

# Traditional Governance, Citizen Engagement, and Local Public Goods: Evidence from Mexico

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**Summary.** — We study the governance of public good provision in poor communities in Oaxaca, Mexico. We estimate the effect of *usos y costumbres*—a form of participatory democracy prevalent in indigenous communities—on the provision of local public goods. Because governance is endogenous, we address selection effects by matching on municipal characteristics and long-term settlement patterns. Using a first-differences design we show that these municipalities increase access to electricity, sewerage, and education faster than communities ruled by political parties. We also show they are places of vibrant political participation, not authoritarian enclaves protecting the political monopoly of local bosses.  
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## 1. INTRODUCTION

The goal of this paper is to assess the effects of traditional governance on local public good provision. We ask whether poor indigenous communities are better off by choosing to govern themselves through “traditional” customary law and participatory democracy, versus delegating decisions concerning the provision of public goods to “modern” forms of representative government, structured through political parties. This is a crucial question for developing countries seeking to enhance accountability, and a central problem in the theory of participatory democracy.

Our research design takes advantage of an important institutional innovation in the state of Oaxaca, Mexico, that in 1995 allowed indigenous communities to choose their forms of governance. The reform gave full legal standing to a form of traditional indigenous governance called *usos y costumbres* (*usos* hereafter), which entails electing individuals to leadership positions through customary law in non-partisan elections, making decisions through participatory democracy, and monitoring compliance through a parallel (and often informal) system of law enforcement and community justice. If they did not choose *usos*, municipalities could opt instead for party governance, which entails the selection of municipal authorities through electoral competition among political parties and the adjudication of conflicts only through the formal institutional channels, namely the state and federal judiciary.

This constitutional change provides a unique opportunity to understand the effects of giving full legal status to local participatory democracy vis-à-vis representative democracy through political parties in a developing country setting. After the reform municipalities in Oaxaca differed by their type of governance, but still retained the same formal municipal

institutions. That is, the structure of municipal government (e.g. having a municipal president holding executive functions), the legal provisions of municipal authority (e.g. being responsible for water, sewerage, and other public services), and the fiscal relationship with the state and the federal governments (e.g. receiving revenue sharing and compensatory development funds) remained the same across the state. Most studies of governance are fraught with the difficulty of isolating the effects of governance from more structural differences in institutional and political context. We are hence able to study governance through observational data, instead of relying on field experiments or other strategies of identification that, while enlightening about the mechanisms of accountability, often have very limited external validity beyond the context where they were implemented.

Mexico underwent a gradual process of democratization during the 1990s which culminated with the defeat of the hegemonic Partido Revolucionario Institucional (PRI) in the 2000 presidential elections. In the state of Oaxaca the transition to democracy, understood as alternation in

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political power at the governor's office, was delayed for almost a decade, until the arrival of a non-PRI governor in 2010. There is a lively debate as to whether the constitutional recognition of traditional forms of governance had a positive effect on electoral accountability or may have reinforced the entrenchment of local bosses. We take advantage of the federal structure of electoral processes, which ensures that even when a municipality opts for non-partisan *usos* as a form of local governance, federal and state level electoral processes remain in place, to test whether traditional governance limited the functioning of political party competition.

Before 1995 all municipalities in Oaxaca were formally governed by political parties. However, most municipalities informally incorporated traditional elements of governance. Such practices were not legally sanctioned or protected by the state constitution or the courts. After the constitutional reform municipalities had to choose whether to maintain a party-based system of governance, or to exclude political parties and switch to *usos*. Our research design addresses a concern with selection bias, by creating treatment and control groups matching on observables through a propensity score. We estimate the average treatment effects on the treated (ATT) of governance on public good provision measured in first differences, in order to attenuate concerns of omitted variable bias. Namely, we do not try to explain the absolute levels of public good provision across municipalities, but rather the change in provision before and after the 1995 reforms. Unobservable variables remaining fixed across the two time periods would not affect the estimation of the causal effects of governance on changes in public good provision.

Our results show that electricity provision increased faster in those municipalities governed by *usos*. They also suggest that traditional governance may improve the provision of education and sewerage. With respect to citizen engagement and elite capture, contrary to existing scholarly work, we find no evidence of entrenchment of local bosses (*caciques*) associated with the former ruling party, the Institutional Revolutionary party (PRI) in places ruled by *usos*. Our findings suggest that traditional participatory forms of governance do not handicap democratic development. Furthermore, municipalities governed by *usos* are more likely to hold open council meetings allowing citizens to participate in decision-making processes. We attribute better public goods coverage to differences in local governance and collective decision-making practices.

We suggest three specific channels through which traditional governance affects local public good provision: the social embeddedness of municipal presidents, broader civic engagement in collective-decision making, and credible social sanctions. We argue that traditional governance practices (which include in our setting decision-making through direct participatory practices, the obligation to provide services for the community, and the establishment of a parallel system of justice), allow poor communities to better hold their political leaders accountable, prevent elite capture, and monitor and sanction non-cooperative behavior.

This paper is structured as follows. The next section introduces the scope and limitations of existing hypotheses on the effects of local governance on the provision of public goods. The third section presents a typology of traditional and party-based governance systems in Mexico. We then describe our data and elaborate on the methodology used to create the counterfactuals to assess the effects of governance. The last section discusses our results and concludes.

## 2. TRADITIONAL GOVERNANCE

Understanding the effects of traditional governance on public good provision is important both from a theoretical and policy perspectives. As noted by Besley (2006), a general shortcoming in development research is that we know far less about local public good provision than about policy interventions aimed at income support, even though the former have equally important effects on well-being. Well-being hinges not just on individual income, but on access to public goods and services such as potable water, sewerage, electricity, schools, and health clinics. Furthermore, a better understanding of governance and public good provision in highly marginalized villages brings us closer to addressing crucial issues about poverty and improvements in material well-being.

The provision of public goods and its relationship to governance has received increased attention by the academic and policy communities. The most influential hypothesis in the last few years has been one associated with Alesina, Baqir, and Easterly (1999), which proposes that greater social heterogeneity—as measured through an index of ethnolinguistic fractionalization (ELF)—makes it harder for communities to provide public goods. Such failure is attributed to increases in the cost for groups to engage in collective action when the marginal utility of a public good differs across sub-groups. In Alesina *et al.* preference heterogeneity is driven by ethnic fractionalization. Studies finding evidence of the impact of social heterogeneity in public good provision across nations and within countries include Alesina and La Ferrara (2000), Khwaja (2009), Miguel (2004), Miguel and Gugerty (2005), Dayton-Johnson (2000), and Baqir (2002).

The most recent research agenda on the role of ethnic diversity and public good provision moves away from cross-sectional variation to a focus in local experimental settings, in which scholars have tried to understand the conditions under which communities are more able to create networks of trust. Habyarimana, Humphreys, Posner, and Weinstein (2007) in particular, performed experiments in Kampala, Uganda, testing the willingness of co-ethnics and nonco-ethnics to cooperate. Their results show that co-ethnics cooperate more, and they attribute this finding to the existence of denser ethnic-based institutions that allow for monitoring and sanctioning of non-cooperative behavior. Confirming older psychological findings, recent economic experiments also show a higher level of pro-social behavior within ethnic groups than between groups (Bernhard, Fischbacher, & Fehr, 2006; Glaeser, Laibson, Scheinkman, & Soutter, 2000).

While in this literature social (or group) structures are the main explanation of failures in public service provision, another alternative is to consider shortcomings in public administration. There is a long tradition of research, especially among political scientists, which has seen public good provision through the lens of state capacity (Kohli, 2001). The general thrust of that literature has been to suggest that failures in the provision of public goods reflect underlying problems arising from weak states that are incapable of taxing, running a bureaucracy, or in general, fulfilling basic public functions. However, when it comes to unpacking state capacity—its elements, causes, and consequences—the literature remains quite underdeveloped.<sup>1</sup>

Policy makers have increasingly paid more attention to local power structures and corruption as explanations for the difficulties governments face in providing public goods and services.<sup>2</sup> In a particularly poignant example, Reinikka and Svensson (2004) measured an astounding leakage of 87% in a program in Uganda meant to provide grants to schools for

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