Abstract: While attempts to strengthen the budgeting abilities of the Congress are ongoing, it is impossible to predict with certainty what will be the results of these efforts. It is realistic to expect that over time the Congress will become an effective check on the executive’s budgetary plans and management. How quickly and in what manner this might occur is partially dependent on the choices made to enhance the capacity of the Congress. The most important choices are about the timing of budgetary decisions; the mechanisms for making the executive accountable for fiscal management; the expansion of budgetary expertise in the Congress; and the internal coordination of budgetary decisions.

For the past sixty years, Mexico’s political institutions have been extremely stable when compared to other Latin American countries. Events since 1968 have substantially eroded that stability, and the events of the past three years suggest that one-party Presidentialism is over for good. It seems reasonable to assume that the future institutional structure of Mexico will include effective multiparty competition, some decentralization of authority to states and localities, and more power-sharing with the judiciary and the legislature at the national level.

This paper focuses on the sharing of budgetary powers with the legislature. The Constitution gives the Chamber of Deputies the responsibility of passing the budget, yet until recently this authority has been unimportant in practice. The legislature served to “legitimate” executive proposals (budgetary and otherwise) rather than to deliberate on their merits; critics
would characterize the results as “blind approvals” or “rubber stamps.” This greatly complicates my task—for when political institutions have little influence, they receive little academic attention. It’s no wonder that in his bibliographic essay on Mexican politics, Camp states, “The branches of government and their relationship to the policymaking process have been neglected completely in the literature. . .” (1996, p. 243).¹

THE DISTINCTIVE PROBLEM FACED BY MEXICO

Where is one to look for guidance in such a situation? Perhaps to other countries, and especially to those that have faced similar situations. Consider the United States in 1974, when there were:

- accusations of an dominating presidency;
- widely-reported scandals that reduced public trust in political authorities;
- a major gain in legislative seats for the party in opposition to the President;
- difficult economic conditions; and

  a desire for fiscal discipline, but a practice of Congressional indiscipline.

These conditions all increased legislative aspirations for better budgeting, and led to passage of the Congressional Budget Act of 1974. Since then, numerous countries—including Russia, believe it or not--have borrowed aspects of United States budget law and legislative procedures.

While the arguments in this paper are informed by experience with the past two decades of United States Congressional budgeting, and while current conditions in Mexico do bear some

¹ Readers should be aware that I am not fluent in Spanish, so I consulted only sources published in English. I would be glad to receive any comments or criticisms on the arguments made in the paper, and in particular, suggestions for relevant sources of information not referenced below.
resemblance to those in the United States of 1974, I would be the last to argue that the Mexican Congress should duplicate the United States Congress’s budget process. Robert Pastor has observed that the legacy of United States interventions in Mexico is a tendency to suspect that any remarks from the United States on Mexican politics are conspiratorial attempts to destabilize Mexico (Pastor and Castañeda, 1988, p. 7). Given the decades of difficult budgetary policy-making in United States, you should be suspicious about any recommendations to copy the United States.

But there is another and more important reason to question institutional importation. The reality is that legislatures are not designed, with the important exception of their constitutional fundamentals. Instead, legislatures evolve organically as many contending forces in society seek to change legislative powers, resources, internal structures, and decision procedures.  

The diversity of Mexican society ensures that its legislature’s development will be politically chaotic, and scientifically chaotic as well—that is, there are too many interactions between too many variables to allow any respectable social scientist to predict with confidence how the Congress will behave. An especially important reason is that now that the Congress is making budgetary decisions, existing party groupings are much more subject to disruption, but how they might recombine depends on a melange of policy results, leadership, and other factors. For that reason alone, it is impossible to know how increased Congressional power will change budgetary policy. The current policies of fiscal discipline and neoliberal economics could be placed at risk, but that is not a given. It is also possible that legislative changes to regional and

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While Mexico’s situation is distinctive, interesting parallels may be found in the Turkish legislature. See Turan, 1994.
human capital investments will lead to greater economic growth, reductions in inequality, and a new form of political stability, but again, nothing is certain.\(^3\)

The only certainty is that the Congress will need time to become a truly effective budgetary institution. The current situation suggests the existence of a political vacuum—with the implication that Congressional budget powers will quickly fill it—but other conditions suggest the opposite. Despite the benefits of economic diversification and growth, the country is still substantially exposed to macroeconomic fluctuations, and the executive is inherently more capable of quick responses to unexpected challenges. Fiscal bureaucrats have had tremendous responsibility and power—the country’s last three presidents did not come from the legislative budget committee—and they can be skeptical of Congressional expertise and motives even in countries with powerful legislatures. And though executives can become distanced from public opinion, they also have substantial opinion-forming and bargaining advantages over legislatures.\(^4\)

Looking at the Mexican political system as a whole, a strong Congress would challenge the semicorporatist system of negotiated accommodations. Negotiations are also important in influential legislatures, but usually in the context of a political system of pluralist activism. As I understand the current situation, some in Mexico expect that the exercise of legislative authority

\(^3\) As an alumnus of a budget agency, I’m tempted to suggest that the only guarantee about shifting from the current budget process is that one set of inefficient subsidies will be replaced by another, but perhaps that’s too cynical.

\(^4\) Since the United States President gave his State of the Union address this week, I feel compelled to note that Mexico’s approach of having a holiday for a similar presentation is not followed in the United States. Some of my first-year students complain vociferously about the preemption of prime-time television entertainment by the President’s State of the Union address. Despite this public reluctance to be informed, the President is still much more capable of setting the terms of budgetary debate than is the Congress.
will accelerate the development of such a system. This intended process is somewhat like the so-called “virtuous circle” of fiscal discipline, capital investments, and economic growth. An active Congress would change political recruitment patterns (the ambitious and skillful will more often consider legislative rather than bureaucratic careers) and invite more citizen participation in politics (because citizens believe their grievances will be taken more seriously). As growing social demands combine with an increased supply of political leadership, an irresistible pressure builds for fair voting and for lower levels of corruption. The Congress thus attains a high level of institutional legitimacy, and adopts desirable budgetary policies.

Just as it is easy to identify economic and social costs to “virtuous circle” fiscal policies, even proponents of the “pluralism-stimulating legislature” theory should recognize that it is extremely optimistic. In this paper, I will not go into all of the difficulties. After two decades of budgetary discussion in the Chamber of Deputies, and the crucible experience of disputatious budgetary enactments during the past three years, I’m confident that you know most of them much better than do I.5

Instead, I want to suggest some considerations that may help you think about how to proceed in your experiment with legislative budgeting. The rest of my talk will be divided into two parts. First, I will discuss which long-term aspirations for legislative budgeting are realistic. Then, I will list some choices for improving legislative budgetary capacity in the short-term.

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5 Carothers writes: “If I had to name the area of democracy assistance that most often falls short of its goals, I would have to point to legislative assistance” (1999, p. 181). To build effective legislatures, mobilizing political power is more important than increasing technical skill.
REALISTIC BUDGETARY ASPIRATIONS FOR LEGISLATURES

I will assume here that the long-term goal is that the Congress will become a separate and distinctive voice on the budget; one that is representative of and responsive to citizens. But it must be recognized that legislative budgeting is inherently difficult. The essence of a legislature with some budgetary influence is that it is comprised of competitive members. These members want to deliver benefits to and avoid costs being imposed on their electoral constituencies, their regions, and their supporting interests. Budgetary realities make many of these desires unaffordable, which requires legislators to pick and choose among them.

One difficulty of making these tradeoffs is that all legislators are presumptive equals, because legislatures make decisions by majority rule. Democratic theory and experience shows that reaching agreement on complicated issues is very difficult using majority rule, especially in large chambers, absent a strong ethos of cooperation in the “national interest,” a party system with clear cleavages and disciplined voting, or a committee system that reduces alternatives to a manageable few. An irony about this difficulty is that legislators are sometimes overly optimistic about their ability to use budgeting to affect policy and administration. They reason that the

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6 This section draws from Meyers, 1999.

7 In the comparative sense, this is an ambitious goal. Legislatures fulfill numerous functions throughout the world, and most do not have much influence over budgetary decisions. Some useful sources on comparative legislatures are Packenham, 1970; Inter-Parliamentary Union web site; Norton, 1990; Olson, 1994; and Oppenheimer, 1985. Muir’s book (1982), which analyzes the California state legislature through the extended metaphor of a “school for politics,” may be especially interesting to a country that so respects higher education.

8 500 and 128 in Mexico are in the same orders of magnitude as 435 and 100 in the United States
imperative of enacting the budget by a date certain will ensure that many issues—which as 
discontent with a minister’s behavior or with the effects of a program—can be resolved in the 
budget. But unless the legislature is nearly unanimous on each of these issues, the budget is 
overloaded and falls of its own weight. “Fiscalizing” many political controversies is usually 
self-defeating.

Further complicating the legislature’s budgetary task is that it is expected to make 
decisions in public view. Legislatures are supposed to be a forum for deliberation—that is, to 
make decisions slowly through discussion and negotiation. Those differences that can’t be 
eliminated by these means are to be resolved through a peaceful but still conflictual method of 
voting. Such transparency is a mixed blessing for legislatures. It is one of the bases of legislative 
legitimacy. On the other hand, Congressional budgetary processes are very confusing to most 
citizens. The one thing that citizens can easily understand is that legislators tend to argue a great 
deal. That should be expected—budget disputes involve a lot of money and important policy 
issues—but citizens tend to interpret these arguments as childish and irresponsible. It’s no secret 
that sometimes these conclusions are justified, and that the legislature’s reputation suffers.⁹

These challenges convince some legislators that effective Congressional budgeting is 
unlikely. Strongly self-interested legislators may avoid responsibility for making budgetary 
tradeoffs. Instead, they seek special budgetary allocations, and blame administrators for 
unspecifed “waste.” They advocate tax cuts without specifying how to offset the revenue

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⁹ Physical scuffles and glue in voting devices are not that different from the lack of legislative decorum in the United States. Several years ago, a new member of the opposition attempted to demonstrating his dismay with the contents of the president’s budget by placing a paper bag over his head while giving a speech. The subsequent embarrassment was insufficient to prevent him from becoming the chair of a task force investigating changes to the congressional budget process.
effects. They complain to agencies on behalf of individuals and identify ministerial scapegoats, rather than seek remedies for the limits of administrative systems. The inherent difficulty of legislative budgeting is compounded when numerous legislators adopt these roles.

This is a pessimistic portrayal. It explains why legislative budgets are often late, why spending totals climb higher than desired, and why legislative budget plans can have short lives. So why might one defend legislative budgeting? You may be familiar with the aphorism that “democracy is the worst form of government, except for all others.” The same might be said of government budgeting in which the legislature has a say.

In my opinion, there are two convincing reasons for accepting the flaws of legislative budgeting. First, legislative budgeting is often compared to budgeting in an idealized executive branch. Yet one can find examples throughout the world: unaccountable executive branches tend to make big mistakes. While the challenges of budgeting may require the executive branch to take the lead, a country will still benefit from a reactive legislature than provides, in American slang, “reality checks.” No bureaucracy, even if staffed with the highly-educated, has a monopoly on expertise; high-capacity legislatures can provide complementary technical skills. The more important contribution from a Congress, however, is that it can efficiently judge what is acceptable to the public, and thereby prevent the accumulation of resentments that will over the long-run endanger responsible fiscal policies.

The other primary value of legislative budgeting is that it can educate the public about budgetary choices. Admittedly, legislatures are a very imperfect mechanism for this purpose. Contending budgets can be designed to position parties for an upcoming election. Each party may try to distinguish itself from its competitors, which may magnify small policy gaps between
contending budgets into wide political canyons, and thus delay budget enactment. On the other hand, these distinctions may educate citizens to a degree about fiscal problems and opportunities.

PRIORITIES FOR IMPROVING LEGISLATIVE BUDGETARY CAPACITY

Just as preparing a budget requires policy tradeoffs, improving a budget process requires choices between alternatives. The alternatives in this case are those choices that could improve the capacity of the Congress to budget. The number of potential choices is large, so I’ve narrowed them down to four sets of topics:

- the extent of Congressional involvement in fiscal planning, and the timing and duration of the budget enactment process;
- the extent of legislative direction in the budget, and the means of Congressional oversight of budget implementation;
- the expansion of budgetary expertise within the Congress; and
- the internal coordination of Congressional budgeting.

My discussion of each topic is necessarily limited, and I provide comments more in the way of observations than recommendations.

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10 Legislative budget capacity is generally ignored in standard works on improving “public expenditure management” (e.g., see World Bank, 1998); nor is there much modern research on comparative legislatures that discusses budgetary capacity. On designing a budget process while making tradeoffs between goals and taking instrumental uncertainty into account, see Meyers, 1996a.
Fiscal Planning and the Timing of the Budget Enactment Process

Effective budgeting requires that the sectoral and programmatic parts of the budget be combined into budgetary totals that meet important economic and political constraints. The executive-dominated budget process in Mexico has reached this synthesis by relying heavily on multiyear planning and on semicorporatist agreements with labor and business peak associations. Ambitious legislative budgeting is more of a substitute for than a complement to planning and social pacts. If the major parameters of the budget are dictated to it, the Congress is prevented from making real choices over totals. It is politically unrealistic to declare that a macrobudgetary policy is a “policy of state”—that is, so important and accepted that it is unworthy of legislative discussion. \(^{11}\)

Numerous questions arise from this simple observation. To what extent should the legislature attempt to set budgetary totals? Should it set formal ceilings for total spending and for debt, a floor on revenue, and targets for major sectors? For how long should these targets apply—one year, two years, or more? If the legislature is to help set macrobudgetary goals, when and how should the Congress negotiate with the President? Should it start early, expecting its leaders to conduct negotiations informally and behind closed doors? Or should the Congress require the President to propose budgetary totals in public, and then take on the arduous task of developing an alternative set of totals?

I have published my thoughts on some of these questions for the American context in an article entitled “The Budget Resolution Should be Law” (Meyers, 1990). In the United States, \(^{11}\)

Of course, the line of legislative noninvolvement in public finance has to be drawn somewhere. A conventional answer is that legislatures are particularly unsuited for management of monetary and exchange rate policies, but paradoxically these policies are especially important for countries such as Mexico.
the current schedule is as follows: the President presents his budget request in early February, and then the Congress is supposed to pass its budget plan—called the “budget resolution”—by April 15, which it usually fails to do on a timely basis. The Congress has until the beginning of the fiscal year, which is October 1, to pass the appropriations bills, and again, it almost always late on important bills. Now it is human nature to not make important decisions until a deadline approaches, but this record is embarrassing and counterproductive. Therefore, I’ve concluded that the leaders of the United States Congress should start an early negotiation with the President, and that they should jointly agree on budgetary totals and major sectoral allocations before they negotiate over the details of spending and tax bills. There is no guarantee that this would reduce the high level of posturing that currently takes place, especially in election years or when the partisan balance is close. However, if the branches pledged themselves to try to reach such an agreement, they might find that the public expected them to negotiate and agree more promptly, and that it would be to their benefit to do so.

In Mexico, to the extent that early and informal negotiations lead to inclusion of Congressional proposals in the President’s budget, the Congress should need less time than otherwise to enact a budget. The likelihood that a President would cooperate in this manner would depend in part on the ability of the Congress to make changes during the formal enactment process. Therefore, the currently compressed schedule in Mexico for legislative budget enactment—less than two months, at best—limits Congressional influence. It is difficult to use legislative procedures over such a short time period, and this reduces the incentive of the President to negotiate. Extending the legislative budget period by a month or two may be desirable, even though it could make executive budgetary projections slightly less accurate.
Another timing issue is: what should be done if the budget is not enacted by the beginning of the fiscal year? Again, this is a significant problem in the United States government. A proposed solution called an “automatic continuing resolution” has been suggested by some, but is unlikely to be adopted, and in my opinion, for good reasons. The procedure would provide spending authority automatically at the beginning of the fiscal year, though there is disagreement about which level of spending authority should be the “reversionary” level–last year’s budget, the President’s request, or the amounts in bills under consideration. Different reversionary levels may give some participants the incentive to stall completion of the process, which suggests that this “cure” may be worse than the disease. In addition, the availability of simply renewing last year’s budget may discourage the legislature from making needed adjustments at the micro level. The risk of public blame for tardiness, and/or the central bank and credit market reaction to tardiness, may be a sufficient incentive to enact the budget on time.

Legislative Policy Direction and Oversight with the Budget Process

Simply rejecting the Presidential submission as unacceptable is merely a symbolic act. If the Mexican Congress were to have more time to budget, and some additional capacities that will be discussed below, it would be more able to propose significant changes to the President’s budget. An ambitious legislative budget makes appropriations to organizations and programs that are directives to be honored, except when there are obvious extenuating circumstances. And an ambitious legislature reviews implementation of the enacted budget not only to ensure that its directives are followed, but also to promote its view of how programs should be designed and

12 For an extended discussion of these and related issues, see Meyers, 1997.
The United States Congress is very influential in this regard; many in the United States would say that it is too influential. Criticisms are particularly harsh for the way that it directs (or “earmarks”) funds to specific legislative districts in inefficient ways (so-called “pork-barrel” legislation). The Congress also uses “riders”–detailed provisions added to appropriations bills–to force agencies to administer programs in legislatively-favored ways.

It is easy to identify the potential disadvantages of duplicating this behavior in Mexico. For example, in the United States, budget allocations are usually treated as both ceilings and floors by agencies. In Mexico, this would preclude preemptive budget cutting by the executive to meet macrobudgetary constraints. In the United States, the efficiency costs of pork-barrel allocations and administrative misdirections are large, but they’re also more affordable in a wealthier country.  

On the other hand, such problems might be more than offset by the benefits to Mexico of greater legislative influence on the allocations and uses of funds. Fiscal accountability is a broader topic than can be covered in this paper, but I would suggest that the Congress emphasize two critical roles. One is that Congress review the entire budget, including parastatals, social funds, and similar mechanisms. This need not mean that these approaches lose all insulation from annual budget and management review, but it limits the potential that exceptions from budget control will become an unbounded problem. The second role for the Congress is to understand

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13 On oversight more generally, see Aberbach, 1990.

14 Rose-Ackerman points out that corruption is not eliminated by legislative strengthening; in fact, it may be enabled by new opportunities to block legislation (1999, pp. 144-149).
the extent to which the enacted budget was used as a guide to budget implementation. To do this, the Congress needs a strong relationship with the organization that audits budget accounts, while at the same time honoring the professional norms of the accounting discipline. With confident knowledge about implementation deviations from the enacted budget at a low level of aggregation, the Congress can then explore whether these deviations need to be prevented in the future.

Regarding these topics, the controversy over the rescue of Mexico’s banking system has an interesting parallel in the United States. My country spent a great deal of money during the 1980s and early 1990s to compensate insured depositors in banks that became insolvent. A scandal erupted in which five senators were accused (three accurately so) of protecting fraudulent bank managements by using their influence over regulators. In addition, though the government recognized that liabilities were coming due, it used a variety of off-budget mechanisms to delay (and thereby substantially increase) the costs of resolution.

Looking back at the situation, neither the executive or legislative branches behaved very well. The situation was resolved because of the hard work of some members of both the executive and legislative branches. The Congressional contributors succeeded because the institutional structure entitled them to ask questions: questions about financial estimates, about management decisions, and about policy design. And they found out that though members of both branches bore culpability for the losses, the main reason why the system failed was that the policy of deposit insurance and banking regulation was very poorly designed—it gave some bank managers the incentive to “bet their banks.” New banking legislation then corrected some of the problems with the old regulatory design, though it did not eliminate the government’s financial risks from extending deposit insurance.
I suggest that this experience can be generalized—legislatures can have great influence when they successfully integrate budget and management considerations with policy design. However, this is a very challenging approach. The easier method of control for legislatures is to make highly-specific budget allocations and to question agencies frequently about whether these legislative directives are followed. This traditional approach is costly because it creates administrative inflexibility; with complicated programs, it gives only the illusion of control. The widely-praised model of performance budgeting is the preferred alternative, but it depends on a level of trust between the branches that does not yet exist in Mexico.

Budgetary Expertise within the Congress

Members of the United States House of Representatives seeking re-election are successful more than 90% of the time. This rate of success, and the policy results it is thought to produce, has stimulated many United States citizens to support a “term limit”—typically, a prohibition against more than three successive two-year terms. Among the arguments raised against a term limit rule is that it would deprive the United States Congress of expertise that comes only from experience, as is likely for building legislative coalitions and negotiating budgets with Presidents.  

Mexico’s constitutional prohibition against consecutive legislative terms and its anti-reelectionism heritage are obvious barriers to the development of legislative expertise. Support from staff is a partial but insufficient substitute. In the United States, legislative staff responsibilities range from the completely technical to the completely political. But the most

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15 Despite the re-election success rates, legislative turnover has been relatively high in the recent decade. Retirements due to scandal, age, and anticipated opposition have created many open seats, and these are often highly competitive.
critical budgetary negotiations are done by the principals, the elected politicians. How are the legislative principals selected? Recruitment to fiscal committees is based on a mix of expertise, interest, and political acceptability. Legislators are promoted to committee leadership primarily by means of the seniority system, and this does not always produce the best committee chairs. But it sometimes produces exemplary leaders. For example, I believe the United States has been well-served by the long-time chair of the Senate Budget Committee, Senator Domenici, a Republican of New Mexico—I make this compliment as a lifelong Democrat.

Budgetary expertise can also be supplied to legislatures by technical support agencies. I am proud to have worked for nearly a decade at the United States Congressional Budget Office (CBO), an agency that is widely respected across the world for the quality of its analysis and the impartiality with which it supports the Congress. CBO’s early success was due to both the perceived need for its services and the high quality of its leadership. In recent years, however, its reputation has suffered somewhat, in part because certain legislators failed to appreciate the value of even-handed analysis (Meyers, 1996b). They also used the CBO as a battering ram against the President, claiming that only the legislature’s experts could produce valid budgetary estimates. In fact, Congressional technical staff have great respect for the expertise resident in central fiscal agencies. Technicians in the two branches have strong working relationships, and in many ways, they have been invaluable forces for cooperation on reforming the budget process.

Internal Coordination of Congressional Budgeting

Internal coordination is the most difficult challenge for a legislature that aspires to budgetary influence. When a legislature sets macrobudgetary goals and makes budgetary allocations, it
needs procedures for coordinating these actions. Goal-setting must be followed by enforcement of these goals; that is, a legislature must find a way for its members to bind themselves to budget plans.

A standing committee structure, along with providing some of the expertise mentioned above, can help organize the creation of lasting agreements. In the United States, unfortunately, the committee structure is not aligned with sectors of the budget (we call these “functions”). Overlap of committee responsibilities has at times permitted creative entrepreneurship by individual legislators, but more frequently it has led to disruptive internal conflicts. In my opinion, legislative committees should be aligned with budget sectors and executive branch groupings, and here Mexico may be ahead of the United States. Another problem in the United States Congress is that the budget committees can be weak in comparison to other committees. Keeping the budget committees weak allowed other committees to be overly generous with public funds, which threatened the legitimacy of the United States Congress. Congress responded by imposing spending caps on itself; opinion is mixed on how helpful these caps have been.

In my opinion, parties and especially party leaders play the major role in internal legislative coordination. The job of a party leader is far more complicated when one party does not have a commanding majority of the chamber, and when there is low party discipline in chamber voting. Again, this topic is far too complicated to cover here. The only observation I would make is that a Congress is more likely to budget successfully if party leaders can build complicated coalitions that change from year-to-year.\footnote{For an extended discussion of these points, see Arnold, 1990.}
A Concluding Observation

I apologize if I’ve given you an overdose of examples from the United States. My hope is that you can learn from our mistakes and successes, and that soon my country will learn from your successes.


Inter-Parliamentary Union, at [http://www.ipu.org](http://www.ipu.org).


Brookings.


