

OECD – World Bank Seminar

Democratic Governance in Mexico: A Latin American Perspective

Comments by

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ORGANISATION FOR ECONOMIC
CO-OPERATION AND DEVELOPMENT



Overview

1 Is Mexico different?

2 Fiscal policy and legitimacy in Latin America

3 Conclusions and policy lessons

Democratic Governance in Mexico

- A very Hirshmanian exercise in “trespassing”.
- A welcome focus on legislative processes and the *implementation* of reforms

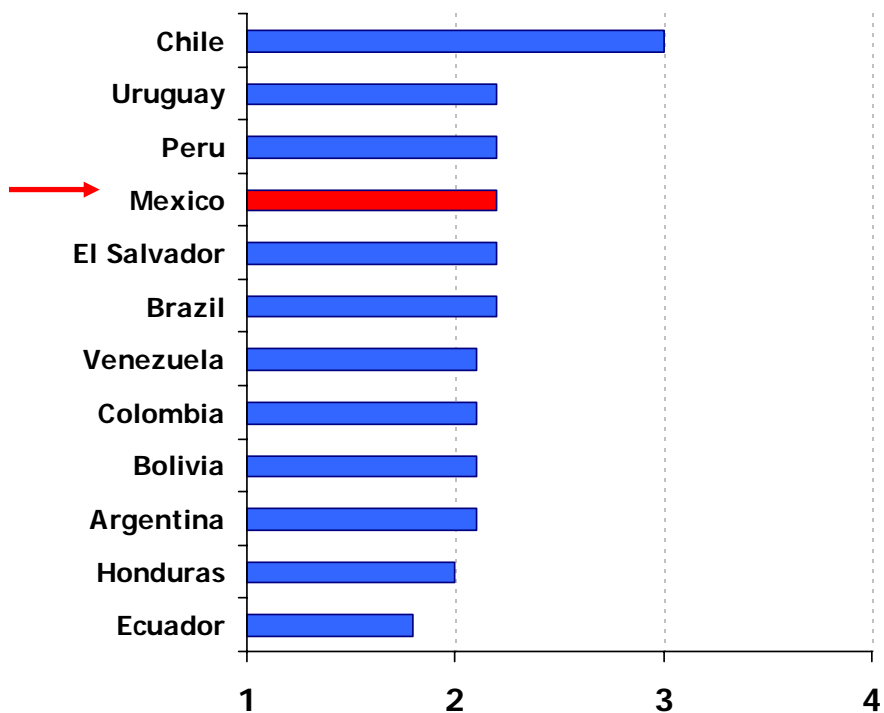
*“In a nutshell, many of the distortions observed in Mexico’s policy sectors result from the role of special interests in capturing the policy-making apparatus.”
(page 1)*

- Mexico suffers from “interest group” politics, but so do many other Latin American countries.

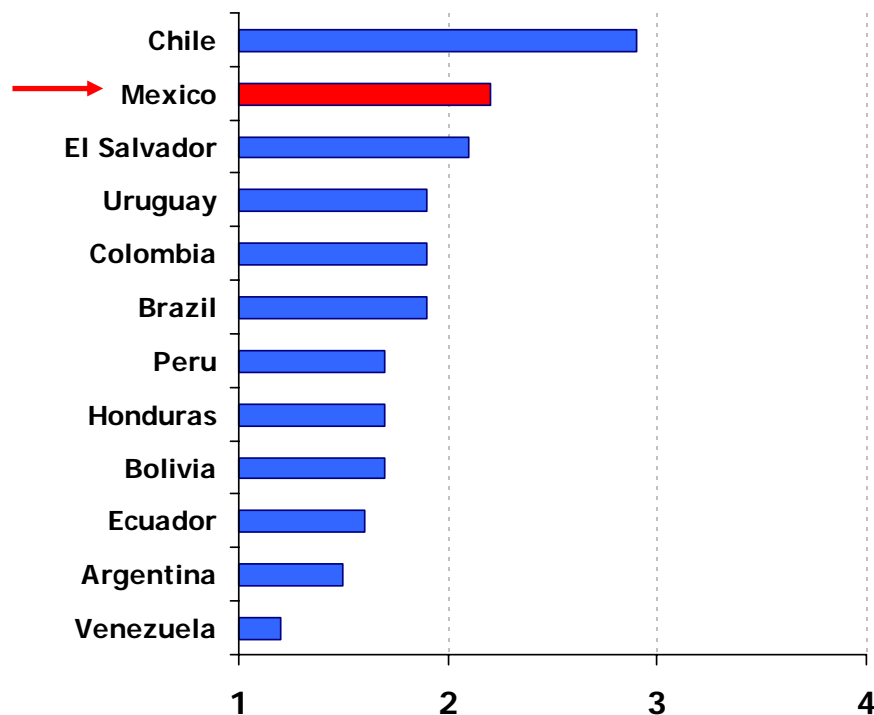
Is Mexico different?

Institutional anchoring: A key driver of possibilism

Public Regardness Index



Efficiency Index



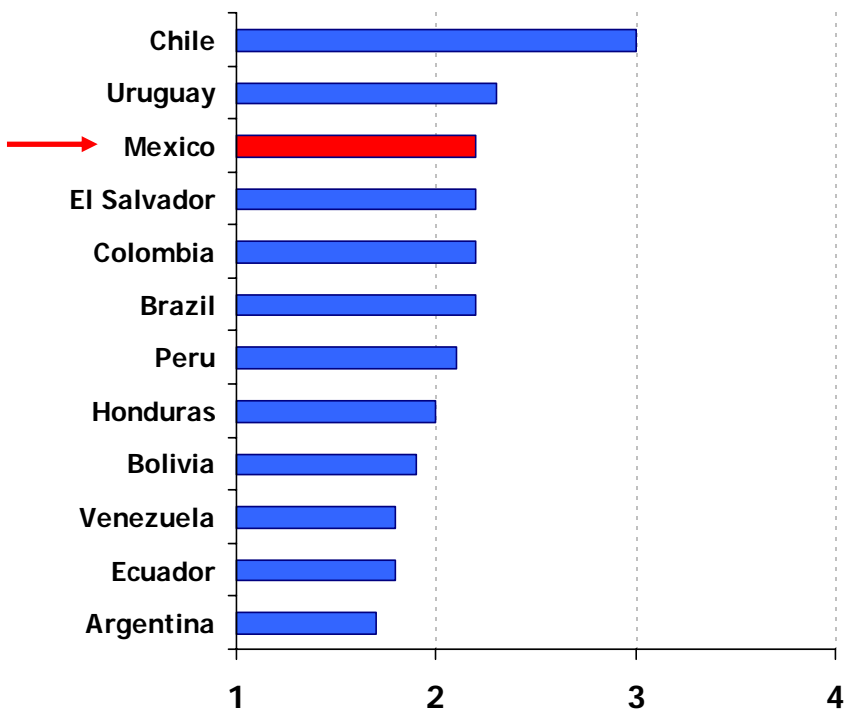
Source: Mariano Tomassi. "The Institutional Foundations of Public Policy". Journal of the Latin American Economic Association. Spring 2006.

Note: Based on expert and enterprise surveys

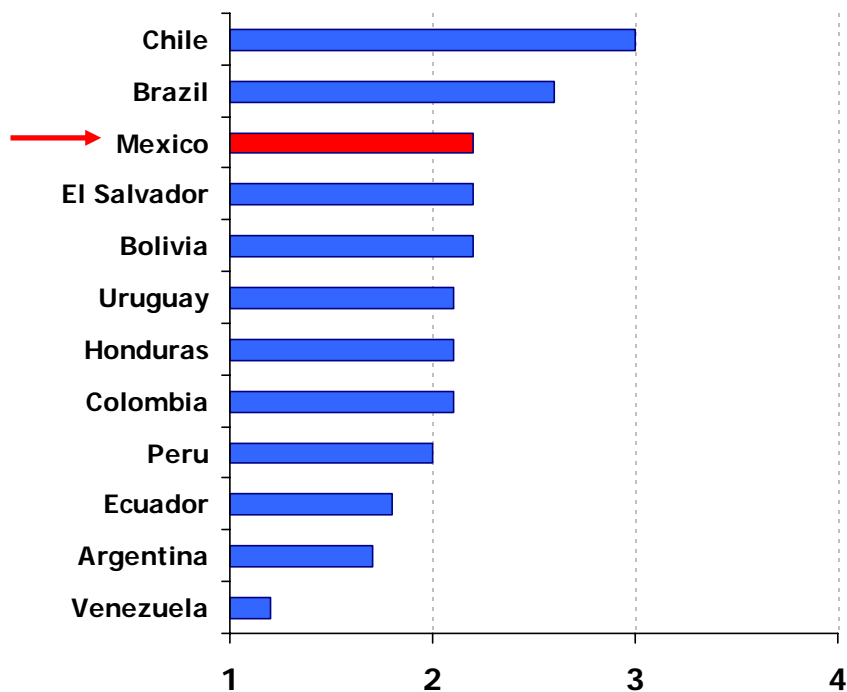
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Enforcement and Implementation



Coordination and Coherence



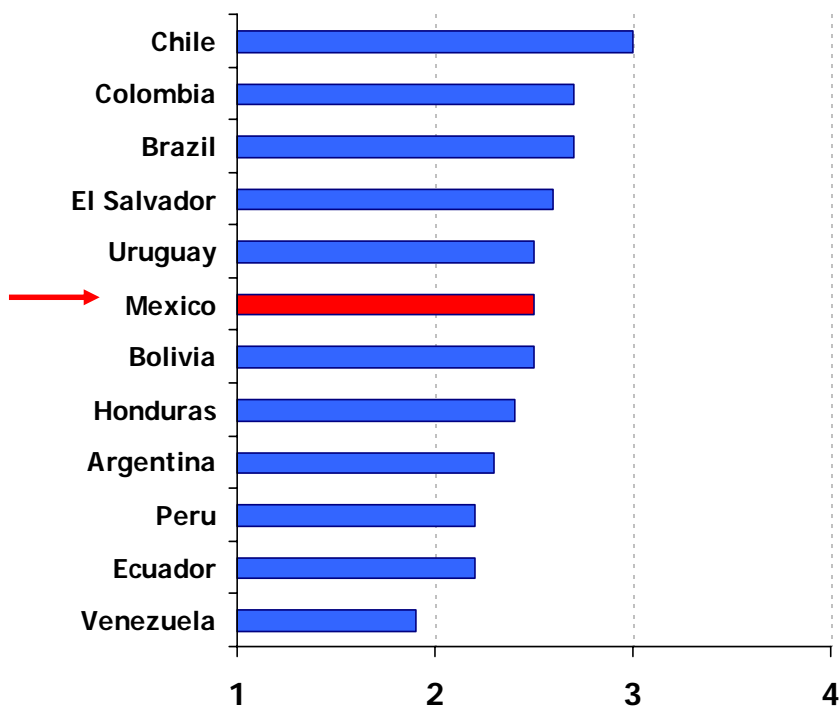
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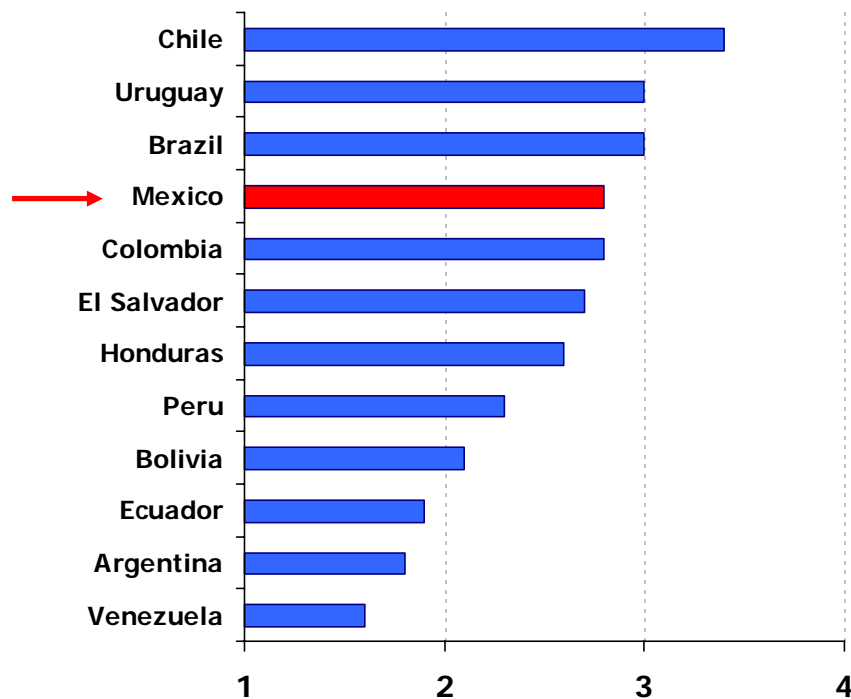
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Stability Index



Adaptability Index

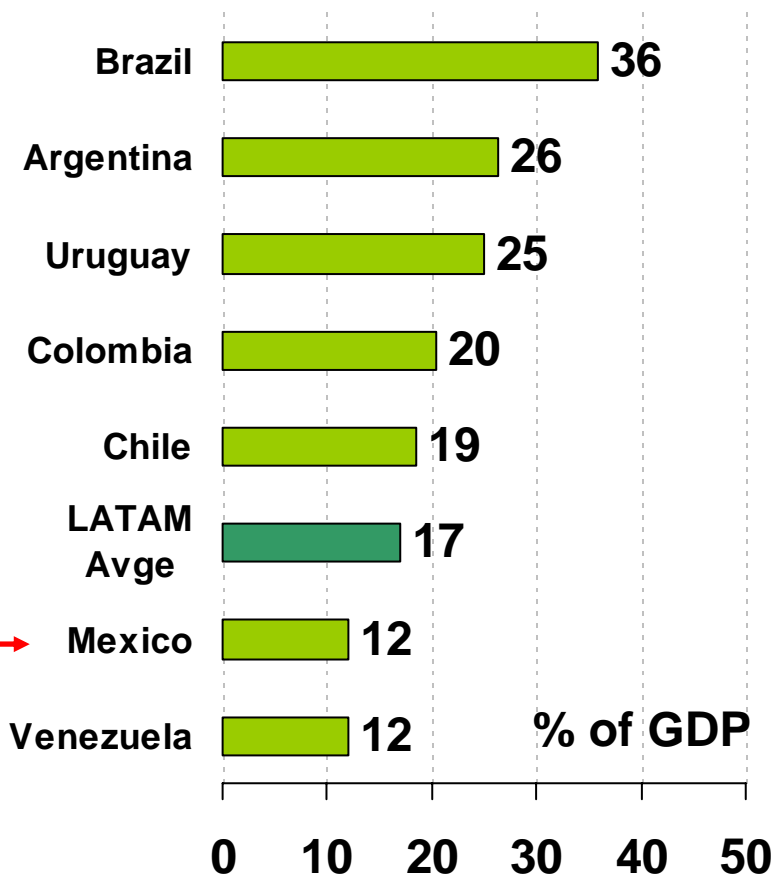


Source: Mariano Tomassi. "The Institutional Foundations of Public Policy". Journal of the Latin American Economic Association. Spring 2006.

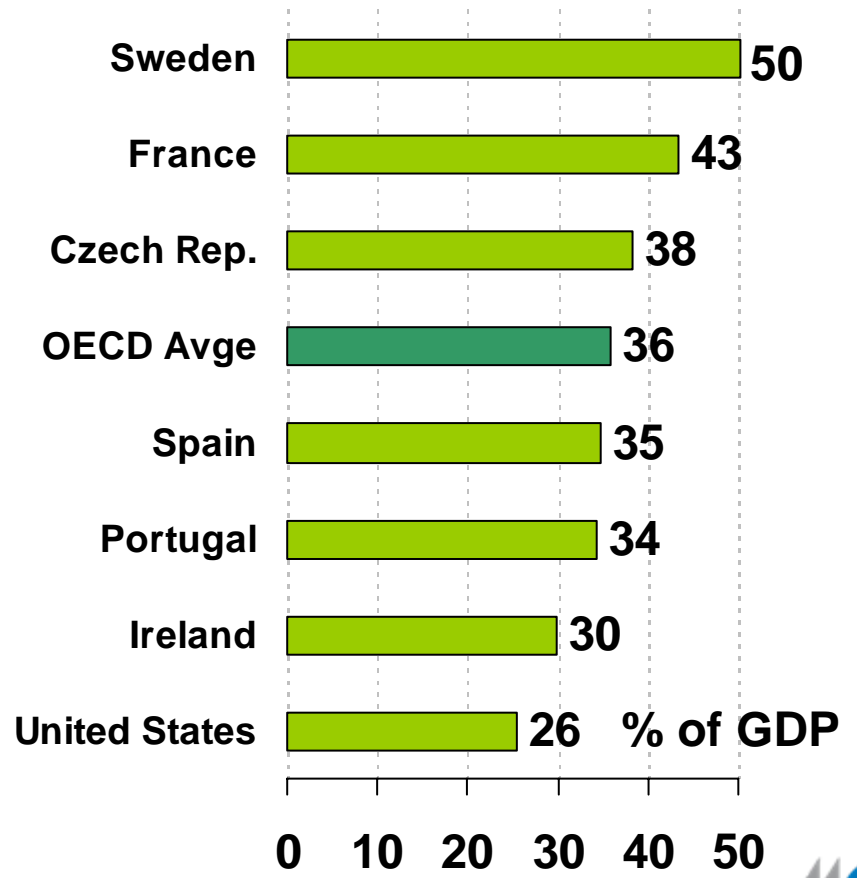
Note: Based on experts and enterprise surveys

The difference is in fiscal policy, revenue generation

Tax revenue in Latin America



Tax revenue in OECD



Source: OECD Latin American Economic Outlook (forthcoming) based on ECLAC and OECD Revenue statistics databases (2007)

Note: data are for (2004) and include social security contributions

Overview

1 Is Mexico different?

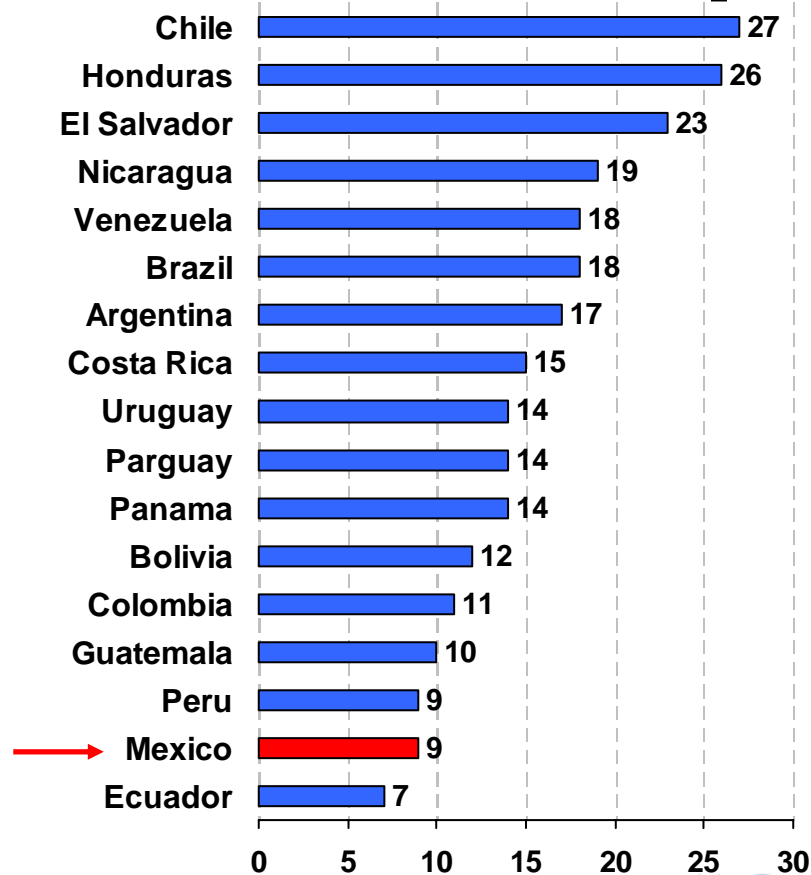
2 Fiscal policy and legitimacy in Latin America

3 Conclusions and policy lessons

Latin America suffers from low fiscal legitimacy

- **Fiscal legitimacy** is the **confidence** people place in fiscal policy
 - Citizens' satisfaction with the government's job
- Latin American countries, and Mexico in particular, suffer from **low** fiscal legitimacy
- Fiscal legitimacy matters for democratic governance and fiscal performance

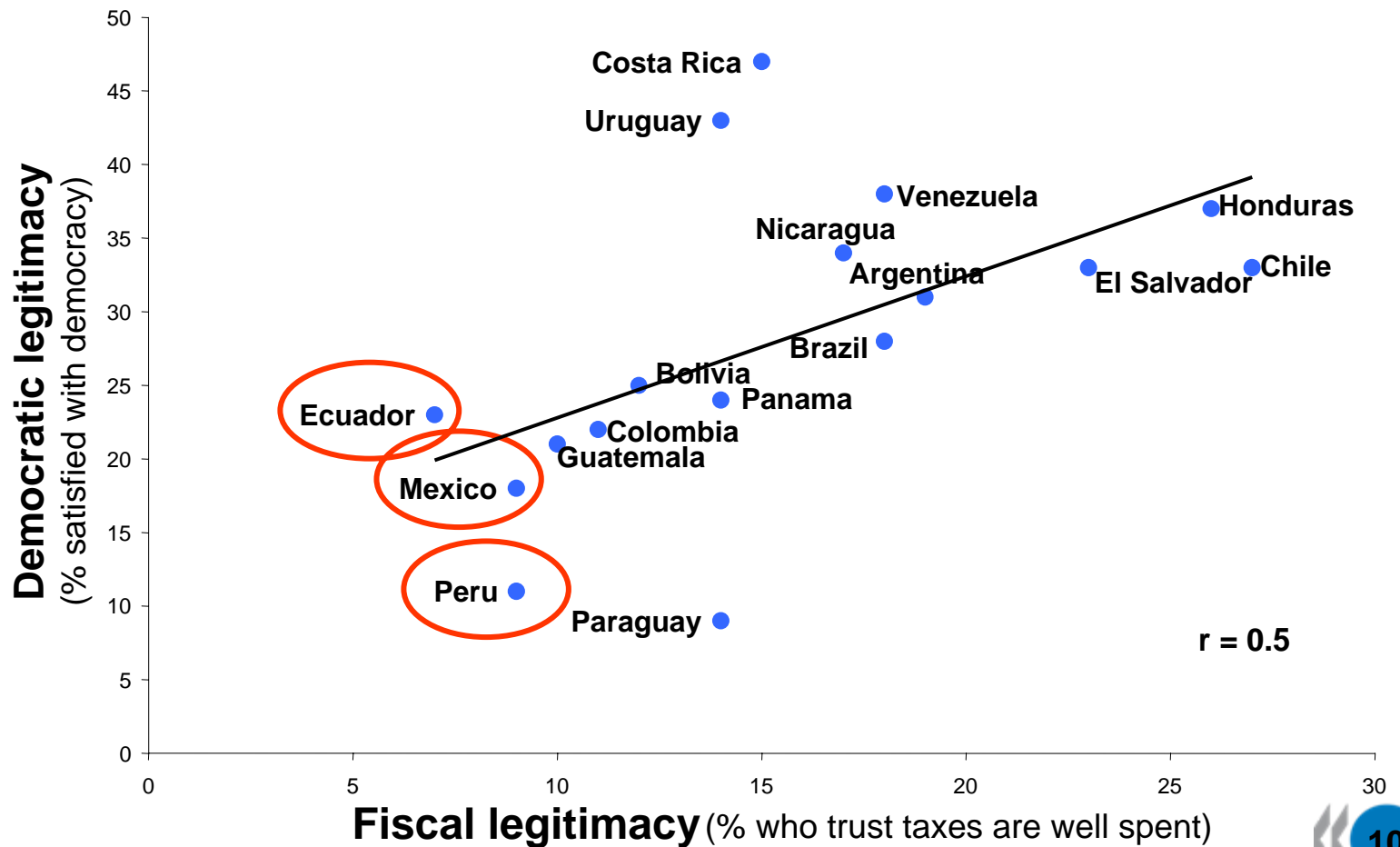
% of respondents who trust tax revenue is well spent



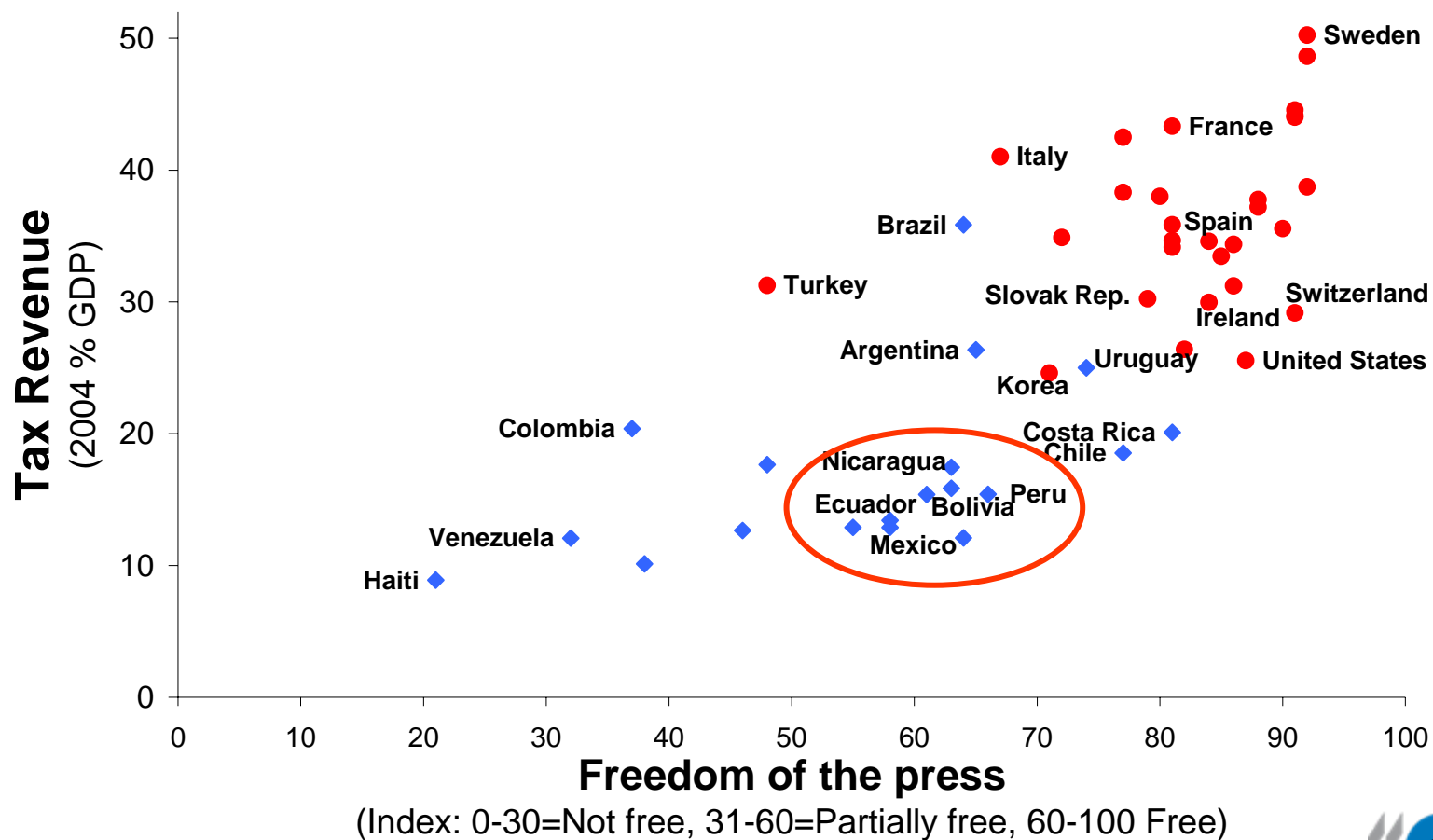
Source: OECD Latin American Economic Outlook (forthcoming) based on Latinobarómetro (2003)

Note: index based is based on citizens survey

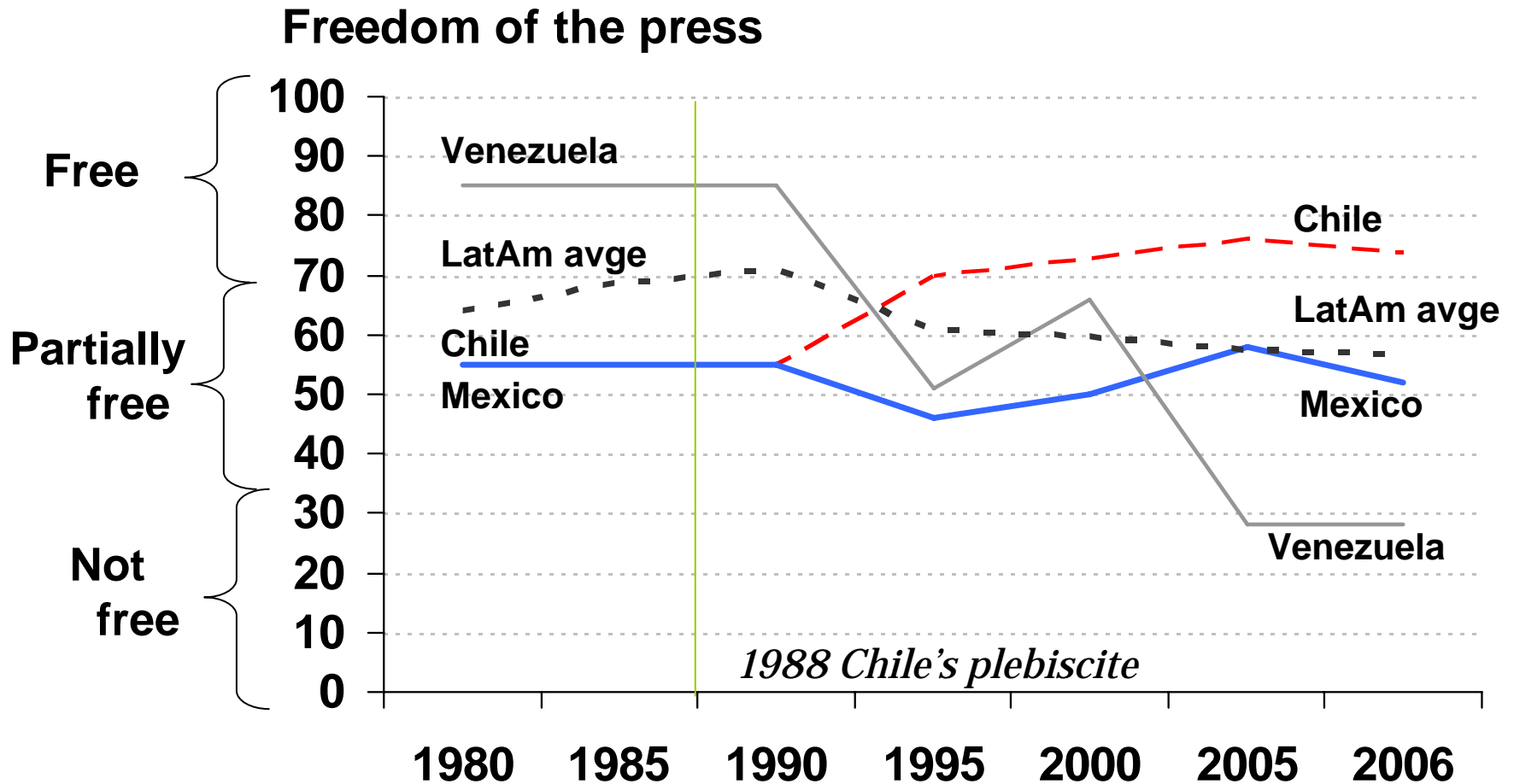
Fiscal legitimacy enhances democratic governance



Press freedom boosts fiscal accountability



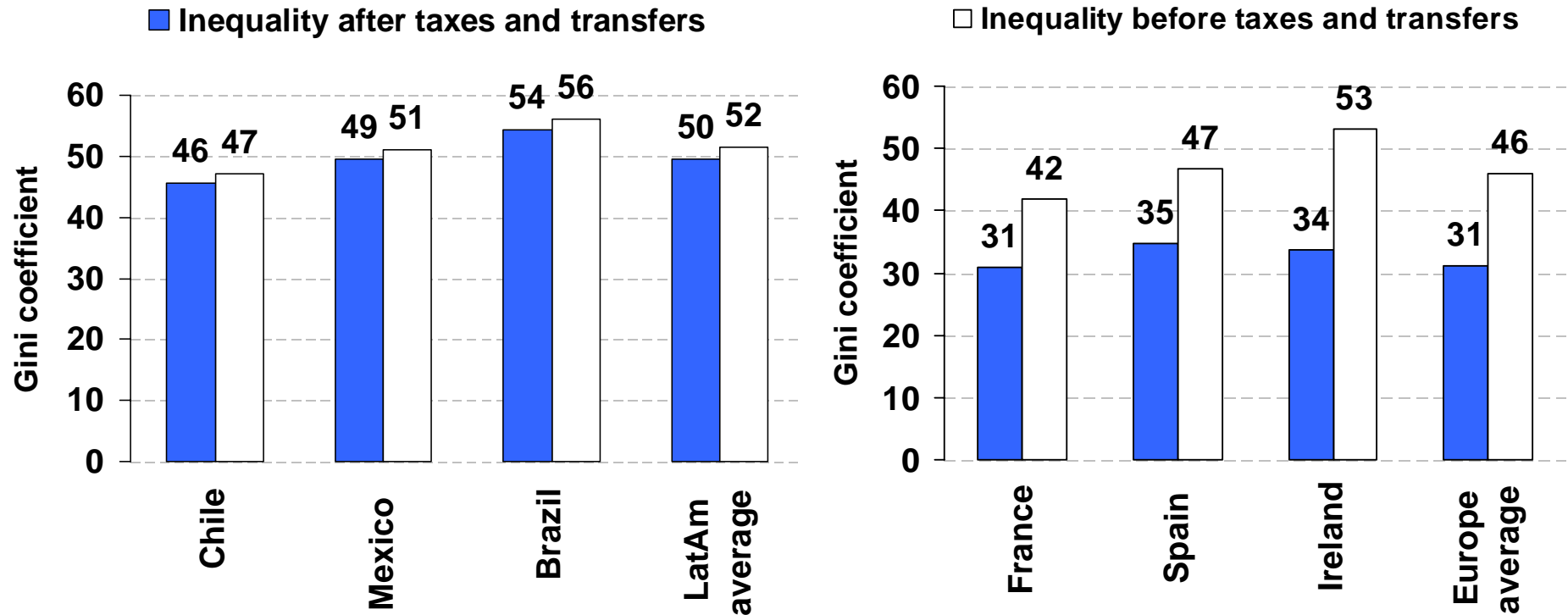
A political transition but not in the media...



1988 Chile's plebiscite

Why is fiscal legitimacy low in Latin America?

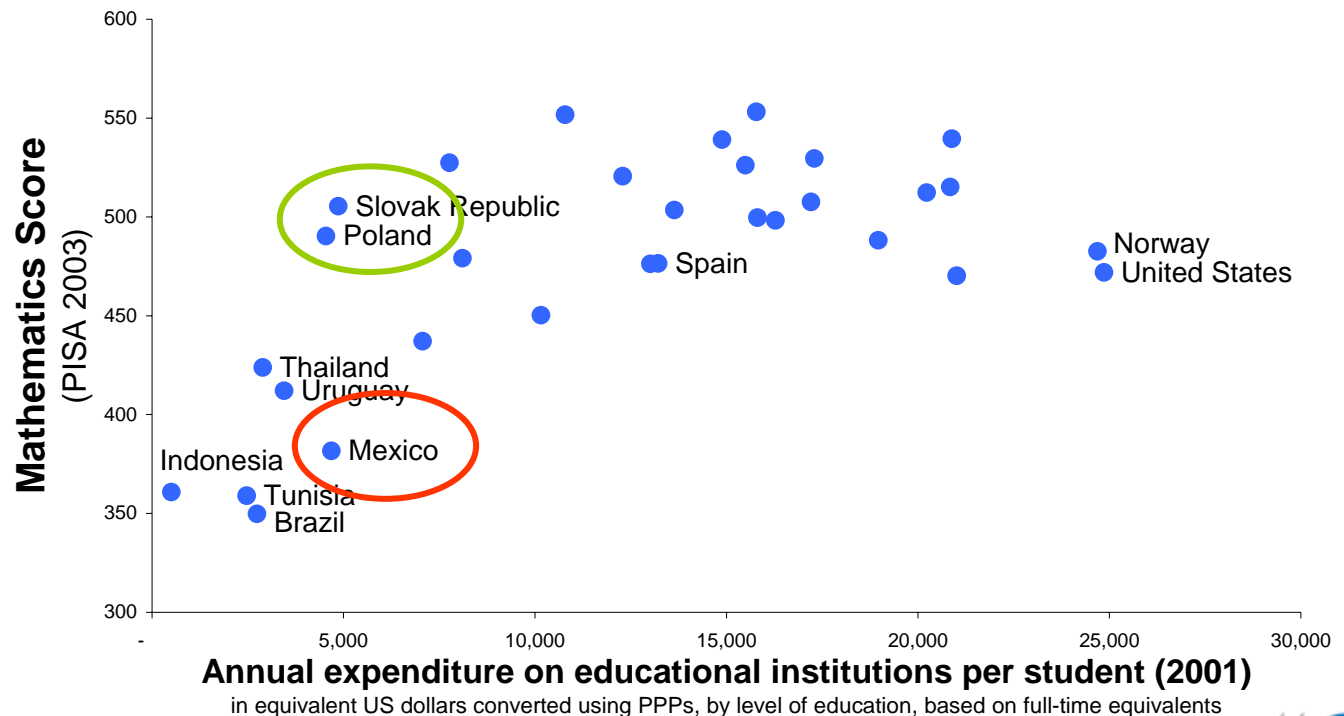
Unlike Europe, in Latin America taxes and transfers play no redistributive role



Why is fiscal legitimacy low in Latin America?

Poor quality of fiscal policy: Low quality public spending

Education Expenditures and Performance



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How can Latin America improve on fiscal legitimacy?

1. Implementation is key

- Less is more?
- Brazil and Mexico: It is not only a question of quantity
- 1990s reform focused on technical issues but failed to get implemented because it became entangled in politics

2. Enhance checks and balances

- More and more effective
- More attention to media and think-tanks (Ulysses and the Sirens)
- Peer review mechanism around LEO and Tax Centre

3. Corporate governance: The case of Pemex

- The OECD corporate governance roundtable

Thank you!

Presentation based on:

**The forthcoming
“OECD Latin American Economic Outlook”**

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<http://www.oecd.org/dev/leo>