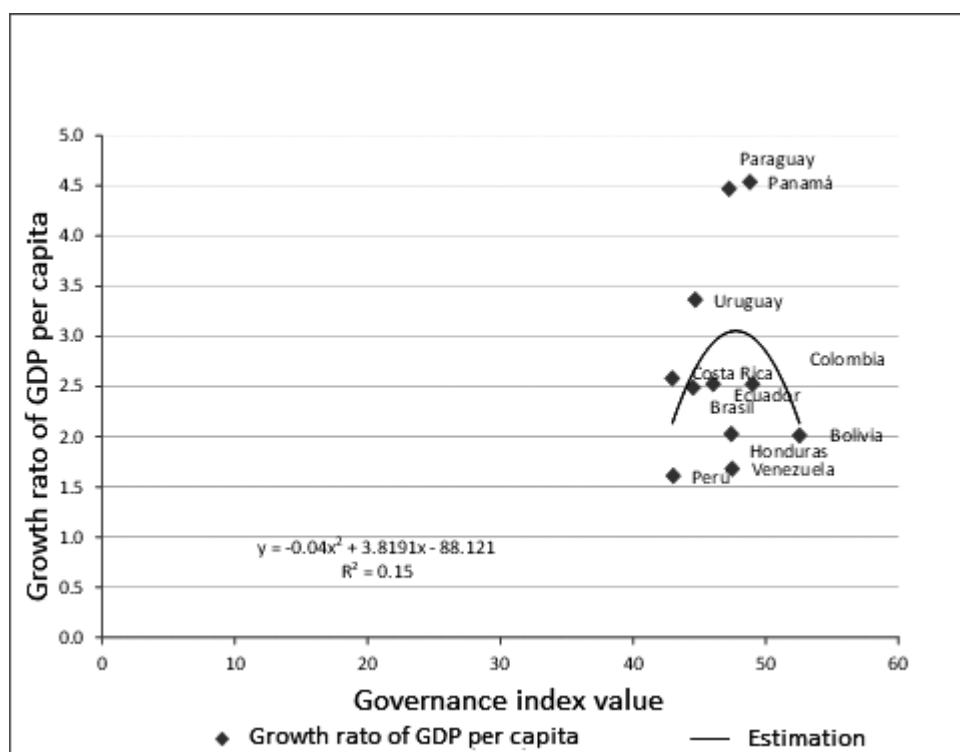


Figure 1. Rates of Growth and Governance Indicator Added.
Source: Own calculation.

Figure 1 shows the relationship between the growth rate and the aggregated Governance Indicator. The econometric relationship clearly shows the shape of an inverted U in the medium term. So there is a positive relationship between growth and governance when governance indicators are low. However, this relationship becomes negative when the indicators are high. Apparently, the turning point occurs when rates exceed 3 percent annually. Moreover, the estimate suggests that improvements in aggregated governance indicator could be associated with higher growth rates in Brazil, Ecuador, Honduras, Peru and Venezuela.

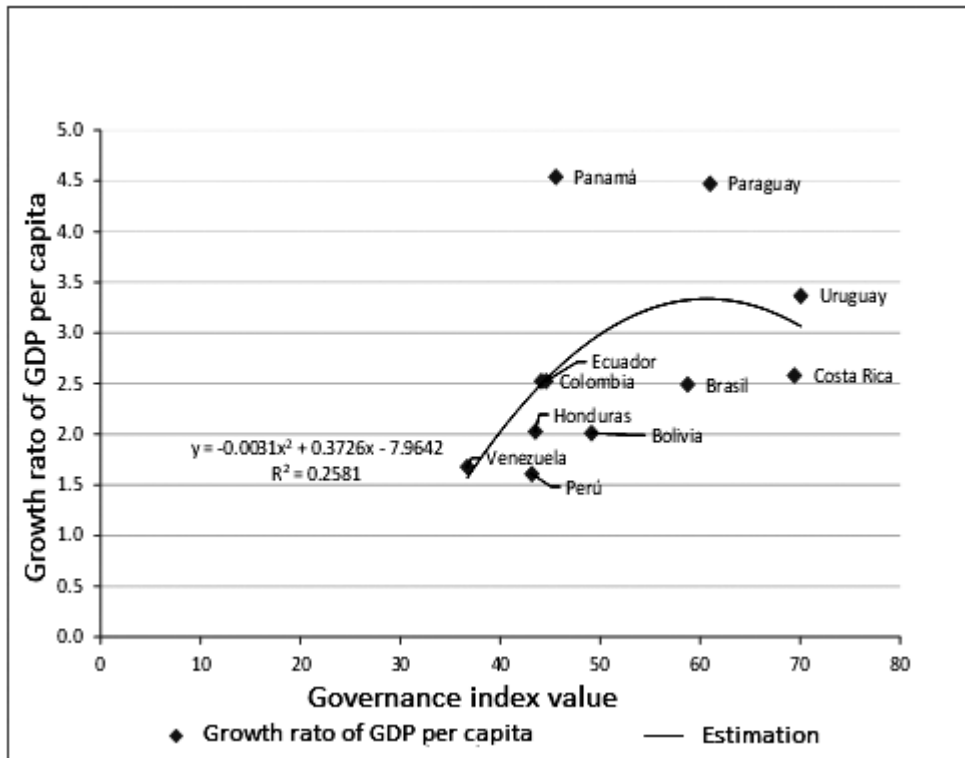


Figure 2. Growth rates and voice and accountability.
Source: Own calculation.

Figure 2 shows the relationship between the growth rate of GDP and Voice and Accountability indicator. The estimated econometric relationship, as in the previous case, shows the shape of an inverted U in the medium term. Apparently, the turning point occurs when governance indicators exceed the value of 60 or when growth rates reached 3.2 percent on a sustained basis. Moreover, the estimate suggests that improvements in Voice and Accountability could be associated with higher growth rates in Bolivia, Colombia, Ecuador, Honduras, Peru and Venezuela.

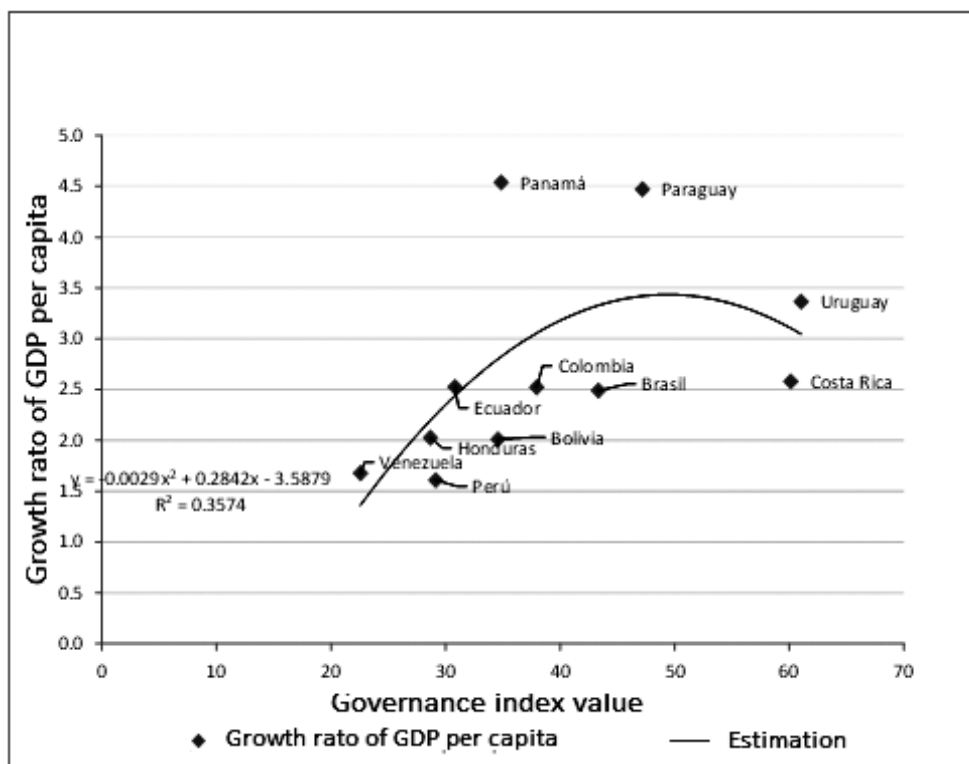


Figure 3. Growth Rates and Rule of Law.
Source: Own calculation.

Figure 3 shows the relationship between the growth rate of GDP and the Rule of Law indicator. The estimated, as before, econometric relationship shows an inverted U shape in the medium term. Apparently, the turning point occurs when governance indicators exceed the value of 49 or when growth rates reached 3.4 percent on a sustained basis. Moreover, the estimate suggests that improvements in the Rule of Law could be associated with higher growth rates in Bolivia, Colombia, Ecuador, Honduras, Peru and Venezuela.

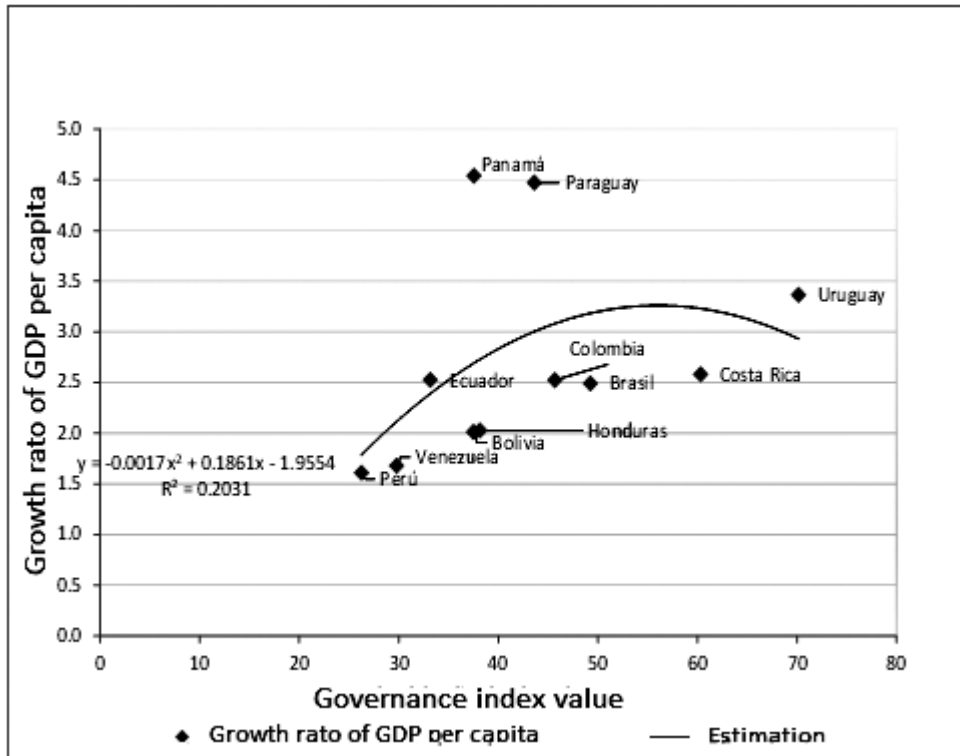


Figure 4. Growth Rates and Control of Corruption.
Source: Own calculation.

Figure 4 shows the relationship between the growth rate of GDP and Control of Corruption indicator. The estimated, as before, econometric relationship shows an inverted U shape in the medium term. Apparently, the turning point occurs when governance indicators exceed the value of 55 or when growth rates reached 3.1 percent on a sustained basis. Moreover, the estimate suggests that improvements in Control of Corruption could be associated with higher growth rates in Bolivia, Ecuador, Honduras, Peru and Venezuela.

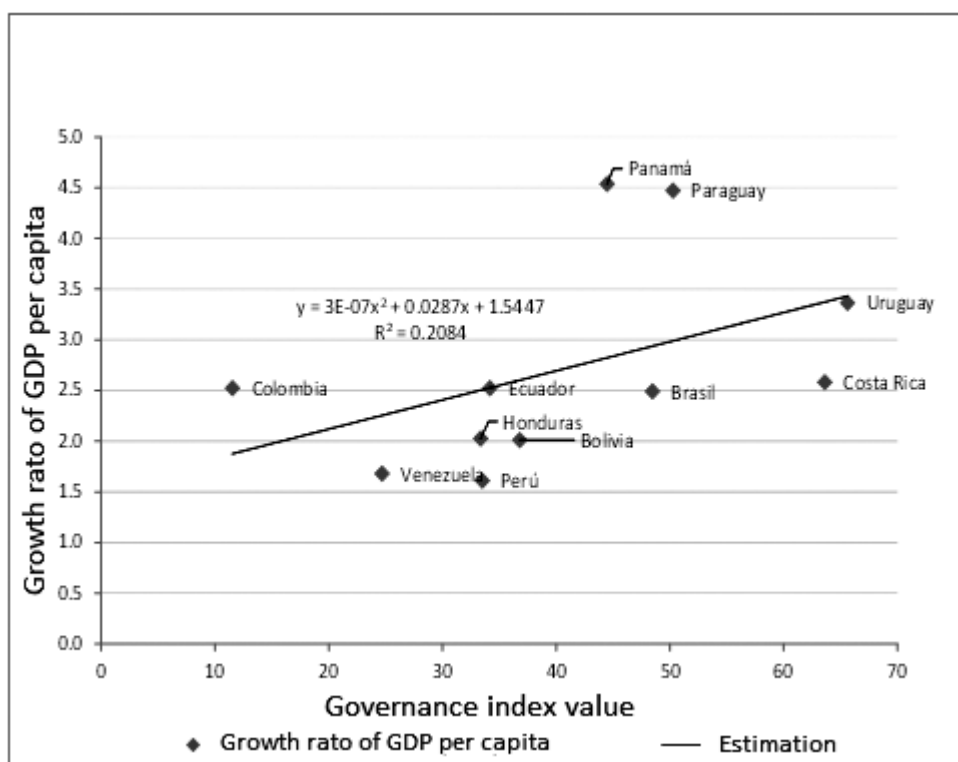


Figure 5. Growth Rates and Political Stability.
Source: Own calculation.

Figure 5 shows the relationship between the growth rate of GDP and Political Stability indicator. The estimated econometric relationship is virtually linear and positive in the medium term. The regression results suggest that for every unit in which the governance indicator increases, the annual growth rate increased by about 0.03 percent. Likewise, the estimate suggests that improvements in Political Stability may be associated with higher growth rates in Bolivia, Ecuador, Honduras, Peru, Uruguay and Venezuela.

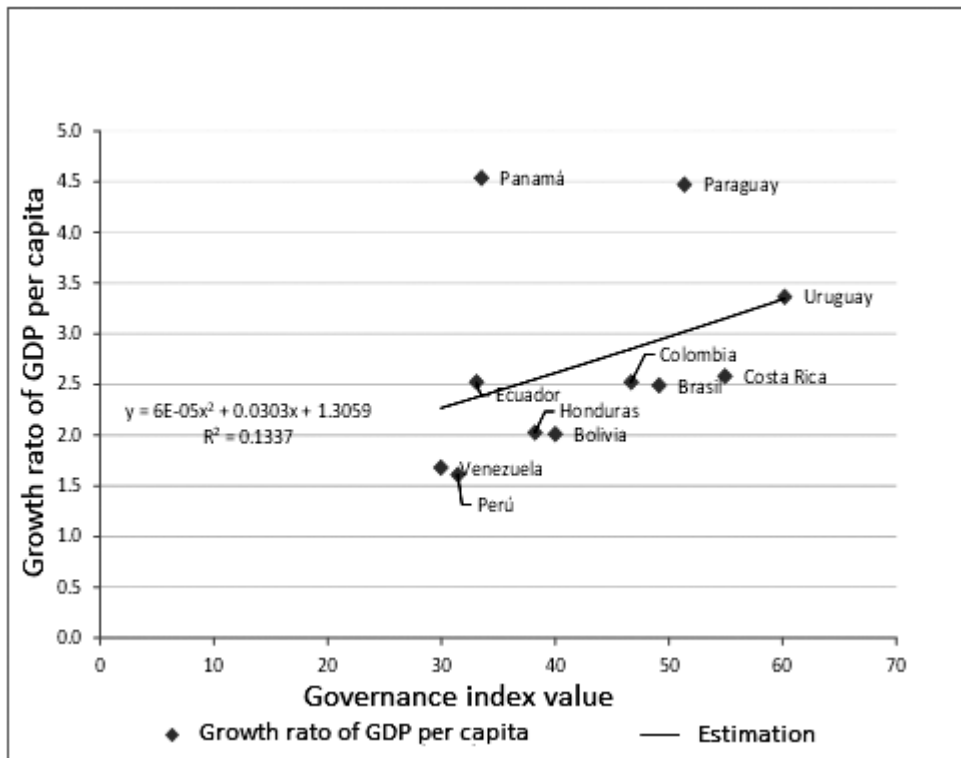


Figure 6. Growth Rates and Government Effectiveness.
Source: Own calculation.

Figure 6 shows the relationship between the per capita growth rate of GDP and the Government Effectiveness indicator. As in the previous case, the estimated econometric relationship is substantially linear and positive in the medium term. For approximately every unit in which the governance indicator increases, the annual growth rate increased by 0.03 percent. Likewise, the estimate suggests that improvements in Government Effectiveness may be associated with higher growth rates in Bolivia, Honduras, Peru, Uruguay and Venezuela.

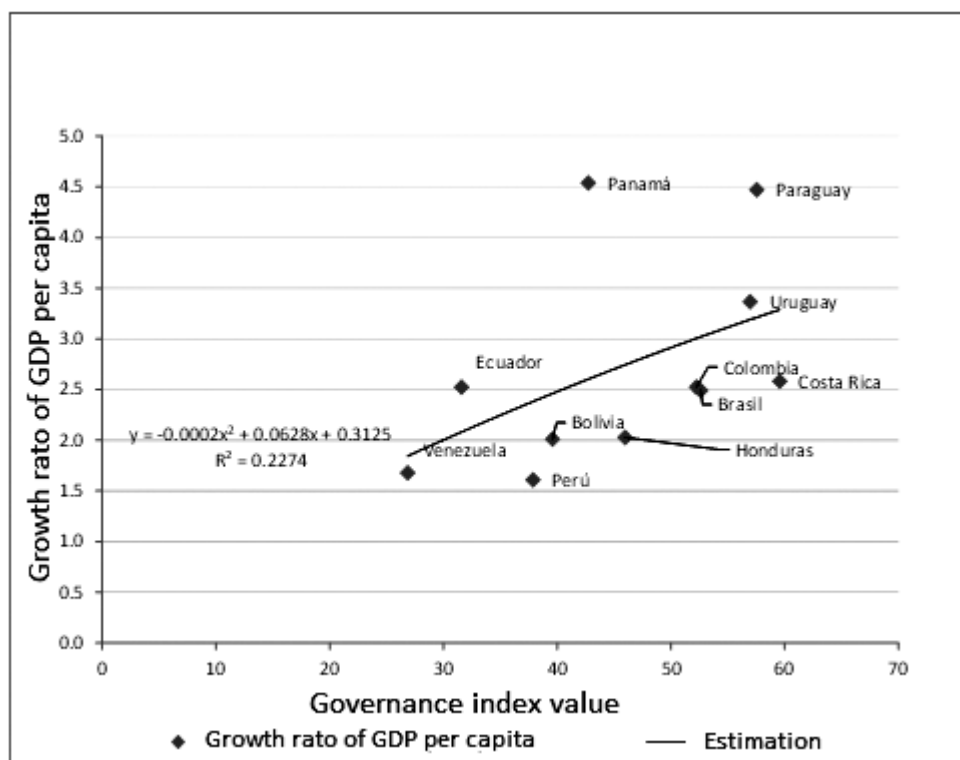


Figure 7. Growth Rates and Regulatory Quality.
Source: Own calculation.

Figure 7 shows the relationship between the per capita growth rate of GDP and Regulatory Quality indicator. The estimated, as before, econometric relationship is virtually linear and positive in the medium term. For approximately every unit in which the governance indicator increases, the annual growth rate increased by 0.06 percent. Likewise, the estimate suggests that improvements in Regulatory Quality could be associated with higher growth rates in Bolivia, Honduras, Peru and Venezuela.

Analytically it is interesting to note some singular facts in the analyzed relationships. The first is that Paraguay and Panama have the highest growth rates despite their governance indicators are in the average of the sample. This suggests that Paraguay and Panama's growth was unusual during the period analyzed. The second is that Uruguay and Costa Rica have relatively low growth rates despite having the highest indicators of governance in the region. This suggests that there is conditional convergence between governance and economic growth⁵.

Empirical relations can be synthesized between governance and economic growth as follows: 1) Aggregate Governance Indicators, Voice and Accountability, Rule of Law and Control of Corruption are related with growth with inverted U-shape; 2) Political Stability, Government Effectiveness and Regulatory Quality indicators have a linear and positive relationship concerning growth; 3) the growth of Paraguay and Panama has been atypical in the analyzed period; and 4) there may be conditional convergence between governance and growth in Latin America.

6. CONCLUSION

In this study we have shown some stylized facts and empirical relationships on governance and economic growth in Latin America. Methodologically, the research has been based on the use of techniques of descriptive statistics, principal component and OLS. To ensure international and intertemporal consistency of the indicators databases have been used "Worldwide Governance Indicators" and "CEPALSTAT". The panel includes annual data for the eleven indicators economies during the period 2001-2010.

The results of the analysis of descriptive statistics and principal components show the following stylized facts in the region: 1) On average, Latin American economies had annual growth rates of 2.7 percent; 2) the best insight on governance refers to Voice and Accountability; 3) the worst perception refers to rule of law; 4) Added Governance Indicator summarizes the

5 The traditional convergence hypothesis states that poor economies tend to grow faster than rich economies and in the long term, production and productivity tend to converge between the two types of economies. The conditional convergence hypothesis suggests that production and productivity in the long term will depend on the technological, institutional and public policy of the economies (see Barro and Sala-i-Martin, 2004). The conditional convergence hypothesis on the relationship between governance and economic growth has been discussed, among others, Olson (1996), Knack (2003) and Dellepiane - Avellaneda (2010).

85 percent of the disaggregated indicators information; 5) Rule of Law provides the largest contribution in the aggregate indicator; and 6) Political Stability provides the lowest contribution.

The regression analysis suggests that there is the following empirical relationship between governance and economic growth: 1) Aggregate Governance Indicators Voice and Accountability, Rule of Law and Control of Corruption have a growth relationship with the U-shaped inverted; 2) Political Stability, Government Effectiveness and Regulatory Quality indicators have linear and positive relationship with growth; 3) economic growth of Paraguay and Panama was unusual; and 4) there may be conditional convergence between governance and growth.

The above results have implications for policy makers in Latin America. Particularly the results suggest that policies should consider: 1) The elements of governance have a distinct importance; 2) the relationship between governance and economic growth may not necessarily be linear or positive; 3) the construction of governance seems to depend, in the first instance, it has a good perception of the rule of law; and 4) therefore, what matters is that the agents trust and obey the rules of society.

Finally it only remains to emphasize that the results are consistent with the hypothesis that there are significant relationships between governance and growth. However, it should be recognized that

empirical analysis should be further deepened to make policy recommendations. In this context, it is required to validate the existence of not spurious and long-term relationships. Also, it should be determined the causality in the relationship of governance and other variables. For these reasons, we can say that the analysis of governance and its relations is a promising field of research for development.

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POLITICAL STABILITY AND ECONOMIC GROWTH: SOME CONSIDERATIONS

Rosario Cervantes*
Jorge Villaseñor**

ABSTRACT

The political instability events observed in major parts of the western world, in some Northern Africa countries as well as the Middle East in the so called Arab Spring in 2011, either were influenced by the most recent world financial crisis or affected the recovery process of economic activity. In this essay, the relationship between political stability and economic growth is revisited in order to contribute to the debate on the necessary actions to improve the reach of public policy in the long run.

* Universidad de Guadalajara / email: mariac@cucea.udg.mx

** Universidad de Guadalajara / email: jorge.ignacio@redudg.udg.mx

INTRODUCTION

“While Cairo was soaked in tear gas clouds from dozens of cans shot by the riot police into the crowd, it seemed like the regime was nearing an end. None of those who were this Friday in the streets of Cairo even knew were Mubarak was. And I could not find anybody that cared about it” Robert Fisk, THE INDEPENDENT (PUBLISHED IN LA JORNADA, SATURDAY 29TH OF JANUARY OF 2011)

From 2010 until the end of 2012 the world observed a series of recurring demonstrations of social discontent towards regimes and public policies. London, Paris, Rome, Cairo, Athens, Tunis, and Santiago, were some of the cities in which demonstrations turned violent. The proximity and magnitude of these events to the world financial crisis that started in mid - 2007 in the United States and that expanded throughout the rest of the world in 2008 and 2009, makes us reconsider the existing relationship between the economic performance of nations and their political and social stability. This is especially important since the most recent financial crisis forced many governments to modify their expenditure plans and, in general, their economic policies. In Greece the demonstrations were against budget cuts aimed to avoid some of the deeper effects of the crisis. In London, Paris and Rome the demonstrations were against more specific reforms such as increases in tuition fees, reforms to the pensions systems and reductions in education spending. In Tunis and Cairo, besides demonstrations in countries such as Yemen, Bahrein, and the civil war in Libya and Syria, demonstrations were against the entire regime. The latter were the countries involved in the so called Arab Spring and those were the ones in which demonstrations turned more radical and towards which governments reacted more violently. As for Tunis, these demonstrations were the main cause for former president Ben Ali, who headed the government from 1987 to 2011, to resign and flee the country; likewise, in Egypt, even though demonstrations lasted longer, President Hosni Mubarak quit on February the 11th of 2011 after more than 30 years as head of the Egyptian government.¹

Even when it is farfetched to assert that the recent demonstrations from society are a direct consequence of the poor performance of their national economies or the effects of the recent world financial crisis on production and employment, it is worthwhile to ask what would the likely effect of these social movements in the future performance of the economies involved be like. The literature on the relationship between political and social stability and economic growth acknowledges that they are variables that determine mutually. Economic performance de-

¹ Fisk, R. (2011a) “Estalla júbilo por la renuncia de Mubarak”, La Jornada, February 12th 2011.

depends on political stability and the latter depends on the behaviour of key economic variables. Economic growth, income distribution inequality, inflation, poverty levels as well as fiscal and monetary policy decisions are variables that influence political stability, besides some other socio-economic variables.

The main purpose of this essay is to present an up to date picture of the political stability indicators published by the World Bank in the *Worldwide Governance Indicators* and their relationship with some of economic variables and other governance indicators²; as well as to contribute to the debate on what to do if economic growth with political stability is the goal to achieve.

The political stability and non-violence index that will be used, according to the World Bank definition: "*Reflects perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically-motivated violence and terrorism*". However, according to Alesina and Perotti (1996: 1205), there are two ways in which political stability is conceptualized: a) according to the relationship between the execution of power and "the propensity to observe changes in the government", by unconstitutional means or even in a legal way, and b) according to the levels of social unrest and political violence. Hence, political stability, besides representing a lower probability for the government to be overturned, it is considered as a set of conditions that allow governments to make economic policy decisions according to their plans.

In section two, a brief summary of the theoretical arguments, in which the idea that less political stability has a negative impact on economic growth rates rests, is made; and that political stability depends on economic growth, income distribution inequality, inflation, poverty levels as well as some other socio-economic variables.

In the third section, an analysis of the behaviour of the variables with which the World Bank constructs the governance index for the period 1996 – 2009 is made, and simple correlation tests between political stability levels, GDP growth and GDP per-capita, are performed. In the fourth section, a brief discussion is made regarding the type of strategy that countries should fol-

2 In this text we refer to governance and its indicators from the World Bank definition found in the *Worldwide Governance Indicators*: "Governance consists of the traditions and institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them." (World Bank, 2013)

low in order to grow faster at the same time that their institutions and social and political stability recover; from the latter, the idea is that a successful policy design cannot be the one in which a “trade-off” or “sacrifice” between political stability and economic growth must be made; since they are mutually determined, the necessary economic policy design for economic growth must match the public policy design that, in general, seeks to increase political stability levels. Concluding remarks are presented in the fifth section.

1. SOME THEORETICAL FOUNDATIONS ABOUT POLITICAL STABILITY AND ECONOMIC PERFORMANCE

According to Haan and Siermann (1996), since Adam Smith to date the importance that political and social stability has on economic performance has been discussed. The main argument that holds the idea that political stability is a necessary condition for the optimal functioning of the economy is, in fact, very simple: in a capitalist economy, with private means of production, it is necessary for governments and their institutions to guarantee the right to own and increase the wealth of economic agents. If governments are not capable to guarantee the rights over private property and the output of labour, the investment decisions will be affected by uncertainty, reducing available aggregate savings given the increase in money hoarding³, capital flight, or even by the increase in present consumption in order to overcome potential shortages in goods (Carmignani, 2003; Gupta, 1994; Gupta y Blee, 1998; Svensson, 1997). Furthermore, governments act as intermediaries for any existing conflicts derived from any form of contract between two private agents, even if property rights are not compromised, (Gupta, 1994).

On the other hand, any sovereign government can, through its fiscal and monetary policies, affect economic performance as a consequence of a reduction of the political stability levels. In democracies, political

³ Money hoarding for the purpose of this essay must be understood as the quantity of money that economic agents hold in cash or save outside the financial system, as a consequence of the uncertainty generated due to political instability.

instability⁴ can provoke significant changes in public expenditure and taxation as well as in the structure or distribution of such expenditure and taxation levels, besides changes in monetary policy or even variations in the depth of public deficit; either as measures to avoid changes in the shares of power of the ruling political party or to impose obstacles to the incumbents (Carmignani, 2003: 2). On the other hand, in non-democratic governments certain levels of political stability can be guaranteed, in the short run, not only by relatively higher expenditure in law enforcement in order to maintain the peace but also through redistributive fiscal policies or social and infrastructure programs to attend the most urgent needs of the population. Hence, as a consequence of political instability, or even as a side effect of possible social unrest, governments adjust their economic policy decisions that, in turn, have an impact in general economic performance.

Therefore, there are two main channels through which political stability favours economic growth, both in the short and long run: a) through the private agents, due to the certainty derived from political stability and, b) through the government and its economic policy decisions.

Figure 1 shows the main channels through which political stability can positively affect economic growth. As mentioned earlier, through the private agents the likely effects of increases in social and political stability are observed as a consequence of certainty. Three main channels can be observed: 1) less certainty diminishes the expected return rate of investment and, therefore, investment diminishes and growth falls; 2) less certainty means less aggregate savings as a consequence of money hoarding and/or an increase in present consumption levels that reduce the amount of available loan funds, investment and aggregate demand and; 3) a reduction in political stability affects the labour market and the productivity/production levels due to strikes or factory closures that in turn will affect revenues and therefore the investment levels.

4 The majority of the research on the subject uses the term "social and political instability" instead of "political stability", nonetheless, for this essay, both terms can be used since they are not mutually excluding.

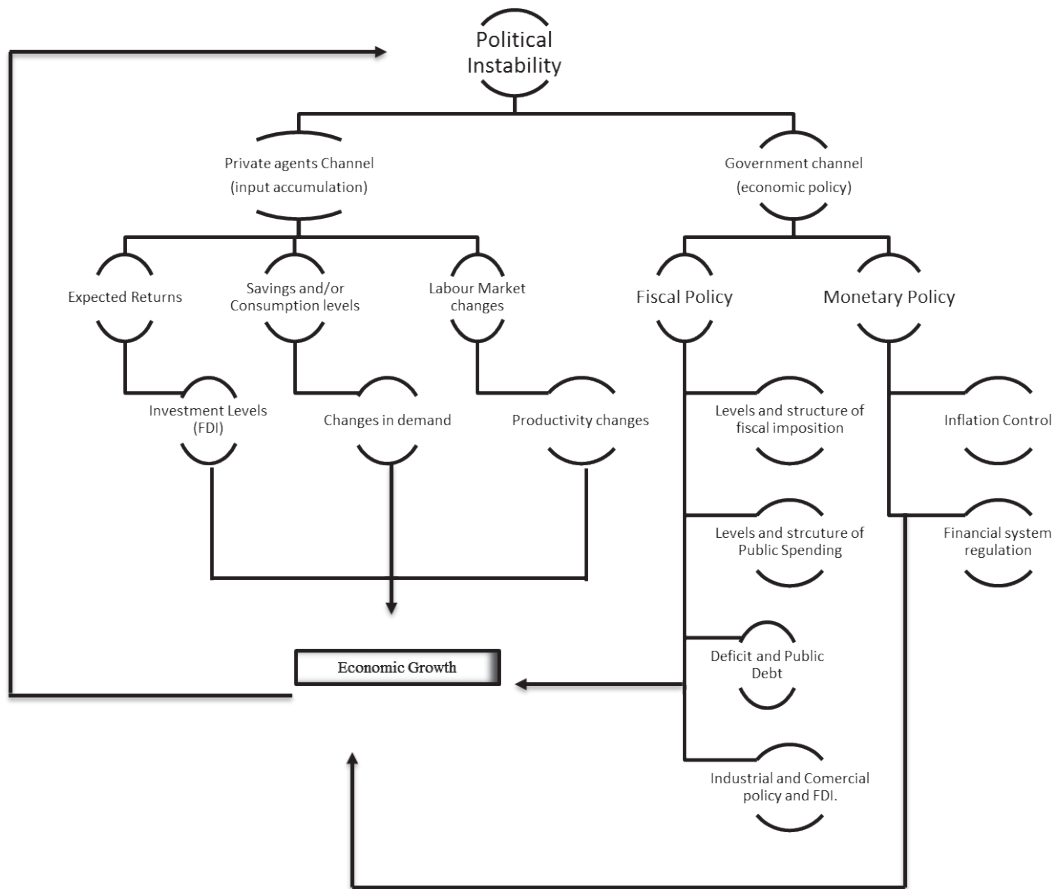


Figure 1. Political Stability and Economic Growth.
Source: Own creation.

Stability can indirectly affect economic performance through monetary and fiscal policy decisions. As an example, in the case of monetary policy, it is considered that inflation control is a necessary condition to obtain economic growth, and it is also assumed that in the presence of political stability, governments are less likely to take control of the central bank and make discretionary decisions about changes on money supply that can affect inflation levels and expectations and, thus, investment decisions. As for the fiscal policy, political stability contributes to explain the absence of discretionary decision making in regards to public expenditure and taxation. Hence, either directly through the decisions of private agents that induce changes in investment levels and money hoarding, or indirect-

ly through economic policy decisions: if an increase in political stability induces an increase in the economic growth rate, the latter in turn can derive in higher levels of political stability. In other words, a virtuous circle between political stability and economic growth or vicious circles between poor economic performances and political instability can be generated. The following sections provide more detail on the relationships described in figure 1.

1.1 CERTAINTY, INVESTMENT AND ECONOMIC GROWTH

Political stability levels and economic performance are mutually determinant given the certainty that a stable political and social environment provide to economic agents which, in turn, decide whether or not they invest in capital goods or money hoarding; while for the government, in the presence of stability and certainty, its decision are not discretionary or circumstantial.

On the one hand, among the economic factors that may affect political stability are income distribution inequality, especially if, as an economic phenomenon, this inequality is not transitory. Furthermore, high unemployment and inflation rates and low economic growth are also variables that represent a risk for governments. On the other hand, the political factors that affect political stability will be regarded as the rest of the

variables that the World Bank considers when constructing the governance index, (World Bank, 2013): a) *Government Effectiveness*, b) *Rule of Law*, c) *Control of Corruption*, d) *Regulatory Quality* and, e) *Voice and Accountability*. In other words, alternatively to the work done by the World Bank in which a governance index is estimated using the variables mentioned above plus political stability, here political stability is considered to be strongly determined by these variables.

In the discussion on the subject, it is also considered that democracies tend to be more politically and socially stable since the possibility of having an influence trough voting, demonstrations and other forms of social participation is a good relief mechanism for any political or social frustration; this in turn, allows investors to attain more certainty regarding the ownership of their assets and the revenues derived from their economic activity. Nonetheless, in the long run, if the current political system of democratic nations is not capable of giving any solutions that enhance the economy and improve social and economic justice, it will be the economic variables the ones that will reduce the levels of political stability. In other words, there is a bigger chance of governments to be overthrown, either through constitutional means (i.e. anticipated elections), or through violence (i.e. civil war or military coup)

The experience of Latin-American countries that in recent years

have politically transformed themselves into democracies show how political stability can be diminished after more than two decades (in average) of economic policies that have not been able to reduce income distribution inequality, unemployment rates, and attain greater growth rates⁵. Only through a relative inflation control, a relative reduction of exchange and interest rates volatility; besides fiscal deficit reductions have been attained as a consequence of the structural reforms that implied freer goods and services markets, less financial systems regulation, and in general less government intervention in the economy (French-Davis, 2005). Thus, even though countries have freer and more democratic regimes, the slow economic growth that the vast majority of Latin-American countries have experienced, together with high unemployment rates and the persistent income inequality, have derived in the region witnessing different types and magnitudes of political instability. Among the countries in the region for which political stability was reduced are Bolivia, Ecuador, Brazil, Nicaragua and Venezuela, in which social unrest derived in a significant change of the political orientation of those governments who favoured a more active participation of the state in the economy. Furthermore, countries such as Mexico, Colombia and some other Central American nations, are beginning to show signs of political and social instability as violent crime and government corruption associated to organized crime are more evident.

As for non-democratic regimes, in the short run, high levels of "political stability" can be observed since social demonstrations, or in general, any civil disobedience measures that threaten the stability of government do not occur. However, in the long run, dictatorships or any other form of non-democratic ruling tend to face political instability processes far more violent and with deeper consequences in the short and long run growth rates.

Hence, regardless of the type of government, political stability variations have a visible impact in the performance of national economies through changes in the levels of certainty of private agents, who face less future revenues in the wake of a greater risk associated to political stability reductions.

5 An special case of a nation that achieved a democratic rule of law after years of dictatorship is Argentina that just in 2001 saw four presidents taking office: Fernando de la Rúa, who resigned; Ramón Puerta, who quitted in favour of Adolfo Rodríguez Saa (elected by the parliament), who resigns and is succeeded by Eduardo Camaño. Even though all these changes occurred in a short time period and are made through constitutional channels, what is worth noticing is the fact that the resign of Fernando de la Rúa, elected in October of 1999, is was a direct consequence of social unrest and poor economic performance.

Gupta (1994) derives a multiplier for a "basic Keynesian macroeconomic system" in order to show how political instability affects general equilibrium. The analysis is derived from the assumption that individual's income is not only distributed among savings and consumption and a third variable called money hoarding is added and it depends on the political instability level. Less political stability means people increasing money hoarding - more monetary income is retained in the form of cash due to uncertainty since a trade-off between income and present consumption is favoured, the latter reducing savings since there is no certainty of the future. Hence, directly, less political stability reduces available lending funds in the financial system and fewer investments are made. Furthermore, depending on the type and magnitude of the reductions in political stability, a drop in the return rate of investment is observed due to increasing uncertainty. With higher political instability levels the greater the probability of private economic agents observing a significant loss in their assets, output or revenues due to illegal or illegitimate expropriation and therefore investment levels drop. Finally, according to Gupta (1994), a slower economic growth can also be derived from changes in aggregate supply that change equilibrium output levels as a consequence of political stability variations effects on the labour market: when political instability appears in the form of strikes, rioting or hostile takeover

of factories and production facilities, productivity and the total levels of production fall.

1.2 ECONOMIC POLICY AND GROWTH

If political stability is defined as the probability of a change in the government and the possibility that is able to execute power effectively, here is argued that a second channel through which variations in political stability affect economic performance is through the policy making process of the government. The latter under the assumption that given different scenarios of political instability can be associated to different economic policy designs: if the government observes that a given policy design assures continuity this can in turn have either a positive or a negative impact on growth.

Even though there is no theoretical consensus about the way in which a given economic policy design affects growth rates in the long run, in this section a brief discussion is made on what is commonly expected to occur in the economy when governments undergo specific decision making on expenditure and taxation levels and commercial and industrial policy, among others.

Hence, some of the more relevant hypotheses on the relationship between economic policy and growth, both at the empirical and theoretical level, are:

- a) More public expenditure will translate in higher growth rates through the multiplier effect as established in the Keynesian macroeconomic models. Or, public expenditure can positively affect growth if, as an example, public investment on infrastructure favours the economies of scale and accumulation, or generates positive externalities that increase private investment (crowding in). Although there is also theoretical approaches that consider the aggregate supply function as the one determining the long run growth pattern and that fiscal policy has no effect on production and employment levels in the long run. Hence, any increase in public expenditure either financed through taxes or public debt will only represent an investment made by the government (crowding out), thus, the effect of increasing public expenditures on growth would be null. Besides, if expending increases by increasing the monetary base this could lead to an inflationary process that would hinder long run growth⁶.
- b) It is also said that a redistributive fiscal policy can diminish economic growth since the marginal propensity to save is greater for higher income households, aggregate saving levels would be reduced and consequently investment would fall. Particularly, Kaldor (1960), considers that income distribution inequality is positively related with economic growth since owners tend to save a larger share of their income than workers. Thus, implementing progressive income tax rates can reduce investment levels and economic growth due to a reduction in aggregate savings.
- c) On the other hand, it has been stated that economic policy directed towards deregulation of goods and services, financial and assets markets, lead to a more efficient resource allocation and to higher economic growth rates. This is, promoting economic activity through deregulation in highly competitive environments should lead to a more efficient distribution of resources and higher productivity and employment rates would be observed.

6 For a more thorough discussion on the effects of financing public deficit on growth see Friedman (1978).

- d) Also, it is said that an industrial policy focused in supporting strategic sectors of the economy (high added value manufacturing) can boost long run economic growth. Specially, in import substitution models, it is argued that temporal protection of strategic sectors promotes growth through the multiplier effects that economic activity has in the private sector by demanding intermediate inputs. The same results are expected when the development model is based on promoting exports that will generate the necessary currency to finance the rest of the economic activities that require imported inputs.

Furthermore, in Rodrik (2005) the following hypotheses that have been tested through cross section econometric models can be found:

- a) A restrictive monetary policy to keep inflation low and stable favours economic growth in the long run since it generates a certainty environment over the investment revenues.
- b) A monetary policy with an appreciated exchange rate also favours economic growth since allows developing economies to import capital goods and boost economic activity in greater added value sectors and more competitiveness is achieved.
- c) State ownership of financial institutions hinders economic performance and, therefore privatization processes should lead to higher economic growth rates given a more competitive environment.

Even though there is a wide range of hypotheses on the relationship between economic policy and growth, what matters for the purposes of this essay is that the relationship between political stability and economic performance can also be observed through the policy making process. The latter since, either governments make (good) policy decisions in order to increase stability levels while diminishing the effects of a high propensity to government changes on the economy (through the decision making processes of private agents) or governments make (bad) policy decisions that negatively affect economic performance, which in turn will diminish political stability levels; economic performance and political stability are mutually determinant.

The latter, in econometric forecasting is known as "joint endogeneity" and implies an important obstacle for the estimation of unbiased parameters. For example, Alesina et al. (1996) and Zureiqat (2005) conduct test to determine the presence of joint endogeneity and in both cases the double causality hypothesis between political instability and economic growth is confirmed. However, in this essay the goal is not to perform a

thorough structural analysis on the determinants of political stability and economic growth; the latter been the reason why, in the following section, an analysis of the evolution of the World Bank *Political Stability and Absence of Violence/Terrorism index*, other governance indicators and standard measure of economic growth: GDP and GDP per capita growth rates, is presented. The latter with the joint objective of reviewing what happens at the country and individual level; simple averages by country and weighted averages by population size will be presented. Furthermore, an analysis of grouped data for countries listed according to their per capita income levels will be made.

2. POLITICAL STABILITY AND ECONOMIC GROWTH, 1996-2009

Alesina y Perroti (1996) in a paper titled "Income distribution, political instability, and investment", argue that one of the channels through which income distribution inequality negatively affects investment levels and economic growth, is political instability. The latter since with higher inequality levels social unrest increases and the probability of demonstration, civil disobedience and the like⁷.

However, Carmignani (2003) find that out of 27 empirical studies on the subject only 51.8% of them show evidence in favour of a negative impact of political instability on economic growth. In the 40.7% of the studies non-significant result are obtained and just 7.4% shows a positive relationship but under certain restrictions. Particularly, in the work of Fosu (2001) in which a cross section analysis is made out of a sample of developing countries, the correlation between political instability and economic growth is indeed positive; however, by allowing interactions with variables such as physical capital the relationship between political stability and growth becomes negative; hence, when controlling for differences among countries with other kind of indicators the negative relationship between stability and growth is confirmed. In Campos and Nugent (1998), using panel data and a political and so-

7 The movement "Occupy Wall Street" which formally started on the 17th of September 2011 has precisely as one of its main drivers to protest about the huge income inequality. With the slogan "we are 99%", the movement highlights that the remaining 1% of Americans with higher incomes "accumulate a quarter of total national income" and in "terms of wealth instead of income, this 1% controls 40%" (Stiglitz, 2011).

cial instability index for a time period of five years, the authors find that while the effects of political and social instability is positive for investment (and that in the sense of Granger causality goes from instability towards investment) the latter can be due to the fact that instability can “delay” investment, or that instability destroys physical capital, or even more, less stability levels can derived in changes in government policies that will have a positive impact on investment. Furthermore, the way instability affects growth depends not only of other economical or institutional factors but on the magnitude of social unrest demonstrations and on the fact that the likely effects of an increase of instability levels may be observable in the short, medium and long run.

Besides the likely effect that income distribution inequality –and other economic variables- has on political stability, the general performance of governments and their institutions also explain the levels of political stability. Corruption is a problem that, when generalized, provokes social unrest, so that governments that are not capable of controlling such corruption levels affect not only the transaction costs but social and political cohesion, identity and stability. An efficient State in which the rule of law is observable, dialogue exists and civic participation is allowed when making policy decisions will be a State with less political instability. In figure 2 and table 1 simple and weighted for population size

averages of the 7 sub-indexes for governance for the time period 1996-2009 can be observed. Each indicator is defined to take values between -3 and 3 implying that every time and indicator approaches the higher limit the better government performance is. As can be seen in 5 out of the 7 indexes averages have negative values.

Even though, in general, the world average of the *Government Effectiveness* index tends to be positive for almost all countries, is worth noticing that the averages of the rest of the indicators are negative for almost all sample sizes selected: 199 (total of countries listed in the data base of governance indicators), 149 (countries for which data is available for the whole time period), 147 (without China and India) and 61 (analysis sample to compare the rest of economic variables).

If political stability can be explained as the result of the interaction of multiple economic, social and political variables, for figure 2 and table 1 it is noticeable that the average of the *Political stability and non-violence* index is significantly lower when weighted by population size, which indicates that the majority of inhabitants of the planet live in political uncertainty conditions or of open violence. The latter is maintained even if China and India are excluded from the sample. On the other hand, the *Participation* index weighted by population size is indeed significantly higher when China and India are included since, together, account

for almost a third of world population. Nonetheless, the influence that the Peoples Republic of China could have when calculating weighted averages, the distance between the *Political stability and non-violence* index with the rest of the governance indicators must be highlighted; this is, such distance is assumed to be a consequence of other economic and social variables behaviour and not only of governments quality, whether they are democratic or not.

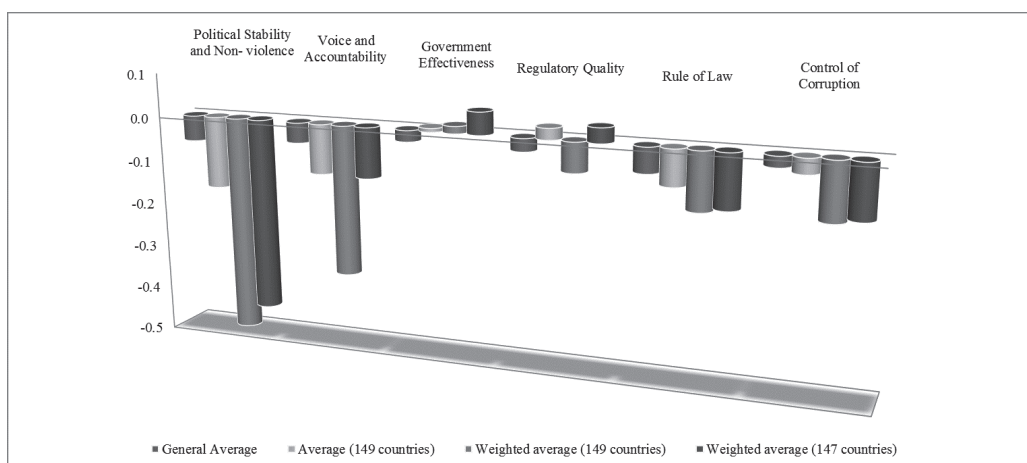


Figure 2. Governance indicators, 1996-2009 (averages).
Source: Own based on World Bank Data.

TABLE 1. GOVERNANCE INDICATORS, 1996-2009 (AVERAGES).

	Political Stability and Non-violence	Voice and Accountability	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
General Average	-0.057	-0.045	-0.025	-0.029	-0.056	-0.024
Average (149 countries)	-0.162	-0.112	0.008	0.026	-0.080	-0.034
Weighted average (149 countries)	-0.491	-0.339	0.016	-0.067	-0.128	-0.128
Weighted average (147 countries)	-0.438	-0.114	0.050	0.034	-0.121	-0.121

Source: Own based on World Bank Data.

On the other hand, the tendency of the governance indexes do not show a clear pattern towards better governments for the time period selected. The *Political Stability and non-violence index*, even when is relative stable in its general averages for the 149 countries sample, shows more variations in its averages weighted by population size with a light tendency to higher political instability levels (Figure 3).

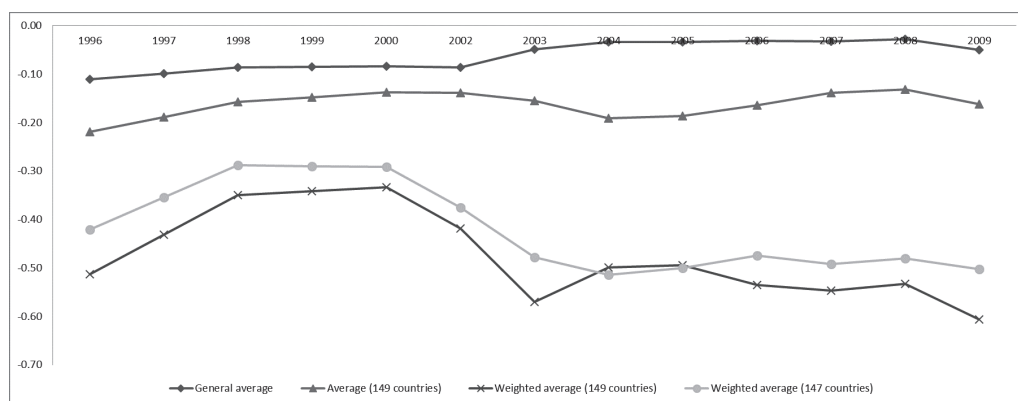


Figure 3. Political stability and non-violence, 1996-2009.

Source: Own based on World Bank Data.

Along the whole time period selected, the general average of the *Corruption control index* is stable and in a negative values scale. Besides, as for the weighted averages by population size it can be observed that in the more highly population countries corruption has even become a bigger problem, the latter even when excluding China and India from the sample. For the rest of the indicators: *Participation, Government effectiveness, Regulatory quality and the Rule of law*, there is also not a clear tendency towards more efficient governments.

As for other economic indicators, an analysis is presented, grouping countries by income per capita levels, GDP rates behaviour, GDP per capita, GINI index and other variables for the 61 countries sample with the most available data⁸.

In table 2, a summary of some relevant characteristics of the countries from the sample can be found. Firstly, the 61 countries population represents 78% of world total population in the year 2000. By number of countries the sample would be biased towards the

⁸ The list of countries included can be found in the document's annex.

high and medium - high income countries and that together would represent 62% of the sample but only 30% of world population. However, most of the sample population live in countries with medium- low income (almost 64%). By income level, the least representative group of countries is the low- income group due to the lack of available data for these regions.

On average, the GDP of the countries in the sample represents 77% of world GDP and most of it concentrates in high income countries: 77.3% of GDP of the countries contained in the sample. In terms of income per capita there is a significant gap between high and medium income countries, in average, for the whole time period, income per capita for the high income countries was 26,074 US dollars while for the medium income countries the income per capita average was 3,928 US dollars of the year 2000. This is, for every 100 US dollars of income per capita in the high income countries, in the medium, medium-low and low income countries, in average, 15.1, 3.7 and 1.2 dollars were attained respectively. Furthermore, according to the *Democracy Ranking* (Democracy Ranking Association, 2012), there is still a strong correlation between de democracy index and income levels.

TABLE 2. CHARACTERISTICS OF A 61 COUNTRIES SAMPLE.

Income level	High	Medium - High	Medium-Low	Low	Total sample	Total
Number of Countries	21	17	18	5	61	199
	34.4	27.9	29.5	8.2		31%
Populationa	752	708	3,015	261	4,736	6,059
	15.9	15.0	63.7	5.5		78%
GDPb	20,070	2,861	3,044	87	26,062	33,836
	77.3	11.0	11.4	0.3	100	77%
Per capita incomec	26,074	3,928	975	314	5,366	5,525
	100	15.1	3.7	1.2		
Democracy indexd	78.0	60.0	49.1	44.0	55.0	

Source: Own based on World Bank (2013) and the Global Democracy Ranking (Democracy Ranking Association, 2012)-

a)Millions of individuals for the year 2000.

b)Billions US dollars of 2000, simple average 1996-2009.

c) Average 1996-2009, weighted by population percentage.

d) Index composed of variables measurements such as "political rights", "civil rights", "press freedom", "gender gap" and "corruption perception index", etc.

Regarding the GINI coefficient, the Stability and non-violence index, annual total GDP growth rates and GDP per capita- for the time period 1996-2009- in table 3 simple averages and averages weighted by population size are presented. The high income countries are the ones that tend to have less income distribution inequality; while the medium-high and medium-love income countries have the higher GINI coefficients. With the available data for the sample size, both for the simple averages and the averages weighted by population size a Kuznets "inverted U" relationship can be observed; the latter showing that, starting from low income levels, inequality grows as income increases, it then reaches a maximum point to then start declining, (Kuznets, 1955).

TABLE 3. INEQUALITY, STABILITY AND ECONOMIC GROWTH, 1996-2009, (AVERAGES BY INCOME LEVEL).

	High	Medium-High	Medium-Low	Low	Total
Gini Coefficient	29.8	46.6	45.1	37.3	39.7
	-35.8	-48.1	-39.5	-33.6	-39.9
Political stability and Non-violence	0.9	-0.2	-0.6	-0.8	-0.2
	(-0.7)	(- 0.5)	(- 0.6)	(- 1.0)	(- 0.4)
GDP growth	2.6	4.1	4.2	5.5	4.1
	-2.3	-3.3	-7.2	-5.6	-5.7
Per capita GDP growth	2.1	3	2.5	3.4	2.8
	-1.6	-2.4	-6	-3.5	-4.6

Source: Own using World Bank data and UNU-WIDER World Income Inequality Database. Note: values in the parentheses represent weighted averages by population size.

As for the grouped data by income level, in average, a positive correlation between incomes per capita and the Political stability and non-violence index can be observed. Hence, for the sample size is confirmed that most of the world population tends to live in in countries with less political stability.

In table 3 it can be seen that, in average, high income countries registered the lowest total GDP and GDP per capita growth rates, while the low and medium-low countries tend to have the highest economic growth rates, especially when weighted by population size growth rates averages are taken into consideration.

Summarizing, the annual averages for the grouped data do not show a positive correlation between political stability and economic growth, since the countries with the higher growth rate for the time period of analysis are the same that show the lowest Political stability and non-violence index levels. Nonetheless, with the data grouped in such a way it is not possible to observe if political stability changes have an effect on economic growth rates and vice versa.

In figure 4, four simple correlation tests between economic growth and political stability; income distribution inequality and political stability; per capita income levels and political stability; and GDP growth and political stability, are presented. The first two regressions show that both economic growth and income distribution inequality would have the kind of correlation expected, positive changes in economic growth rates lead to positive changes in political stability and higher levels of income distribution inequality lead to less political stability for the 1996-2009 time period. However, in both cases the correlation is relatively weak. Instead, the third and fourth regressions show a strong correlation between GDP per capita levels and political stability and between GDP per capita growth rates and political stability levels. The latter confirming, the results obtained using the grouped data by income level and

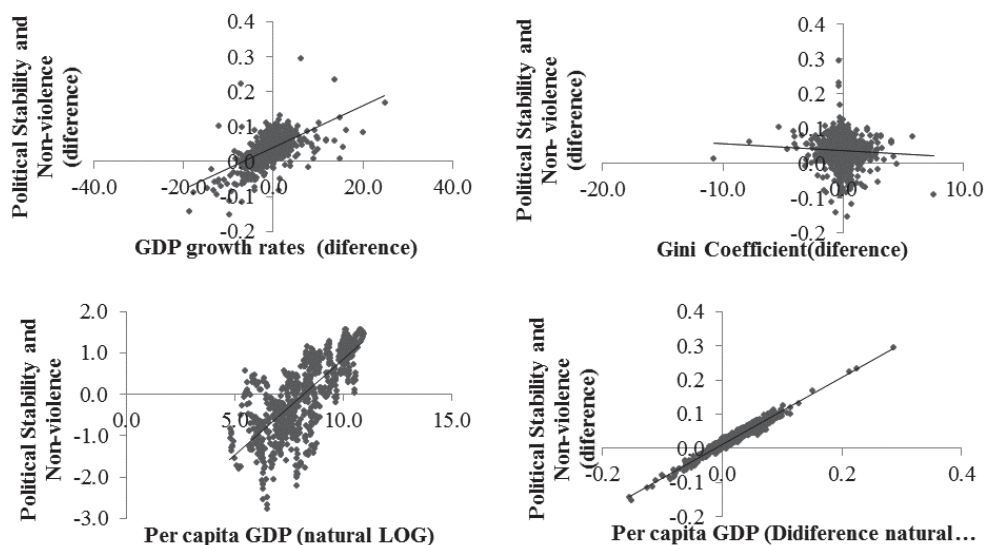


Figure 4. Political Stability, GDP Growth, Income Distribution Inequality And per capita GDP, 1996-2009.

Source: Own based on World Bank Data.

Finally, in table 4, by income level, simple averages and weighted by education expenditure as a proportion of GDP, gross savings and gross domestic savings and gross fixed capital formation also as a proportion of GDP are presented.; besides the annual growth rate of gross fixed capital formation. As expected there is a coherent correlation among both savings rates and capital formation with economic growth rates as well as between income levels and education expenditures, savings, capital formation and capital formation growth rates. This is, higher income countries invest more in education and save a large proportion of their income even though they have lower capital formation rates. As for the medium – low income countries they have the higher economic growth rate averages and the higher gross savings proportion, gross domestic savings rate weighted by population size and the gross fixed capital formation rates

The exception to this correlation patterns between savings, capital formation, income levels and economic growth can be found in the low income coun-

tries. The latter since, they tend to invest less in education even though their gross savings as a proportion of GDP (weighted by population size) is higher than that in the high income countries; furthermore, even when these countries don't have the highest economic growth rates they do have the higher gross fixed capital formation growth rates. This lack of consistency is assumed to be due the fact that these same countries are the ones that show the lower levels of political stability and non-violence.

TABLE 4. EDUCATION EXPENDITURE, SAVING AND GROSS FIXED CAPITAL FORMATION, SIMPLE AND WEIGHTED BY POPULATION SIZE AVERAGES 1996-2009.

	High	Medium-High	Medium-Low	Low	Total
Education Expenditure	5.0	3.6	3.4	3.7	3.9
	4.7	3.8	2.7	2.7	3.2
Gross Savings	22.3	21	22.7	16.2	20.5
	19.2	21.2	34.5	23	29.5
Gross domestic Saving	24.9	22.9	17.5	7.9	18.3
	19.9	23.1	33	12.4	28.3
Gross fixed capital formation^d	21.8	20.8	22.4	20.2	21.3
	20.4	19.4	30.1	21.8	26.5
Crecimiento de la formación bruta de capitales	3.1	7	4.3	9.4	5.9
	2	4.8	8.8	9.2	7.2

Source: Own based on World Bank data.

a, b, c,d. GDP Participation Averages.

e. Annual average growth rate.

3. POLICY CONSIDERATIONS

From the evidence presented, it is possible to put forward a set of actions that countries should take into consideration if they want to achieve long run economic growth. Even when the specific policy design can indeed vary from country to country it is possible to identify certain common factors among nations that allow for the formulation of some policy recommendations. Particularly, the importance of having proportion

of expenditure destined to strengthen the Governance Indicators of the World Bank must be highlighted.

Hence, in order to increase political stability, and therefore, contribute to the increase of economic growth rates in the long run, the participation, government effectiveness, regulatory quality and the rule of law indicators must be improved. The main idea is that, since the beginning, a strong will to increase the governance indicators must guide the whole policy making process. Adequate policies that improve the conditions that permeate in each and every one of the aspects mentioned above will help to lessen any negative impact on economic growth through the reduction of the possibility of alterations in the key economic variables that could reduce per capita income (or its growth rate). The latter justifying changes in policy making.

Lower political stability levels and their negative effects on economic growth would be attained by taking the following actions which are interdependent and not mutually exclusive:

1. Strengthen the Rule of Law so that the necessary mechanisms exist for agents to comply and trust society's rules and, in particular, the quality in contracts execution, property rights, law enforcement and the courts; as well as reducing the probability of crime and violence
2. Strengthen government structure in order to reduce the probability of the government to become unstable or overthrown by unconstitutional or violent means, including violence politically fuelled and terrorism.
3. Policy design that avoid the execution of public power for private benefit, including large and small forms of corruption as well as the "coup" of the State by private interest and elites.
4. Policy design directed to increase the quality of government services, quality of public service and the degree of independence from political pressures, quality in the formulation and implementation of policies and the credibility on the government's commitment with such policies.
5. Actions directed to civic participation when choosing the government, freedom of expression, freedom of assembly and press freedom.
6. Strengthen the ability of the government to formulate an implement solid policies and regulations that allow and promote private sector development.

Finally, even though the apparent neutrality of public expenditure directed to the development of state and governance institutions, it is es-

estimated that this kind of expenditure would not disturb the kind of expenditure that do have direct multiplying effects on the economy, the latter since, in reality, it is not expensive for governments to work on the improvement of their functions and because it is considered that a crucial aspect for political stability and peace is a better communication between government and society.

4. CONCLUSION

Even though the relationship between political stability and economic performance is relatively evident, since a frame of minimum normative security and validity of the government is needed to make commercial transactions and investments both in fixed capital and in speculation, on the one hand; as is necessary for economies to work fairly and efficiently for individuals to feel safe and social cohesion to persist, on the other hand; for many years this relationship was taken as given and both at the theoretical and empirical level the evaluation of the possible effects of one variable on the other was not reviewed.

Hence, since the late 80's to date a re-emergence of the interest to measure the impacts of political instability episodes on economic growth is observed. The results obtained in this essay it is intended to discuss the present circumstances by taking the likely effects of the financial crisis that

spread in 2008 on the political stability of the nations involved and, at the same time, the effects that these political instability increase would have in the recovery and the consequent economic growth.

With a sample of 61 developed and developing countries it is found that, for the 1996-2009 time period, the relationship between political stability and economic growth is positive and significant, especially when changes in per capita income and the political stability and non-violence levels are observed. Furthermore, it is also confirmed that for the same time period only countries with higher development levels tend to be more stable.

Therefore, it is argued that given the variables endogeneity, in the policy design to favour economic growth (or stability) there cannot be a trade-off that favour one objective by sacrificing the other, as well as no social stability policy design must be made by sacrificing economic recovery and growth mechanisms. Besides, it is also considered that the need of the economic policy design to be explicit rests in the need to strengthen the State institutions.

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APPENDIX A

COUNTRIES INCLUDED IN THE SAMPLE LISTED BY INCOME LEVEL.

High income countries	Medium-high income countries	Medium-low income countries	Low income countries
Germany	Argentina	Bolivia	Bangladesh
Austria	Azerbaijan	China	Ethiopia
Canada	Brazil	Ivory Coast	Kenya
South Korea	Bulgaria	Ecuador	Kyrgyzstan
Denmark	Chile	Egypt	Mozambique
Spain	Colombia	El Salvador	
United States	Costa Rica	Philippines	
Estonia	Malaysia	Guatemala	
Finland	Mexico	Honduras	
France	Panama	India	
Greece	Peru	Indonesia	
Hungary	Dominican Republic	Jordan	
Ireland	Romania	Morocco	
Italy	Russia	Nicaragua	
Luxembourg	Turkey	Pakistan	
Norway	Uruguay	Paraguay	
Netherlands	Venezuela	Thailand	
Portugal		Vietnam	
United Kingdom			
Czech Republic			
Sweden			

E-GOVERNMENT AS A FACTOR TO DETERMINE COMPETITIVENESS OF MUNICIPALITY OF CULIACÁN, MÉXICO

Ana Elizabeth Ramírez Gómez *
Ana Luz Ruelas Monjardín **

ABSTRACT

In recent decades the processes in municipal public organizations have reformed strategies and modernized administration in important ways as part of the requirements for new public management models. They underscore the use of information and communication technologies as tools to help improve government efficiency and effectiveness and the relationship with citizens. ICTs (Information and Communication Technologies) have been included into government agendas as well as public policies on innovation and technological development.

In this paper we discuss how digital innovation through e-government enforcement—as part of strategies for modernizing public administration—can maximize municipal competitiveness and achieve an improved government-society link. Consequently, we discuss the public administration of the municipality of Culiacán, Mexico in which elements of institutional change are decisive.

We embrace the NPM and its framework for modernization and enforcement of digital innovation strategies. Particularly, we address the case of the municipal administration of Culiacán over the past periods of 2004-2013. We will analyze the processes of administrative reform and the carrying out of public policies and programs which have had ICTs as rector and linchpin. We will value the significant contributions of these factors to city competitiveness.

* El Colegio de San Luis, A.C. / email: dcs12014@colsan.edu.mx

** Universidad Autónoma de Sinaloa / email: aruelas@uas.edu.mx

INTRODUCTION

E-government and public organizations re-engineering were practiced during the last three decades of twentieth century with a set of changes in public administration worldwide. Since the 1970s, there has been a great impetus to the search of improved public management through digital systems and networks enforcement. Later, in the 1980s, the government apparatus, along with the decentralization of administrative functions on large scale, was resized. By 1990, administrative practices were arisen and framed in a new management model called NPM (New Public Management) carried out by Anglo Saxon countries—England, New Zealand and Austria—and North America—the USA and Canada (Sánchez, 2004).

According to Sánchez (2004), Mexican public administration perceives a large process of reform and modernization. An intense improvement, simplification and decentralization of public administration were proved during the chairmanships of Luis Echeverría (1970-1976), Miguel de la Madrid Hurtado (1982-1988), Carlos Salinas de Gortari (1988-1994) and Ernesto Zedillo (1994-2000). Alongside President Vicente Fox's political regime change (2000-2006), strategies based on the model of government innovation¹ were put into effect (see Table 1).

¹ The Oslo Manual (2005:56) defines innovation as "the introduction of a new or improved product, (good or service), a process, a new marketing method or a new organizational method in the internal practices of companies organizing workplace and external relations." Thus innovation in public management from e-government enforcement meets expectations outlined here as it has changed the way public services are delivered online.

TABLE 1. MEXICO.
INSTITUTIONAL CHANGE IN PUBLIC ADMINISTRATION.

18th Century	19th Century	20th Century	21st Century
<ul style="list-style-type: none"> • The Colony • Bourbon Reforms in the Colony 	<ul style="list-style-type: none"> • Independence • Parliament public administration • 1833 1st Administrative Reform • 2nd Administrative Reform. The Ministry of Development is established in 1853 • The Reform's public administration • 1857 Juárez's 3rd Administrative Reform. • Dictatorial public administration 	<ul style="list-style-type: none"> • Revolution • 4th stage of 1917 Reforms • Leadership public administration • Presidential rule public administration • 5th stage of Administrative Reform with changes before 1970 • Luis Echeverría's 6th Administrative Reform (1971-1976) • José López Portillo's 7th Administrative Reform (1977-1982) • Neoliberal public administration • Administrative Decentralization Program (1983-1988) • Administrative Simplification Program (1989-1994) • Modernization of Public Administration Program (1994-2000) 	<ul style="list-style-type: none"> • Program against corruption and APF Openness (2001-2006) • Estrategic Innovation Model (2001-2006) • Good Public Management Agenda (2002-2006) • Openness and Access to Information Law and IFAI's creation (2002) • Law on the Civil Service System and the creation of the Ministry of Public Service (2003) • Special Management Improvement Program (2008)

Source: Sánchez, 2004.

The set of new reforms to the Mexican government, as seen in Table 1, is a guideline for municipal institutions to assent to changes in their structures and functions. Thereby, they produce an institutional transformation under the model of New Public Management (NPM).

One particular input is the NPM reengineering in public organizations, as change of the dynamics in their structures, processes and regulations, among others. Furthermore, strategies implemented through new public policies to increase levels of social development and society's inclusion are increasing their information and knowledge. All of this is accomplished through the

carrying out of public policies on innovation. It can be seen that revolutionary changes in public administration are created from the intensified use of the ICTs (Information and Communication Technologies).

With President Vicente Fox's² political change, the enforcement of e-government in Mexico begins a process of reform and modernization. This is founded on the grounds of the NPM, which supports the delivering of results to society and citizen involvement in internal government, also welcoming government innovation (Frick, cited in Riera-Ortiz *et al.*, 2010).

Moreover, stresses that state and municipal government have been joining efforts to reform and modernize as well as e-government has made a strategy to bring online services to the population through Internet portals. Upon a dynamic of "successful individual interaction", they try to create web pages whereby trust is built among citizens and business sector (Thomas, 1998; Porte cited in Torres *et al.*, 2004). These portals, which have been carried out as media, have evolved into more complex platforms directly involving the public (Rivera, 2006).

Additionally, the progressive enforcement of e-government locally and in different regions of the world is increasing the chances of public services and information delivering. It has cut down mobility and displacement as well. Administrative procedures are reduced and response quality is improved meanwhile time and effort are saved. And most importantly, citizen participation is encouraged.

The process of forming a link between public involvement and citizen-administration is moving forward the concept of public management. This concept is based on "a process of change through the establishment of new patterns of interaction between municipalities and their environment." Thus "a greater role to civil society actors within the political process and the services provision is granted" (Blair and Stoker, 1991; cited in Huete, 2010, p.30). Altogether, openness to citizens is provided by governments as a key player in decision-making.

Above all, changes resulting from decentralization – delegating responsibilities to local governments—has led the government to employ innovation practices

² According to Hazán (2001), the Mexican political system has witnessed considerable changes. The first was observed from a hegemonic multiparty system in the early 1990s with different parties enrolled to the Partido Revolucionario Institucional (PRI) and its large percentage of votes at the polls. In 2000, however, the PRI lost the Presidential election and its presence in Congress was cut down. Thus a new phase in the Mexican political system began in which the Partido Acción Nacional (PAN) is in front of the chairmanship to resume the country's running.

within its governmental activities, enhancing their efficiency and effectiveness (Cabrero, 1998). Nevertheless, according to Tricas (2002), it is not only necessary for public administration to be placed in the path of public management innovation, but a further development into organizational changes—such as knowledge management, internal management, effective and efficient performance—to be fully absorbed into society's information and knowledge.

Hence in this paper we advocate the municipal government to account for the NPM and its requirements whereby modernization and carrying out of digital innovation strategies are framed. Particularly, we address the municipality of Culiacán in its recent administrative triennium 2014-2013 to bring focus on processes of administrative reform, enforcement of public policies and programs—which have been guiding and coordinating axis—in addition to the insertion of information and communication technologies. We will account for these factors' significant contributions to municipal competitiveness.

1. MUNICIPAL COMPETITIVENESS

The study of urban systems' economic behavior in the last two decades has allowed a competitiveness model-based analysis of nations and cities (Sobrino, 2010). It has been their performance that

has been the determining factor behind this competitiveness.

These analyses have placed considerable elements in the transformations of economic and social structures. Organizations are incorporated into new dynamics of production and interaction, in which information and communication technologies have been integrated. The latter endow us to re-conceptualize the relations between the parts of that dynamic.

According to Sassen (1991), cities like New York, London and Tokyo have joined the process of economic globalization through the convergence of services and technological innovations. Their economies have brought together a variety of specialized services and major financial centers.

Nonetheless, Latin America metropolis, according to Borsdorf (2003), Janoschka (2002, De Mattos (2002) [cited in Cuadrado-Roura and Fernandez (2005)], are trailing their own geographical and economic structure of the region: a macro cephalic urban system, strong segregation and social fragmentation, dependence on private cars, cooperative land [ejido] dichotomy, dual labor market, feedback from the informal economy, suburbanized industry as well as the dispersal of commercial, recreation and university centers.

Cities, such as Buenos Aires, Mexico City and Sao Paulo, have been enclosed in this merger process. This has faced new demands and policy-planning processes and led to higher levels of competitiveness.

As for the sub-national and local context, municipalities competitiveness³ is forced upon the ability of local area to create employment, attract investment, create businesses and increase income from a permanent improvement of institutions, regulations and human and social capital. This is conceived taking into account that other territories try the same and dispute opportunities in local and external markets (Ibarra, Ceballos and Zomera, 2009).

In the early 1990s, Krugman (1994) conducted a review of the studies on nations' competitiveness where by he noted that the term has been misused. The economic situation cannot be tackled from a "strive" between them, referring to market practices.

In the late 90s and early twenty-first century, new approaches have emerged from the study of competitiveness related to the agglomeration economy (Cuadrado-Roura and Fernandez, 2005). This approach retakes the theories of economic growth and elements which help to determine the degree of competitiveness of cities. According to Garza (2010: 513), the goal in quantifying the levels of competitiveness of cities is to face their increasing efficiency requirements and to be conveniently linked to the international economy.

Additionally, according to Garza (2010: 520), in the on paper approach of "urban political economy as a factor of production"⁴, the determinants of competitiveness are displayed by two basic elements: a) economic, and b) strategic. The former denotes the production factors—labor, capital and urban fabric—, the geographical location of the city, its infrastructure, its economic structure and the amount of services offered. The latter, according to Kresl (1995: 51) [cited in Garza (2010)], the strategies are agreed upon the effectiveness of government actions, the effectiveness in urban planning, the link between the public and private sectors as well as the flexibility of institutions. The more the level of these two variables is raised; presumably a higher degree of competitiveness of the city is granted.

Conversely, Meer, Bruan and Berg (1999) have identified three factors by which a company's competitiveness is outlined: hardware, software and orgware. They underscore that cities build their decision-making on these competitiveness factors. The first category,

3 Among the studies of competitiveness in Mexico, we highlight Sobrino (2003, 2007); Cabrero, Orihuela and Zicardi (2007); Mexican Institute for Competitiveness A.C.; Aregional as well as the one by Universidad Autonoma de Sinaloa (Ibarra, 2008). Each of them offers different methodologies, framed models or approaches to meet the economic performance of Mexican cities.

4 According to Garza (2010: 519), economic growth is submitted to three production factors: urban fabric, labor and capital.

“hardware” is comprised of “hard” factors observed in clear-cut ways, such as infrastructure, capital, among others. In the case of “software”, they refer to a qualitative and intangible aspect; i.e. structures and processes. As for the “orgware”, they synthesize and articulate the enforcement of the mentioned factors, from the interaction of the public sector or, more appropriately, from the linking of the public and private sectors.

Moreover, referring to the competitiveness⁵ of cities and their competitive advantages, the term “competitiveness”, according to Cuadrado-Roura and Fernandez (2005:68), is understood as “the effort of cities to develop local productive capacities and improve the environment in which economic agents operate.” Competitive advantages are explained as those “attributes which develop and build a city on their own to improve their economic and social position within its influential area and the urban system in which it works.”

Various models and approaches in the study of competitiveness of cities and nations within a global context have been joined into former approaches. Considerable elements of each are as follows:

⁵ Sobrino (2010) states that for a city to be competitive, it must have the ability to attract investment as well as foreign and domestic capital, which result in “growth and prosperity for the cities.”

TABLE 2. MAJOR MODELS AND APPROACHES OF COMPETITIVENESS.

Approaches of Competitiveness	Concept Summary	Autor
Regional Capital Competitiveness Model	The city's capital is composed by middle tangible assets, fixed private capital, share of assets, relational and human capital, economies accumulation, connectivity and responsiveness, cooperation networks, relational and social services, and private training.	Roberto Camagni
Community-Based Competitiveness Model	The political capital is built by the government, businesses and civil society to convene civic entrepreneurship. This will have financial, physical, human, cultural and social capital to poverty ease, creation of jobs and community development.	James H. Johnson, Jr.

Three Ts Competitive-ness Theory	Talent is associated with diversity index. The lower individuals' homogeneity over a wider area, higher the likelihood of innovation in the area. Talent, technology spending and tolerance are summarized as keys of competitiveness.	Richard Florida
Culture of Innovation Competitiveness Theory	Benefits of collaboration between cities: collaborative networks within industrial clusters. They share resources and enhance the others' abilities by mutual benefits for a common purpose.	Docherty, Gulliver and Drake
Cultural Credit Competitiveness Theory	The cultural aspect encourages innovative ideas and should not be seen as a cost factor to achieve non-economic goals.	Dziembowska and Funck
Theory of Competitiveness and the Dividend of Artistic Activities	Culture as a basis for the creation of a more competitive area.	Markusen and Schrock
Model of Hard and Soft Networks for Urban Competitiveness	Partnership model whereby a mode of collaborative and social operation is created, leading to a social and economic success.	Edwar J. Malecki

Sources: Rojo (2011); Camagni (2002); Johnson Jr. (2002); Florida (2002); Docherty, Gulliver and Drake (2004); Deziembowska and Funck (1998); Markusen and Schrock (2006); Malecki (2002).

In the above chart (Table 2), we highlight the proposals made by Malecky (2002) from a model of hard and soft networks. This model plans the dynamics of interaction and collaboration among sectors and society, which enables growth. This approach is linked to what is proposed by Meer, Bruan and Berg (1999) about the orgware factor in the metropolitan and local context.

Therefore, in the present analysis orgware competitive factors and the concepts of "soft" and "hard" networks are taken up from a metropolitan and local context (Malecki, 2002). It allows us to authorize decisive evidence on the degree of competitiveness of cities, specifically the municipality of Culiacan, Sinaloa. For this purpose, the exercise will be performed from the observation of empirical evidence. Regarding this ev-

idence, we will include e-government in the municipalities' public administration management from the citizen-public interaction and set in a collaborative model of mechanisms for planning, coordination and management.

We should note that the inclusion of information and communication technologies in an e-government strategy is essential to streamline the delivery of public services and to enable the internal and external connectivity demanded by social and business sectors. Furthermore, it contributes to the link between public organizations, citizens and businesses. It provides a greater transparency and accountability, efficiency and effectiveness in public administration in order to set policies for the socioeconomic development, to attract foreign investment and visitors; thus enabling the city to compete successfully in globalization.

2. NEW PUBLIC MANAGEMENT AS A CHANGE FACTOR IN MUNICIPAL ADMINISTRATIONS

In the last three decades of the 20th and early 21st century, the organizations and institutions have noticed deep transformations which have come from economic, political and social changes, such as economic crisis, social demands, etc. All of these are marked by an

increasing process of globalization. Thus governments have made reforms during their administrative periods as of models of public management to produce changes in the organizations by modernizing the public management. It all began as a proposal to fight legitimacy crisis (Cabrero, 2011).

In Mexico, the model of New Public Management (NPM) was first encompassed during the 90's. Firstly, strategies and federal public policies according to the assumptions of effectiveness, decentralization, hiring and performance evaluation were applied (Aguilar Villanueva, 2011) in order to, consequently, establish a greater impulse in cities' administrations.

Currently, the NPM seeks a greater approach in management strategies and reforms (Gil-García y Martínez, 2011) with the citizen as, in fact, "the center of the NPM" (Aguilar Villanueva, 2011). As a result, those strategies have been delimited by incorporating the ICTs, precisely, to achieve a better correlation and government-citizen interaction, improving services provision as well.

These adaptations and new schemes presented in public administrations, according to Albuquerque (1994, cited by Finkelievich, 2004), have to overflow "the traditional role of the basic service supplier." Also, they complement the agreement of "innovation in territorial surroundings".

It is important to emphasize the main characteristics of the NPM, re-taking the *Westminster* model that

was proposed by S. Boris (Aguilar Villanueva, 2011, p. 170). It retakes one of the key components of city competitiveness which is the inclusion of ICTs in Public Municipal Administration (PMA). ICTs have their origins in electronic government:

- a) Quality service to the citizen user-client;
- b) Operative Autonomy;
- c) Measurement of products and outcomes;
- d) Human resources management;
- e) Information and Communication Technologies, and
- f) Privatization.

Specifically, two dimensions have been established as of the incorporation of e-government. Araya and others (2004, p.23) refer it as the screen metaphor—that is, that in front of the screen, citizens and services users are found and behind the screen, the processes that enable the offer of a “public service by digital means”. By doing so, the processes are simplified, costs are reduced and the information is more efficient; which finally leads to a minor presence of bureaucracy” (Frick, 2003).

However, the incorporation of this new model of manage-

ment into the public sector, as of e-government and a process of NPM, is aspired to incorporate the government-citizen nodal component. According to Leitner (2003, cited in Torres *et al.* 2004), through this model a process of linking between public sector and society is created (G2C, C2G, G2E, E2G, R2C, C2R y G2G) , by exposing in the public scenario new practices in which these actors are interrelated.

Additionally, according to Arellano y Cabrero (2005, p.603) and following Ostrom (1973), one of the arguments of the NPM is that the participation of the citizens will be achieved once the design of public policy is made. In this participation, “public managers will first design the program by means a measure of results and eventually the citizens— seen as clients—can define the ones that are better for them and to participate in the evolution of the public program”.

In spite of the e-government’s promises and expectations, the main objective is that the citizen satisfies the provision of public services and takes action in the solution of common problems. By participating in the decision-making, they contribute to the improvement of governmental transparency, democracy and, with it, to the achievement of local public management.

3. E-GOVERNMENT AS THE CONTRIBUTION IN THE ADVANTAGE FOR A MUNICIPAL COMPETITIVENESS

Culiacán is demographically, politically and economically the most important municipality from the 18 that make up the State of Sinaloa, Mexico. It is the main city of the state and it carries the name of Culiacán de Rosales. It also represents 10.87 % of the state's total surface and it is located on the central part of Culiacán's syndicate.

Culiacán has 858,638 inhabitants (INEGI, 2010), representing approximately 31% of Sinaloa's total population. Its economic support lies in agro-industry, with a GDP income per capita of 11,200 USD, similar to the national average (Ibarra, 2011). In spite of having indicators of internet infiltration higher to the national (only 26.3% of total homes in 2010), it has a really marked digital breach. According to Ruelas (2012), by 2010 scarcely 41.3% of the households in the city owned a computer and, from that number, only a 32.7% had its own internet connection. This indicates a high digital exclusion.

In the municipal government's three-year-period of 2005-2007, a reform in public administration was started, defined in NPM, by incorporating the ICTs to modify the government-citizen linking and the offer of public services through e-government.

By 2008 (see figure 1), the central strategy of "Digital City-Innovative Municipality" emerged as one of the basic premises of the Municipal Plan of Development (2008-2010), as well as the public policy "Digital Community" with the objective of innovating the municipality through ICTs. Within the public policy of Digital Community, e-government was incorporated as one of the fundamental pillars (see figure 2).

"Digital City-Innovative Municipality" was one of the initiatives that the Mayor Jesús Vizcarra Calderón (2008-2010) successfully inserted into the public agenda with widespread administrative dynamism. The Mayor, during public meetings with the main social actors and local entrepreneurs, suggested it only a few months after he was elected pillar of the administration. Nonetheless, connectivity problems will soon put an end to its most popular program, "Digital Culiacán" (Ramírez, 2010), leaving a sequel of mockery among the population and the media. However, some public services—such as payment of council taxes and water services—was and still continues to be efficient.

The fact we appreciate is that the favorable Mayor's political positioning promoted a suitable decision-making to make local e-government a reality. Therefore, it is highly important to emphasize the role that the ruler played in order to incorporate the topic of a digital government in the public agenda, by dealing with political game and against speech structure.

Indeed, in relation to the public policy of Digital Community and one of the main programs that makes it up as e-government—free and responsible internet, digital backpacks, etc.—was handled reiteratively in the media. It emphasized the objective of making Culiacán “a city in process of transformation”.

Additionally, in the following period of 2011-2013, a continuity to the digitalization strategies was intended. This was a consequence of the non-relevant results that had contributed to the improvement of public services management and the achievement to an improved linking with the citizens.

Nowadays, Culiacán's municipal administration website does not show any modifications in relation to the ones observed during the administrative period 2008-2010. Neither new applications nor the modification or improvement of pre-existing applications are contemplated. Public services online are limited to water services. In 2010, it was possible to pay council taxes as well, however this service has been suspended indefinitely. The leader-citizen interaction online has been reduced to only suggestions or complaints through mail-box, without giving the interested party the chance to receive a proposal through the same channel. Besides, the website presentation lacks dynamism and the links are redundant, both making the website unfriendly to users.



Municipality of Culiacán

Figure 1. Geographic Location of Culiacán's Municipality, Mexico.

Source: INEGI, 2013.

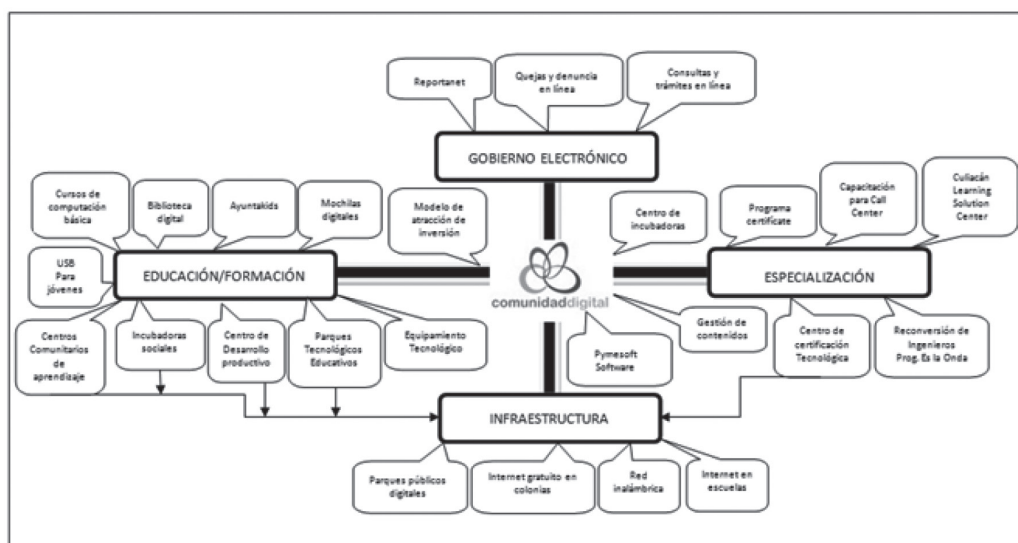


Figure 2. “Digital Community” Programs, Culiacán, Mexico, 2008.
 Source: Public administration of Culiacan’s municipality, Sinaloa, Mexico (2008).

4. COMPETITIVE MUNICIPALITIES

An analysis that retakes all the different perspectives that contribute to explanatory elements will lead this study. We build two indicators to help explain Culiacan’s competitive advantages, facing municipalities of the Mexican Republic which were considered with “high competitiveness” in 2011 (Cabrero, 2012). It is important to emphasize that Culiacán forms part of the group of studied municipalities.

Considering e-government as key factor, we retake the model based on efficient nets of interconnection within strategies of governmental innovation to enable competitive advantages. This model considers “soft and hard nets” as key factors to competitiveness, as proposed by Malecki (2002), as well as orgware factors (Meer, Bruan and Berg, 1999), from a metropolitan and local context. We want to warn that hard nets will be those which provide technological capacity and internet connection, and the ones that enable and quicken the encouragement of the government-citizen interaction.

5. METHOD

Step 1 – As initial step, we build the first indicator called “Functional E-Government Index” (FEGI). We retake elements that make up e-government, according to a managerial perspective [Gil-García y Martínez, (2006) cited in Sandoval and Gil-García, 2011], and the microscopy of a specific group of cities (Sobrinho, 2010).

FEGI index was built from the proposal of the studies made by Luna, Duarte, Gil-García, Luna-Reyes y Sandoval-Almazán (2009, 2012). We regard also four components or e-government stages: Information, Interaction, Transaction, Integration and Participation; as well as their orientation in relation to the measurement of the same.

Nonetheless, for our explanatory analysis, only “Interaction and Transaction” Components will be retaken as we consider that they foster, in a greater scale, the government-citizen linking (see figure 3 and Table 3). That is, in the reconfiguration of scenarios; events of offer of public services, communication, information, transparency, and clarity in the services will take place.

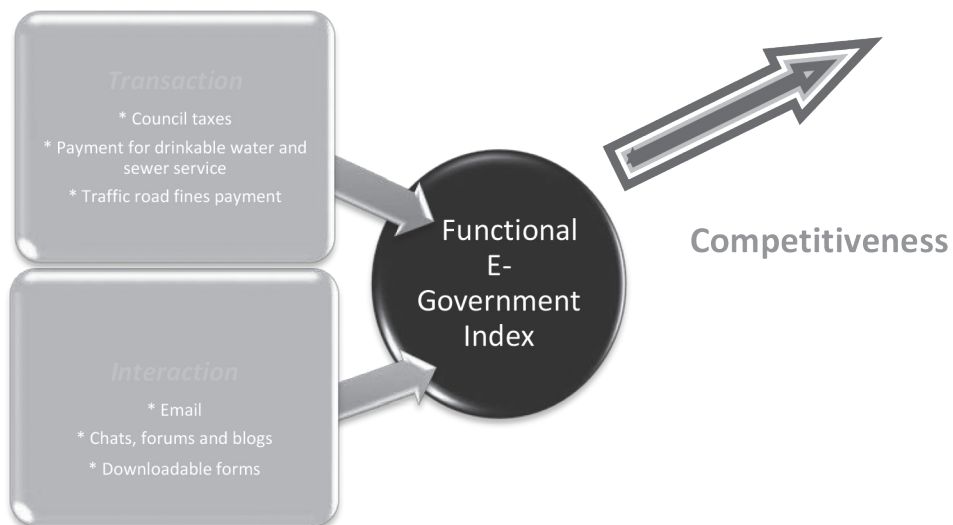


Figure 3. Functional E-Government Index.
Source: Own creation.

Additionally, so that the calculation of the Transaction and Interaction Components could be made, 25 Mexican cities were considered, all of them valued with

“high competitiveness” according to the 2011 Mexican Cities Competitiveness Index carried out by the Center of Research and Economical Teaching (Cabre-ro, 2012). The municipality of Culiacán was taken into account as part of this group of cities (see Table 4).

In order to do the calculation, an analysis of the 25 different councils' websites was carried out. From the observation and interaction *in situ*,⁶ it enabled us to establish whether there was the presence or not of e-government efficiency. In terms of the Transaction Component, we took into account for the study, the presence and functioning of the application for council tax payment, drinkable water and sewer services' payment and traffic road fines payments online. As for the Interaction Component, it was established by the presence and functioning of email, chats, forums and blogs—same that can serve as interaction media for the citizen with the public server—as well as downloadable formats (see Table 3).

TABLE 3. COMPONENTS OF THE FUNCTIONAL E-GOVERNMENT INDEX.

Transaction	Interaction	FEGI
<p>CTRAN: (Number of evaluated Transactions aspects that can be made in the city administration website / Total number of Transaction evaluated aspects) * 100 Yes = 1 No = 0</p> <p>Example: CTRAN= (2/3) * 100 = 66.66</p>	<p>CINT: (Number of Transactions evaluated aspects that can be made in the city administration website / Total number of Interaction evaluated aspects) * 100 Yes = 1 No = 0</p> <p>Example: CINT= (1/4) * 100 = 25</p>	<p>$PT = (CTRAN + CINT) / 2$</p> <p>Example: PT= (66.66+25) / 2 PT= 45.83</p>

Source: Ramírez and Ruelas, 2014; based on the measurement made by Luna, Duarte, Gil-García, Luna-Reyes and Sandoval-Almazán (2009, 2012).

⁶ It was built on the basis of the observations to each of these websites of 25 municipalities' councils for about a span of 25 minutes. We collected the data on the operation thereof. Note that these tests were conducted in October 2014.

TABLE 4. MAIN CITIES WITH “HIGH COMPETITIVENESS”, ICCM-CIDE, 2011.

NO.	CITY	WEB SITE
1	MEXICO CITY	http://www.df.gob.mx/
2	HERMOSILLO	http://www.hermosillo.gob.mx/
3	SALTILLO	http://www.saltillo.gob.mx/
4	QUERÉTARO	http://www2.municipiodequeretaro.gob.mx/
5	CHIHUAHUA	http://www.municipiochihuahua.gob.mx/
6	SAN LUIS POTOSÍ	http://www.sanluis.gob.mx/
7	MONTERREY	http://portal.monterrey.gob.mx/
8	AGUASCALIENTES	http://www.ags.gob.mx/
9	GUADALAJARA	http://portal.guadalajara.gob.mx/
10	MONCLOVA	http://monclova.gob.mx/mva01/
11	TIJUANA	http://www.tijuana.gob.mx/
12	JUÁREZ	http://juarez.gob.mx/jrz/
13	MEXICALI	http://www.mexicali.gob.mx/ayuntamiento/
14	TORREON- LA LAGUNA	http://www.torreon.gob.mx/
15	DURANGO	http://www.municipiodurango.gob.mx/
16	CUERNAVACA	http://www.cuernavaca.gob.mx/
17	CULIACÁN	http://culiacan.gob.mx/
18	NUEVO LAREDO	http://www.nuevolaredo.gob.mx/
19	PUEBLA	http://www.pueblacapital.gob.mx/
20	CANCÚN	http://cancun.gob.mx/
21	LOS CABOS	http://www.loscabos.gob.mx/#
22	LA PAZ	http://www.lapaz.gob.mx/
23	PIEDRAS NEGAS	http://www.piedrasnegras.gob.mx/
24	LEÓN- SILAO	http://www.leon.gob.mx/leon/
25	MORELIA	http://www.morelia.gob.mx/

Source: ICCM-CIDE, 2011 (Cabrero, 2012).

Step 3- Subsequently, with the obtained results from the IINTER of 25 cities, a comparison was made by retaking *benchmarking* perspective (Kresl, 2010). This perspective allows a comparison of indicators for different cities and, hence, the structure of a new hierarchy of competitiveness within them. It is noteworthy that hierarchy was made from the highest to the lowest indexes and granting them a value of 100.0.

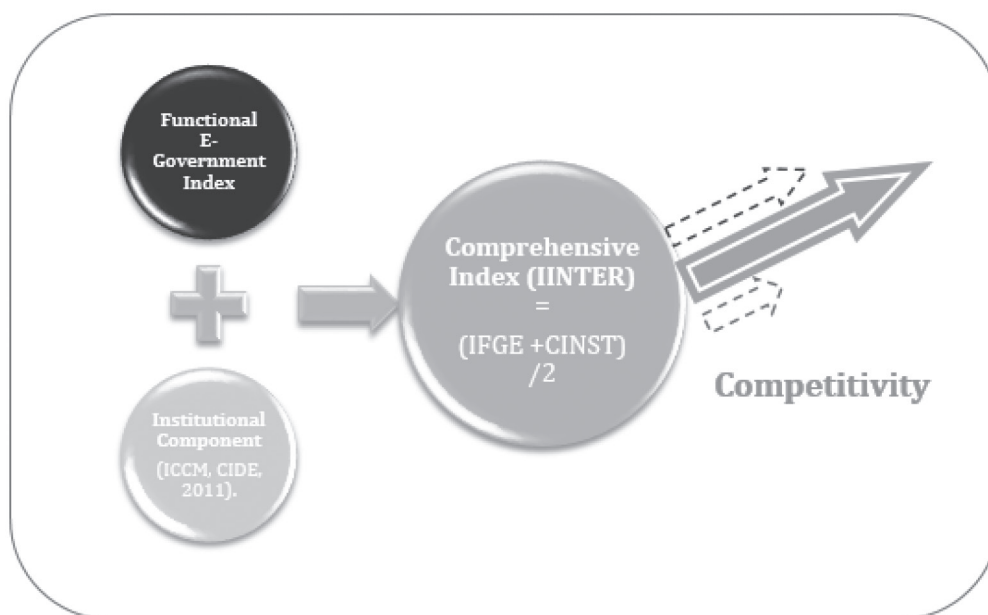


Figure 4. Comprehensive Index.
Source: Ramírez and Ruelas, 2014.

6. DATA ANALYSIS

According to figures described by the 2011 Mexican Cities Competitiveness Index (ICCM-CIDE⁷ in Spanish), the city of Culiacán is ranked 17th in the top 25 cities with “strong competition” as of the hierarchy results from a total of 74 metropolitan areas of Mexico for 2011. It demonstrates the presence of important strengths for competitiveness.

Furthermore, it locates Mexico City in first place, followed by Hermosillo, Saltillo, Querétaro, and so on. It is noteworthy that Culiacán is located far from Hermosillo, which is a neighboring city located in the northwest of the country and with similar population size as well.

Regarding Functional E-Government Index (FEGI) (see Table 5), México City, Puebla, the metropolitan zone León-Silao and Morelia are in the first places with an index of 100.0. They convene and demonstrate the government-citizenship interaction timely from email applications, chats, forums or blogs to downloadable forms.⁸

Likewise, these three cities' websites are available to citizens and users and allows to make payments

⁷ According to Cabrero (2012) the ICCM has four components: economic, institutional, socio-demographic and urban-environmental.

⁸ In the websites of these cities' councils, interaction occur through social networks (Facebook, Twitter, Instagram), videos (YouTube), podcasts and blogs.

online—property tax payments, the drinking water and sanitation, traffic taxes and other council taxes—without having to go to the municipal offices in person. It is observed as well that these municipalities have achieved a government-society interaction and usage of the major applications in their websites. This thereby achieves paperwork and transactions to expedite in the city's public administration.

Continuing with the EGDI and the three urban areas formerly mentioned, Hermosillo, Tijuana and Cuernavaca are ranked fifth to seventh. They share the same index of 87.50 as for they offer most of the service applications up to this index. These results demonstrate these cities are undergoing a transition to e-government. We can see it from administrative reform processes and their critical factors leading to a successful carrying out of projects upon ICTs (Naser and Concha, 2011).⁹

Subsequently, ranked 8th to 16th we have the group made up by nine urban areas with an index of 75.00: Querétaro, Chihuahua, Monterrey, Guadalajara, Juárez, Mexicali, Culiacán, Cancún and La Paz; followed by Aguascalientes ranked 17th with an index of 70.83. It should be highlighted that there is a lack of interaction and online applications for streamlined transactions as well as the lack of citizen integration and participation in the city bureaucracy.

With respect to the 18th and 19th positions, the city of San Luis Potosí and the metropolitan area of La Laguna, including Torreón, lies an index of 62.50. Next ranked 20th to 22nd, we have Durango, Los Cabos and Piedras Negras respectively with an index of 58.33. And then with an index below 50.00, there are the cities of Nuevo Laredo (45.83), Saltillo (41.67) and Monclova, located in the 25th position of this group of cities.

With reference to the above, there is evidence of a scarce dynamic in these cities' websites, which reveals a poor functionality of their e-government. Similarly, distant administrative online services are observed, far from a project with strategies and processes leading to an effective and efficient management.

Additionally, the above evidence exposes the Interaction Component in the case of the cities ranked 18th to 25th. It is accomplished as a media and linker element. Interaction element encourages the govern-

⁹ Critical factors of IT projects: the policy and strategic context, processes, technology and implementation.

ment-citizen interaction, in which the citizen becomes an “active” actor rather than just a service recipient. In the meantime, the Transaction Component offers a system with security policies for property taxes payments. Despite this, payments forms for other online public services or municipal taxes, whether rights or contributions are not presented.

It is important that these 25 cities have been regarded with high competitiveness according to 2011 ICCM-CIDE. Nevertheless, to get hard data we developed the Comprehensive Index ¹⁰ (hereinafter IINTER), so to have a greater representation of e-government functionality and those factors related to councils' institutional aspects.

Regarding IINTER hierarchy (see Table 6), the city of Morelia is ranked first with an index of 96.50. Morelia is a city whose APM establishes it as modern as it implements NPM strategies and promotes changes in its structures and processes. Thus, in the medium term, the city will strengthen institutions and bring important competitive advantages. It is noteworthy that in 2011 ICCM-CIDE this city ranked 25th within its city group. Yet the taken-up e-government and institutional components (ICCM-CIDE, 2011) both have contributed to competitive advantages criteria.

Regarding our main interest, Culiacán is ranked fifth with an index of 87.50. Upon NPM parameters. It is striking that in the city had an average rate of 75.00 in EDGI, however. It found favor in the first position with an Institutional Component index of 100.0 in 2011 ICCM-CIDE. The arithmetic reached a high level in positioning local competitiveness.

It is important to mention that within its “Transaction” Component in EDGI, the application for traffic fines has not been considered by the local government to be paid on the website. The payment of council taxes, unlike other municipalities, has been integrated into charging complex strategies. It facilitates an effective proceeding to citizens without cost and in little time.

Nevertheless, according to its EDGI Interaction Component, this municipality is enabling and functional. This advises a permanent citizen-public organization link which allows direct communication to meet social issues concerns and administrative operations.

¹⁰ Like FEGI, it was got from the highest hierarchy (100.00) to the lowest with respect to cities' positions.

It is also noted that according to IINTER, cities like Monterrey and Guadalajara are situated below the city of Culiacán despite being cities with better performance and economic growth as well as greater competitiveness, according to 2011 IMMC-CIDE, and higher EDGI. It has a smaller index in the 2011 IMMC-CIDE Institutional Component subscript.

TABLE 5. FUNCTIONAL E-GOVERNMENT INDEX AND COMPREHENSIVE INDEX.

No.	MUNICIPALITY	FEGI	INSTITUTIONAL COMPONENT	COMPREHENSIVE INDEX
1	MEXICO CITY	100.00	71	85.50
2	PUEBLA	100.00	81	90.50
3	LEÓN- SILAO	100.00	82	91.00
4	MORELIA	100.00	93	96.50
5	HERMOSILLO	87.50	89	88.25
6	TIJUANA	87.50	81	84.25
7	CUERNAVACA	87.50	81	84.25
8	QUERÉTARO	75.00	94	84.50
9	CHIHUAHUA	75.00	85	80.00
10	MONTERREY	75.00	69	72.00
11	GUADALAJARA	75.00	84	79.50
12	JUÁREZ	75.00	82	78.50
13	MEXICALI	75.00	73	74.00
14	CULIACÁN	75.00	100	87.50
15	CANCÚN	75.00	91	83.00
16	LA PAZ	75.00	88	81.50
17	AGUASCALIENTES	70.83	88	79.42
18	SAN LUIS POTOSÍ	62.50	85	73.75
19	TORREON- LA LAGUNA	62.50	79	70.75
20	DURANGO	58.33	96	77.17
21	LOS CABOS	58.33	82	70.17
22	PIEDRAS NEGAS	58.33	74	66.17
23	NUEVO LAREDO	45.83	90	67.92
24	SALTILLO	41.67	91	66.33
25	MONCLOVA	33.33	65	49.17

Source: Ramírez and Ruelas, 2014.

TABLE 6. COMPREHENSIVE INDEX FOR CITY'S COMPETITIVENESS.

MUNICIPALITY	COMPREHENSIVE INDEX	RANK
MORELIA	96.50	1
LEÓN- SILAO	91.00	2
PUEBLA	90.50	3
HERMOSILLO	88.25	4
CULIACÁN	87.50	5
MEXICO CITY	85.50	6
QUERÉTARO	84.50	7
CUERNAVACA	84.25	8
TIJUANA	84.25	9
CANCÚN	83.00	10
LA PAZ	81.50	11
CHIHUAHUA	80.00	12
GUADALAJARA	79.50	13
AGUASCALIENTES	79.42	14
JUÁREZ	78.50	15
DURANGO	77.17	16
MEXICALI	74.00	17
SAN LUIS POTOSÍ	73.75	18
MONTERREY	72.00	19
TORREON- LA LAGUNA	70.75	20
LOS CABOS	70.17	21
NUEVO LAREDO	67.92	22
SALTILLO	66.33	23
PIEDRAS NEGAS	66.17	24
MONCLOVA	49.17	25

Source: Ramírez and Ruelas, 2014.

7. CONCLUSION

In the last three decades of the 20th century institutions and organizations have noticed deep transformations that come from economic, political and social changes such as economic crisis, social demands, etc. In addition, globalization has delimited these changes from the concentration of power and from the performance of global institutions. Nevertheless, to face this, organizations have been making reforms during their

administrative periods, as well as in their model of public management.

Organizational transformations have emerged from the introduction of processes of decision making and they seek to strengthen, guarantee the well-being and obtain a social legitimacy. Also, modernization within the relational theme schemes as well as in the processes of the public administrations in Mexico, essential changes in these structures that lead to a greater institutional transformation haven't been presented yet.

However, one should be warned that not only is it necessary that municipal administrations are situated in the way of modernization, but also that they take place in organizational changes, internal management, efficient performance and the establishment of linking mechanisms State-Society.

Regarding Culiacan's municipality, in spite of its integration in those dynamics instructed by the NPM, there hasn't been any emerging key factor that provides strongholds that puts it with competitive advantages, despite the results shown in the presented indicators, in which elements of an electronic government are warned, and whose exchange of looks are still far from each other.

Culiacan has experimented a lack of continuity in the strategies of Municipal Plans for Development, either for a scarcity of financial resources or due to the lack of interest from the public officers, who are replaced each three-year-period, characteristic

of a public server for the prevailing politicization.

In the same direction, under a policy of state, city government is required to introduce changes that will lead to compensate the requests of the civil society, where the participation of the citizenship is a key factor to generate the building of a new constitutional model to govern. This change, influenced by the usage of ICTs, proposes a new process that integrates more ways of intervention, where the public sector is opened to dialogue, to citizen participation and with it to democratization.

This involves the professionalization of the people in charge of creating new public policies, which implies that the ones which direct the renovation processes of the strategies for the Municipal Competitiveness Development, are not fixed to the ups and downs caused by the three-year-period that only obstruct the continuity of new strategic projects such as design, implementing, monitoring and evaluation of the electronic government.

It is of extreme importance to bear in mind that the new public policies based, most importantly, on the unfolding of information and communication technologies on a municipal level, require not only of the continuity of strategies for development, but also of huge inversions in infrastructure and net equipment, software and hardware, that the vast majority of the Mexican councils lack.

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THE NEW PUBLIC GOVERNANCE? EMERGING PERSPECTIVES ON THE THEORY AND PRACTICE OF PUBLIC GOVERNANCE

EDITED BY STEPHEN P. OSBORNE.

ROUTLEDGE, NEW YORK AND LONDON. 2010

Luis F. Aguilar Villanueva

When a book is published framing its title in the form of a question it means, in the majority of cases, that there are real or methodological doubts on the validity of certain approaches or concepts accounting for some social or natural realities. Therefore is logical for the authors to begin analyzing the concept's contents with the goal of testing the consistency and precision of its meaning, and secondly to prove its empirical validity, identifying whether the concept accurately describes the reality it claims to portray and if its origin, structure, function and scope are clearly explained. This book inquires on the New Public Governance (NPG).

Within the book some authors still debate the definition of governance and aim to provide a precise concept, giving order to a manifold of its earlier denotations (Hughes), while others query if new governance actually exists and is really a different, "new" process of governing (Lynn). Another group ponders more recent questions such as meta-governance (Peters), the relationship between governance and governability (Kooiman), innovations in governance (Moore and Hartley), global perspectives (Kennett), and others focus on explaining and analyzing the distinctive essential components, subjects and activities of NPG, like governance networks (Klijn, O'Toole and Meier, Martin), policy networks and governance of policy networks (Jung, Huys and Koppenjan, Acevedo and Common), organizational partnerships (Mcquaid, Greve and Hodge, Vangen and Huxman), contractual relationships (Kettl, Farneti and Padovani), third-sector opportunities (Pestoff and Brandsen, Smith and Smyth), etcetera. In sum, the book offers an interesting outlook on the current theoretical approaches of the new governance, its workings, distinctive elements, problems, agenda, but the book nonetheless has its flaws and debatable propositions as well.

The term governance began to appear in some Latin American countries during the early twenty-first century and was employed to describe the ongoing changes emerging in the process of governing, given that some governments started to address several public issues through partnerships with economic agents or governmental-social networks. It was also used as a reference to demand a new way of governing, better suited, responsive and effective to meet the new social conditions and problems. However, in Latin-American countries, the concept of governability is more familiar and used more frequently, due in part to the concern that recent democratic governments could be overran by the many problems, needs and conflicts distressing society, and it could be ill equipped or incapable to respond properly and steer society towards better levels of living. In spite of the traditional Latin American inclination towards a big state and a protagonist government, the concept and political relevance of NPG has been taking hold and making progress due to the fact that ingovernability is considered a likely political scenario if the pattern of the authoritarian old governance is reiterated by the practices of several new democratic governments.

The meaning and relevance of the governance concept, at least in Mexico, derived from Europe and more specifically from the Netherlands, with Jan Kooiman as its founding thinker (*Modern*

Governance: New Government — Society Interactions, 1993), rather than from the Anglo-American school of thought which incorporated the governance approach years later, despite the fact that ideas from R.A.W. Rhodes (by the way, questioned several times in the book) and G. Stoker (1998) have been inspiring and influential.

In Mexico the concept of new governance has been recently institutionalized when the General Public-Private Partnerships Act (*Ley General de Asociaciones Público-Privadas*) was approved in 2012 and revised in 2014. Such legislation recognized the government's insufficiency to properly and successfully address some critical public problems and social strategic projects and, hence, acknowledged the relevance of adding-on private and social resources to existing public ones in order to strengthen the society and government's capacities to tackle critical problems and promote relevant projects.

My comments will center on the first part of the book, focused on developing some theoretical points on NPM, rather than on Parts II, III, IV and V, which focus on analyzing NPG's specific issues, both conceptual and practical. My first commentary on the book, edited by Prof. Stephen P. Osborne, points to the Introduction and some articles from Part I, "*Theoretical Perspectives on Public Governance*", which tend, from the Anglo-American perspective, to standardize the account of the institutional

and theoretical history of public administration by placing the New Public Governance as the latest chapter in such history. It assumes that the modern Public Administration (legal-rational-bureaucratic), distinctive of the nineteenth and twentieth century state, is the starting point and years later, during the eighties, New Public Management (NPM) emerges and is established to correct the flaws and inefficiencies of the traditional public administration, attributable (supposedly or with certainty) to its over-regulatory, hierarchical, self-contained arrangement. The step forward is therefore the New Public Governance (NPG), introduced to correct the conceptual assumptions and practical flaws of NPM, which was just "a transitory stage in the evolution from traditional Public Administration to what is here called The New Public Governance" (p. 1). This linear and sequential interpretation of public administration history, divided in three stages, must be discussed, as well as to rebuff the too critical judgments made against the NPM throughout some papers in the book, in addition to the idea that the NPG is the last link in the evolution of public administration or of the public policy-making process and public services delivery.

My main criticism centers exactly on the tendency to reduce the NPG to a public administrative arrangement, process or theory or to a particular governing activity, labeled as "public policy implementation and public services de-

livery" (p. 5), while governance is actually about steering and ruling the society and, as a result, about running public agencies, organizations, programs and services. Governance implies public policies and services as particular governing actions and instruments to deal with specific social demands and circumstances, but is not equal to public policy implementation or public service delivery.

Governance refers to the fundamental social steering decision-making through which government and society, within the state's institutional framework, set up society's purposes —aims, priorities, futures, goals, critical issues to solve, challenges and threats to confront, opportunities to exploit or build...— and define the specific relationships to be established between government, private and social actors in order to achieve the social goals, as well as the proper activities required for such ends. These ground steering decisions determine and frame the specific public policies and services to be designed and implemented in order to address specific social problems and deal with particular social demands and contingencies.

For these reasons, I consider debatable such a limited view of governance, meaning just a "public policy implementation and public services delivery", a "policy regime", a "policy and implementation regime", which leads to state that the NPG, the NPM and PA are three different policy and implementation regimes: "a tripar-

tite regime model." If it is questionable to reduce NPG to a "public policy implementation and public services delivery" (p. 5) or to "the dominant regime of public policy implementation and public services delivery" (p. 414), it is also inconsistent to use a second concept, "policy regime", to denote the NPG concept, even if the distinctive characteristics of such a new regime were defined. If governance is only a policy regime it loses its conceptual distinctiveness and validity, and its wording will be minimized to a synonym. Policy regime should be better understood both as a particular setting and outcome of the over-arching socio-political governance steering decisions. Simply phrased, NPG refers primarily to the socio-political dimension rather than to the administrative or managerial or policy dimension of governing, bearing in mind that the policy and delivery dimension is an essential component and instrument of NPG when implementing specific decisions to comply with public responsibilities in distinct social situations

To assert in addition that public governance "can itself be broken down into five distinct strands: socio-political governance, public policy governance, administrative governance, contract governance, network governance", does not contribute to improve the discussion, since such a division leads eventually to some misunderstanding, despite Prof. Osborne's intention to recapitulate the different Anglo-American

schools of thought on the NPG. In fact, one idea is the social-political governance (Kooiman), an idea of interactive, relational, by partnerships and networks governance, that refer to the core of the NPG concept, highlighting the distinct nature of its way of ruling and steering society, and another idea is to relate the specific subjects or activities of NPG as public policy governance, public administration governance, contract governance.

On the other hand, Osborne makes a relevant and acute observation in regards to NPG that "posits both a *plural state*, where multiple interdependent actors contribute to the delivery of public services, and a *pluralist state*, where multiple processes inform the policy making system... As a consequence of these two forms of plurality, its focus is very much upon inter-organizational relationships..." Correspondingly, "the NPG is thus both a product of and response to the increasingly complex, plural and fragmented nature of public policy implementation and service delivery in the twenty-first century" (p. 9). Acknowledging the plurality and the interdependence of actors, including the governmental actor, as a main feature of today's society, has multiple implications, as it leads to ascertain that the relationships between organizations (public, private, social) are essential to achieve their own goals and to recognize that a single actor (public or private) is insufficient by itself to reach them, and hence to admit the complexity of the social

system, the political regime and of public problems, which are multi-dimensional, multifactorial, multi-stakeholder, multilevel, and multi-national too. At its core, it means accepting that we are living under a new social order and that a novel governance process, "a new socio-political interactive governance", is demanded, and possibly a "network governance" as well.

Finally, as accurately pointed out by Prof. Osborne, the policy implementation and new service delivery regime will be interorganizational, networked, open to the social environment, involving public service users as co-producers, precisely because NPG, the ultimate political and institutional framework of policies and services, plays out in an interactive and inter-relational mode, in line with the nature of "a plural and pluralist state", portrayed correctly by Osborne.

In this regard, I consider Kooiman's sociopolitical governance definition to be appropriate, fundamental, and precise as well: "all those interactive arrangements, in which public as well as private actors participate, aimed at solving societal problems or creating social opportunities, and attending to the institutions within which these governing activities take place" and I back Rhodes' definition, which considers that such interactions set up "self-organizing interorganizational networks" or assumes at least their existence and relevance. The sociopolitical approach, based on a social change theory, leads to infer that

the government has ceased to be a self-sufficient and independent actor in setting and achieving by itself all the most important social aims and goals, reason for which it sets in place several forms of concerted partnerships with social actors to attain supplementary capabilities, resources and support.

Of much interest is Kooiman's article on *Governance and Governability*, which on one part summarizes his earlier ideas (orders, elements, modes of governance) and, on the other part, puts forward the still open question of whether and how does the governance process contribute to assure the governability of society, partly because NPG'S decisions cannot be taken for granted to guarantee a successful steering of society. To tackle the question Kooiman introduces three clear and simple distinctions: "a system-to-be-governed, a governing system and the interactions between two" (p. 72). Specifically, "governability from the point of view of the Governing System is the capacity to bring about, organize and carry out governance activities in the face of societal and natural diversity, complexity and dynamics" (p. 78). Such capabilities are determined by three types of interaction between government and society: "participatory, collaborative and policy or management interactions", which are renamed as "interferences, interplays and interventions."

The interactions between government and society taking place

in a specific social system or when dealing with a specific public issue takes the form of "self — co — and hierarchical governance", the three fundamental types of public governance, which are in the end the main sources of the governability of a specific society or of a specific social issue. The problem is on the table, but the answer requires to be reworked as it is still too generic and broad. A relevant intellectual endeavor for the future should be to pinpoint the conditions or factors that make some types of governance more suitable and effective to guarantee the governability of some social systems, affairs and circumstances.

Peters' article on *Meta-governance* is welcomed because he also puts forward a new question. For many years it was spoken of governance without carefully thinking of the fact that the NPG, due to its interactive nature which involve multiple actors with varied ideas, interests, resources and degrees of power, faces two challenges that without a proper solution will make NPG an ineffective and socially questioned ruling process. The first challenge relates to the public nature of NPG decisions in a democratic regime, while the second relates on to how to manage the plurality of the different actors taking part in society's steering decision-making. In consequence, it is logical to ask how governance has to be governed in order to safeguard the public nature of decisions and to promote understandings and agreements

between participating actors in the decision-making process.

Peters correctly understands meta-governance as "the governance of governance" and particularly as "the process of steering devolved governance process", given that he posits such questioning in light of the effects of the NPM reforms which altered the structure and functioning of public sector in recent years, and allowed "to move governing out of the center of the conventional, politically driven public sector and to empower a range of actors, including senior public servants, lower-echelon public employees, and members of civil society" (p.36). Though not improper, it is debatable to frame the question of meta-governance referring only to the de-centered and even fragmented effects triggered by the NPM in the public sector and not referring further to the profound changes in present day society, which imply changes of society's relationships with the government and, hence, changes in the governance process and structure. By posing the question in such a way, the necessity of meta-governance is reduced "to provide direction to the administrative system, but to do so through mechanisms that maintain the virtues that have produced by delegated and devolved forms of governing, while providing central direction and control" (p. 37).

Although Peters sometimes hints towards a balance of autonomy and control in governing and in public organizations, his

main concern in the article is that NPM "reforms have created many political problems by reducing the levels of control that political leaders can exercise over public policies". Particularly he mentions four problems with largely negative consequences – decision-making, participation, coordination and accountability– and proposes meta-governance measures to solve them (performance management, strategic management, budget control and, more advanced measures as soft law, values, trust). In consequence, his meta-governance concept means "the need to reassert political controls over the devolved governance process". Prof. Peters' meta-governance concept seems limited, partly because he emphasizes political control and appears to consider no better way to govern the new governance than through government's control, but without clarifying that his concept is not similar to the command and control measures of the old governance or without advancing an alternative concept of political control. It looks as if "the transition from government to governance" hasn't taken place.

I would've personally favored a different path to address the meta-governance question and concept, pinpointing the constitutive elements of the dual dimensions of the NPG structure, the institutional and the cognitive dimensions, that are essential to guarantee the public nature and the social effectiveness of NPG decisions, as well

as identifying the proper management activities leading the actors involved in the interactive governance to reach key understandings on the content of decisions. From this perspective, control is just a piece of NPG meta-governance among other coordination mechanisms, some of which are detailed further by other authors in Parts II and IV of the book.

The article "Innovations in Governance", written by M. Moore and J. Hartley, needs to be read as a description of some of the innovations that NPG has introduced on traditional hierarchical governance, since the "five ways in which these innovations are different" relate to some essential characteristics of the NPG process. Perhaps it should be emphasized that NPG is the real innovation, while the five listed innovations work as distinctive attributes of NPG. I would rather say NPG is in essence an "innovation of governance, from which stem the "innovations in governance" an expression favored by the authors who focus more on innovation theory than on governance theory. Regardless of my opinion, the five innovations listed are basically: bursting the boundary of organizations, creating network-based production systems; tapping new pools of financing, material resources and human energy; exploiting government's capacity to convene, exhort, and redefine private rights and responsibilities; redistributing the right to define and judge the value of what is being produced; evaluating the innovations in terms

of justice, fairness and community-building as well as of efficiency and effectiveness. Of value and relevance is the shift, within the study of public sector innovation, from the public administration field, devoted to study of change in norms, ways of organization, processes and products, towards the governance field, the defining framework of public administration.

Part II of the book, *Governance and interorganizational partnerships to deliver public services*, offers strong conceptual contributions of heuristic and practical value, even though public-private partnerships go beyond public services delivery, as exemplified by the articles on "Theory of Organizational Partnerships" (Mcquaid, Greve, Hodge), "Theory of Collaborative Advantage" (Vangen and Huxham), "Relational Governance" (Osborne, Mclaughlin, Chew), all of which I consider to be highly relevant in introducing new and polished elements to improve NPG as a concept and its governing process as well.

Some elements stand out: the three forms of partnership work ("facilitating, coordinating, and implementing partnerships"); the key success factors in partnership working (strategic focus and leadership, the importance of trust, capacity for cooperation and mutualism, organizational complementarity, "symbiotic interdependence"); the PPP, public-private partnerships, definition as "cooperation of some sort of durability between public and private actors in which

they jointly develop products and services and share risks, costs and resources which are connected with these products" (p. 150); the PPP challenges: the complexity (of issues, deals, contracts), the number of roles government adopts in PPP relationships, the fact that PPP is one option to choose among other NPG alternatives, the management of the agenda of private and public partners, the long-term contract ("incomplete contracts" problem) and, finally, to stress that the essential democratic aspects of PPP (participation, transparency, accountability, control) have not been institutionally resolved.

An important chapter is "Theory of Collaborative Advantage", a key contemporary issue, as well as the considerations on "Relational Capital — the heart of relationship governance", that point out the importance of Trust and Trust management, also developed by E. H. Klijn, a specialist in the field, in his article "Trust in governance networks", which puts forward the essential components of an analytical frame on the value of trust for the functioning and performing of governance networks, marking that "trust reduces transaction costs, facilitates cooperation and stability in network relations, stimulates learning, knowledge exchange, innovation" (p. 313).

I regret not reviewing other valuable articles in the book, like those making reference to contract management and the key role of the Third-Sector in NPG. Many articles of the book take us

to another level of knowledge and debate on the New Public Governance and its practical implications. The book is an obligatory reading for researchers and public interested on the vital topic of the proper and effective way to govern present day society, which is more global, plural, independent, interdependent, and possessing an advanced financial, productive, intellectual and social capital, despite the pressing challenges of poverty and inequality.