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Abstract: *»Autokratien und wirtschaftliche Entwicklung: Mexiko im 20. Jahrhundert«*. On average, higher levels of democracy positively effect economic performance. Still, many autocratic regimes experienced remarkable economic growth. Thus, one should differentiate between autocracies to identify the sources of varying economic success under autocratic rule. Mexico's history during the last century provides fruitful empirical evidence on how different kinds of autocracies impact on economic development. Dividing political order in twentieth century Mexico into several periods of autocratic rule shows that economically successful autocratic regimes were partly able to mimic core institutional features of democracies. The variance of autocratic order in Mexico suggests that autocratic regimes characterized by relatively broad societal coalitions and the existence of institutional arrangements that regulate political succession outperform other arrangements of autocratic rule.

1. Introduction

During the last decades, democratization processes in several regions have driven research towards the analysis of different types of emerging democracies and the potential economic impacts of varying forms of democratization. However, the analysis of autocratic regimes is again becoming en vogue among social scientists – mostly because of the normatively frustrating evidence that despite of the end of the Cold War, autocratic order is still a widespread phenomenon.[1]

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[1] For recent studies on the persistence of autocratic regimes see, among others Albrecht/Schlumberger (2004), Mesquita/Downs (2005) and Brownlee (2007).

Given this background, the article attempts to provide some clarification for a puzzle among social scientists. On the one hand, mounting empirical evidence supports the argument that higher levels of democracy provoke an economic dividend. On the other hand, this evidence is confronted with the fact that several autocracies have achieved impressing economic progress. Consequently, there is need for explanations, which clarify why democracies provide – on average – an economic dividend, while at the same time explaining economic progress in some autocracies. As such, analyzing historic evidence of autocratic regimes can be a fruitful undertaking not only for historians interested in the specific course of long-ago developments in their societies of choice but also for those working on the economic effects of more current political phenomena.

Driven by a theoretical perspective, this article attempts to link periods of economic boom and downturn to the variance of autocratic order in twentieth century Mexico. Mexico is an especially interesting case for exploring the varying economic impact of different autocratic regimes. Mexico's economic development during the last century has been characterized by periods of amazing growth but also by times of turmoil and crisis. After its first long term growth period under the dictatorship of Porfirio Díaz (1876-1911), the Mexican Revolution and its prolonged aftermath seriously constrained the potential of Mexican economic development. Hereafter, the consolidation of the one-party-dominant regime of the Partido Revolucionario Institucionalizado (PRI) since the late 1930s came along with the so-called Mexican economic miracle. This period, which was prolonged artificially by the industrial countries' oil crisis in the 1970s, ended in 1982, when Mexico experienced a severe debt crisis. The latter not only required substantial attempts of structural adjustments towards more market-oriented policies but also resulted in the acceleration of the PRI-regime's political decline. Despite economic reforms, the PRI-regime did not manage to accelerate economic growth in the 1980s and the early 1990s. Instead, it provoked an additional economic respectively financial crisis in 1994, which erased much of its remaining political legitimacy and gave way to the first democratic elections in 1994 and the subsequent defeat of the PRI in the presidential elections in 2000.

Noticeably, the above-mentioned variance of economic performance in twentieth century Mexican took place under autocratic rule. Autocracy has been the dominant feature of political order in Mexico. However, autocratic order in Mexico did not consist in a unified set of political arrangements. Instead, Mexican autocracies in the past century differed substantially. From the dictatorship during the *Porfiriato* (1876-1911) and the subsequent turbulent regimes of revolutionary generals to different coalitions under the long-lasting regime of the PRI: autocratic regimes in Mexico were based on different types of coalitions and institutional arrangements. This variance of autocratic order within the same cultural and geographic setting facilitates the analysis of economic development under different autocratic settings.

The next section (2.1) starts with providing a short review on research regarding political institutions' impact on economic development and discusses the different economic consequences of autocratic and democratic order. On average, democracies provide an economic dividend because of two reasons. First, their institutional design is characterized by inclusive and competitive participation, which drives politicians towards the more encompassing interests of society. The institutional design of democracy limits the tension between the individual rationality of rulers and the collective rationality of encompassing majorities (Olson 1993). Thus, democracies, on average, provide more collective goods spurring economic progress than autocracies, which are based on an exclusive ruling coalition able to exploit the majority in order to provide a minority with privileges. Second, democracies contain an institutional arrangement that substantially smoothens the tension between political succession and institutional stability. For that reason, in comparison to autocracies, democracies are less confronted with economic insecurity and the risk of economic downturns in periods of political succession.

After having laid out the basic distinction between democracies and autocracies (section 2.1), the next step consists in a further differentiation (section 2.2.). A dichotomous distinction between autocracy and democracy is often too rudimentary for analyzing a wider spectrum of autocracies and democracies. While, on average, the level of democracy impacts positively on economic performance, there are several democracies where the institutional design still demonstrates severe deficiencies, thus constraining economic performance. Likewise, there have been forms of autocratic regimes, which at least partially have been able to mimic the institutional advantages of democratic order. Thus, in order to study the differing economic impact of different autocratic regimes, one should distinguish autocracies along the above made two dimensions: their level of inclusiveness and their regulation of succession.

Section three turns to the empirics of Mexican history and attempts to link different types of Mexican autocracy with the observed variance of economic performance. For this purpose, Mexican history throughout the last century is divided into four stages and then analyzed through the lens of the theoretical argument.

2. Political Orders and Economic Development

2.1 Autocracy, Democracy, and Development

The potential impact of politics on economic performance has attracted increasing attention of researchers from different social sciences. In this regard, cross-country comparisons have led to a relatively broad consensus: political institutions – the rules that guide political interactions – rank very high among the fundamental factors, which explain differences in economic performance.[2] Differences with regard to the security of property rights and levels of corruption are crucial for explaining why some countries have prospered while others remained poor.[3] Thus, political institutions have an important implication for poor societies because only if these countries achieve an improvement of political institutions they will be able to escape economic misery and realize their potential of catching up to rich countries (Keefer/Knack 1997).

These insights, however, do not inform us about the economic effects of different political regimes that regulate political participation, access to power, or political succession. Economic policies implemented by political decision-makers strongly effect the allocation of resources and the distribution of economic privileges among societal groups. Unfortunately, even if most governments rhetorically claim to serve the encompassing interests of society, governments often depend on specific groups, which expect something in return for their political support. Thus, politicians, who want to remain in power, will attempt to provide policies, which please their specific support groups and not necessarily the whole society.[4] Consequently, if different political orders systematically differ with regard to the size and the access modalities of such coalitions, one should expect different economic outcomes.

The most prominent debate within this strand of research is whether democracy provokes an economic dividend compared to autocracy. In contrast to autocratic order, democracy is generally defined along the concept of Polyarchy (Dahl 1971). Modern democracies are a form of representative government characterized by inclusive and participatory political competition. Core features of democracy are regularly held free and fair elections for the executive and/or legislative, freedom of the press and of association, as well as party competition. Surprisingly, however, many past studies have not identified a uniform direction from democracy to economic growth (Przeworski et al. 2000). Only recently did cross-country comparisons provide evidence that higher levels of democracy impact positively on measures of economic performance: such as economic productivity (Faust 2006, 2007) or the provision of education and other public goods necessary for sustained economic development (Lake/Baum 2001; Baum/Lake 2003; Mesquita et al. 2003; Halperin et al. 2004).

2 In a broader sense, institutions are defined as the rules of political and economic markets that *can* reduce transaction costs and thus may contribute to a more efficient use of productive resources (North 1990).

3 For empirical cross-country studies on the impact of political institutions on economic growth and economic productivity see, among others, Clague et al. 1996, Hall/Jones 1999, Olson et al. 2000, Acemoglu et al. 2001.

4 This constellation gives rise to the tensions between individual and collective rationality. The economic policy chosen by a self-interested political leader to please his support groups does not necessarily reflect the collective interests of society.

In general, advocates of an economic dividend of democracy emphasize two closely interlinked features of democracy, which make this political order – on average – more conducive to broader measures of economic development. These features are 1) the competitive inclusiveness and 2) the regulation of political succession.

Ad 1) *Competitive inclusiveness*: In order to secure the loyalty of their supporters, political leaders generally choose between offering public or private goods.[5] If their political survival depends on a relatively small coalition of societal support groups, they will tend to offer specific privileges (private goods) to their supporters. Instead, if a government depends on an encompassing majority of society, it is rational for the government to offer non-exclusionary public goods that reach broader segments of the population. Autocracies, by definition, are characterized by exclusive distribution coalitions. By different degrees of repression, autocratic governments exclude large segments of the population from political decision-making and therefore can provide themselves and their narrow group of supporters with economic privileges. In contrast, democracies are characterized by mechanisms of inclusive political competition and, thus, are less able to systematically exclude the interests of large population segments from economic policy-making. In a democracy, the natural monopoly of the executive and the legislative is regulated by inclusive and competitive means (Faust 2007).

These different features of autocracy and democracy have important economic implications. Ceteris paribus, self-interested democratic governments will provide more public goods to the citizenry than autocracies, while the latter will disproportionately satisfy their smaller set of support groups with economic privileges. Therefore, citizens of democracies are, on average, better equipped with public goods such as access to education, justice, or health care. Furthermore, competitive inclusiveness of democracies also leads to different growth trajectories. As autocratic governments tend to distribute comparably more economic privileges to their narrow coalition, their economic policies will be more competition adverse compared to those of democracies. Competition adverse policies, in turn, are unfavorable for economic productivity. Consequently, while autocracies might achieve growth through resource mobilization (factor accumulation), productivity growth will be higher in democracies than in autocracies (Faust 2007).[6] In autocracies, a well-established small distribution coalition enriches itself at the cost of collective development. In contrast, the institutional setting of democracy substantially smoothens the tensions

5 The following arguments are closely related to Olson 1993 and Mesquita et al. 2003.

6 Even those regimes in Asia, which often have achieved impressive overall growth rates during the last decades, have exhibited comparatively modest rates of productivity growth under authoritarian rule. Instead resource mobilization has been mainly responsible for overall growth in these countries (Krugman 1994; Young 2003).

between individual and collective rationality by increasing the responsiveness of decision-makers to the encompassing interests of society.

Ad 2) *Regulation of political succession*: The second advantage of democracy is its inherent succession mechanism through elections. Elections are therefore not only the core element of inclusive and competitive participation. Their regularity also secures this kind of inclusiveness by obstructing the emergence of narrower ruling coalition and constraining potential incentives of politicians to respond only to a small set of societal interest groups. Even if the leadership of the opposition through democratic elections substitutes a democratic government, the democratic regime itself continues to survive. Therefore, the electoral mechanism of political succession is an integral part of the logic of democratic order and provides a considerable amount of institutional security. Even if different democratic governments will pursue different economic policies, different governments will nevertheless continue to be constrained by the survival of an institutional framework that drives their strategies more towards the encompassing interests of society.[7] In contrast, because of the comparatively exclusive character of autocracy, such regimes face serious systemic challenges when confronted with the succession of leadership (Olson 1993). While some autocratic regimes, especially dynasties, attempt to establish stable rules of political succession, the exclusiveness of autocracy nonetheless provokes an endogenous threat to regime stability (Merkel 1999: 63). Autocracies exclude and suppress the interests of the majority of the citizenry. Thus, leadership succession produces an additional amount of insecurity because it presents an opportunity for the excluded to overthrow the regime.

The succession problem produces an additional challenge for prosperity in autocratically governed societies. First, economic policies are influenced by a government's interest in overall economic growth. If equipped with a long-term perspective, even autocratic coalitions have an interest in economic growth, because an absolute increase of wealth enables them to extract more economic privileges from the economy. Second, autocratic governments have more discretionary manœuvring space for orienting economic policies towards their own interest. Thus, if political succession in autocracies tends to be a risky process and threatens the survival of the regime, the autocratic coalition's time horizon with regard to economic activities will be comparatively low during periods of succession. Increasing insecurity gives strong incentives for the autocratic coalition to maximize its wealth in the short run. Consequently, it will abstain from long term investments but instead increase the amount of discretionary, purely self-interested interventions in the economy (Olson 1993: 571). Not surprisingly, the probability of economic downturn increases as a consequence of the unresolved challenge of political succession. In contrast,

[7] For instance, even in Latin America, where democracies are still characterized by severe deficiencies, cross-country studies suggest that democratization led to a stronger orientation of politicians towards public good provision (Brown/Hunter 1999, 2004; Faust 2006).

the regime-coherent and institutionalized mechanism of political succession in democracies does not threaten the institutional essentials of democracy to the same extent as in autocracies. Therefore, the relatively moderate economic insecurity resulting from political succession in democracies will provoke only modest economic responses.

2.2 Autocracies, Mimicry and Development

On the one hand, the above made distinction between autocratic and democratic order and the deduction of the resulting economic consequences is fruitful to highlight fundamental differences in institutional design. On the other hand, reality is more complex than a dichotomous distinction. For instance, democracies, too, are plagued by narrow distribution coalitions engaged in rent-seeking (Olson 1982), and electoral institutions can also set incentives for democratic governments to engage in collectively questionable economic measures (Persson/Tabellini 2003, 2004). Even more, not all democracies have the same level of institutional consolidation, and especially emerging democracies are often confronted with institutional volatility and a lack of democratic accountability, which provoke negative economic impacts.[8] Nevertheless, the above made analytical distinction is fruitful to identify core features of different kinds of political orders that explain why increasing levels of democracy, on average, have positive consequences for economic productivity and the provision of other public goods. Furthermore, this dichotomous distinction helps to array the existing variance of democracies according to a set of theoretically deduced criteria, which help to explain the variance of economic growth and broader measures of prosperity among democracies. Moreover, if autocratic regimes also vary, more differentiated distinctions among existing democracies and autocracies help to explain the puzzle. On the one hand, higher levels of democracy produce an economic dividend. On the other hand, evidence from countries such as China, Indonesia or Mexico demonstrates that autocratic order sometimes show periods of impressive economic development.

In principle, there could be several explanations for this puzzle. First, the mere evidence of economic progress in an autocratic regime does not contradict the argument that economic progress would have been even higher under democratic order. Second, if one considers regime type as an important but not determining factor of economic development, than there might have been other factors such as geography, population size or resource endowments, which have compensated the economic disadvantage of autocratic rule.[9] Finally, the

8 For economic challenges of democratization see Haggard/Kaufman 1995, Faust 2002. On different types of democracy see Collier/Levitsky 1997, Croissant/Merkel 2004.

9 Especially multivariate cross-country comparisons attempt to include the counterfactual argument and to control for potential effects of other factors on economic performance.

variance of economic success in autocratic regimes can be explained by institutional differences under different kinds of autocratic rule.

Unfortunately, many autocratic orders are characterized by the importance of informality and low transparency. These comparatively opaque mechanisms of autocratic rule make it more difficult and time consuming to identify changes in rules and core actor constellations. Often, only in-depth historic analysis will provide the necessary information. Thus, exploring this latter alternative is a well-suited approach for historic analysis, focusing upon economic development in one country over a longer period of time. If such a longer period is characterized by the existence of different kinds of autocratic regimes, the single case can be disaggregated into several sub-periods, thus allowing for a small-n comparison.

The focus on inclusive political competition and mechanisms of succession offers an opportunity to further distinguish between autocracies.[10] Following the analytical distinction between democracy and autocracy, a further dichotomous differentiation between autocracies suggests that autocratic regimes based on a broader ruling coalition have incentives to mimicry certain features of democracy. Consequently, one can expect that such autocracies will economically outperform those, which are based on smaller ruling coalitions.

First, there are autocratic regimes based on a solid but very small distribution coalition. In many cases, a single political leader, who is supported by the military and a small amount of economic elites, leads these autocracies. In such regimes, strong personalized governance is the rule rather than the exception. Highly institutionalized forms of power sharing and control of leadership are rare, because a comparatively small coalition allows for policy-making without complex mechanisms of political regulation. If stable, such a coalition has an interest in overall economic growth because growth will maximize the overall resources, from which it can extract its economic privileges.

However, since the support group of the regime is small, it is rational for the leader to provide well-targeted private rents instead of public goods. Therefore, economic growth under such narrow autocratic coalitions will be achieved by a comparatively high degree of capital accumulation. Furthermore, one would expect comparatively small improvements of human capital and only modest increases in economic productivity. Growth would be merely the result of the small ruling coalition's stable grip on political power – achieved by relatively high degrees of political repression – and not by the incentives of leaders to provide public goods and productivity enhancing policies.

While this type of autocracy potentially can achieve overall economic growth, its institutional setup will nevertheless contrast substantially with regard to the mechanisms of democracy. This type of autocratic regime is con-

[10] In contrast to traditional real type oriented differentiations (Linz 2000, [1975]), the above made criteria offer a political economy perspective and a stronger deductive approach oriented towards explaining the economic dynamics of different autocratic regimes.

fronted with a combination of challenges. Even if the small coalition's growth strategy is successful, it will provoke a growing societal asymmetry between the small group of coalition members and the majority of the population. Therefore the probability increases, that the resulting problems of legitimacy will be condensed in times of political succession, if personalized leadership characterizes the regimes.

Second, there are autocratic regimes, which resulted out of a broader elite settlement. In such cases, political leaders have to respect the interests of broader segments of society. While still being hierarchically organized and exclusive in contrast to democracy, these kinds of broader autocratic coalitions have an interest in crafting institutional mechanisms that constrain the discretionary manœuvring space of one group. In fact, if a balance of power among coalition members exists, the broader the coalition, the more it will be engaged in crafting institutions that secure each coalition member's influence on policy-making. Under such circumstances, one can expect that the interest in power sharing arrangements will also include the challenge of succession and attempts to provide regulative solutions for that challenge.

Consequently, some autocratic regimes will be able to mimic democratic mechanisms to a certain extent and provoke broader economic development (Mesquita/Downs 2005). On the one hand, such autocracies will still differ from democracies because the logic of organizing institutions is still based on vertical and hierarchical political organization. On the other hand, however, institutionalizing checks and balances among a broader set of coalition members and regulating political succession show similarities to core mechanisms of representative democracy. If successful, these autocratic regimes will differ with regard to economic development from other forms of autocracy as the existence of a broader ruling coalition will set incentives for leaders to distribute benefits among broader segments of the population through cooptation or even increase the amount of public good provision. Furthermore, if equipped with institutionalized mechanisms of succession, short-term orientation of policy-making respectively insecurity among investors will be reduced.

Not surprisingly, these autocratic regimes are mostly characterized by a dominant and well-institutionalized political party that organizes the inclusion of broader segments of society into the political process. As notified by Jason Brownlee in a recent study of authoritarian regimes (2007: 32), "through parties, autocratic rulers draw on the support of a cohesive coalition while suppressing advocates of representative governance." As his empiric evidence suggests, among authoritarian regimes, those characterized by a dominant party are significantly less affected by breakdown than military regimes (Brownlee 2007: 31). Still, even among single party regimes, party organization might respond differently to the size of the leading coalition. Thus, one should carefully distinguish between repressive and rather totalitarian single party regimes led by a single leader and a very small ruling coalition and those which are based on a broader coalition, generally allowing limited political pluralism.

3. What happened in Mexico?

3.1 Overview

In the following, Mexican history in the 20th century is divided into four "political" periods: first, the dictatorship under Porfirio Díaz; second, the Mexican revolution and its aftermath; third, the establishment of the one-party dominant regime from the late 1930s until the late 1960s; and fourth, its slow and gradual decline, which resulted in democratic elections in 1994 and the defeat of the PRI in the presidential race of 2000.

Based on historic analysis, a distinction between those periods shows that the different regime characteristics of these four periods can be linked to the analytical distinction made in the previous section.[11] On the one hand, none of these periods has been marked by representative democracy, even if some kind of political liberalization characterized the PRI regime between 1976 and the first democratic elections in 1994. On the other hand, autocratic regimes differed substantially in 20th century Mexico.

1) Highly personalized leadership and a small and low-institutionalized ruling coalition without a succession mechanism were key features of the *Porfiriato*. The dictatorship in its first decades was able to expand the state monopoly to an unprecedented extend in independent Mexico. Nevertheless, the exclusionary character and the failure to organize political succession led to increasing political instability and finally to the breakdown of the regime.

2) Political instability and relatively unsuccessful attempts of political entrepreneurs to establish small-coalition-based autocracies characterized the period of the Mexican Revolution (1911-1917). Low levels of stability and the absence of an elite settlement still were attributes of political regimes in the prolonged aftermath of the Mexican revolution.

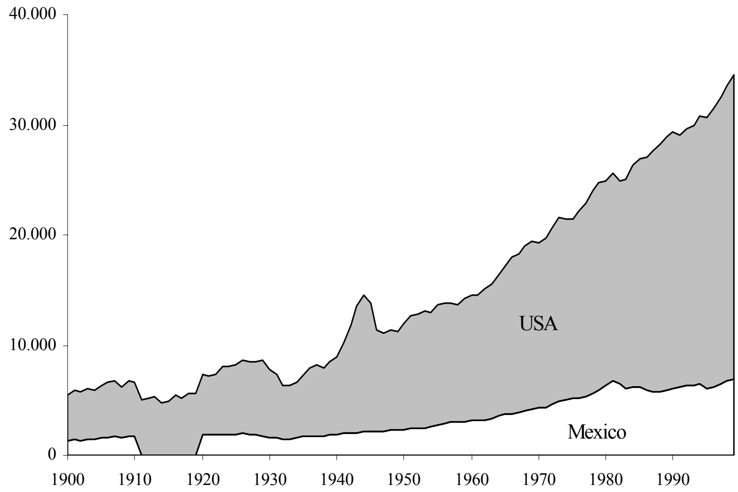
3) From the early 1930s, leading elites started to institutionalize an elite settlement, which nevertheless proofed to be successful only since the Cardenas government (1934-1940). The result of these attempts was a broader ruling coalition, where conflict regulation and a mechanism of succession were embedded into the dominant and corporatist-style of the PRI. While still being an autocratic regime, the first phase of the PRI regime was more inclusive than the dictatorship during the *Porfiriato*.

[11] Mexico is probably one of the best-studied developing countries. For different aspects of Mexican political order in the 20th century see, for example, Haber et al. 2003, Mols 1981, Lauth 1991, Centeno 1994, Knight 1986.

4) The gradual decline of the regime began in the late 1960s, when the regime responded with repression to demands for democratic reforms. On the one hand, the regime turned to a mixture of gradual political liberalization and political cooptation. On the other hand, the political power slowly shifted from the PRI to the executive. In parallel, a narrowing of the ruling coalition occurred within the executive that slowly erased the succession mechanism.

Did these differences in autocratic order provoke different economic impacts? Figure 1 gives a first impression of Mexican growth in the 20th century.[12]

Fig. 1: GDP per capita in Mexico and the United States from 1900-1999



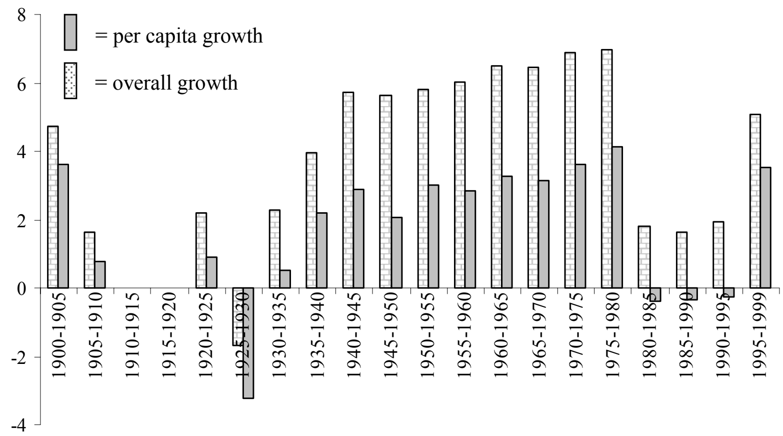
GDP per capita in 1990 International Geary-Khamis dollars.
Source: Hofmann 2000; Maddison 2003.

Comparing the development of GDP per capita in Mexico and the United States during the 20th century shows that despite Mexico's periodical growth experience, especially between 1940 until 1980, there was no process of catching up to its northern neighbor. Thus, it seems that Mexico did not achieve those conditions that allow for economic convergence between rich and poor countries. The differences between both countries during the last century with regard to the security of property rights and levels of democracy fit well with statistical cross-country evidence, which highlights the need for development promoting political institutions for economic catch-up.

[12] For Mexico, figure 1 excludes the period 1911-1917 because no reliable overall growth estimates are available for the time of the Mexican revolution.

A closer look at economic growth in Mexico reveals substantial differences with regard to specific phases in the last century. Figure 2 shows overall and per capita growth in five-year-periods, again with the exception of the 1911-1920. Partly impressive overall economic growth rates are substantially reduced when looking at per capita growth rates. Furthermore, the last years of the *Porfiriato* (1905-1910) are characterized by significantly lower growth rates than the years before. During the aftermath of the revolution growth rates were still substantially lower than during the 1935-1980 period, which was followed by a phase of economic crisis. Finally, the five years after the first democratic presidential election saw above average per capita growth rates.

Fig. 2: GDP growth in Mexico 1900-1999



Average five-year growth rates based on International Geary-Khamis dollars.
Source: Hofmann 2000, Maddison 2003.

To certain extend, this overview already supports the arguments made in the previous chapter. For a more detailed analysis, the next sections attempt to link autocratic order more carefully with economic performance.

3.2 The *Porfiriato*

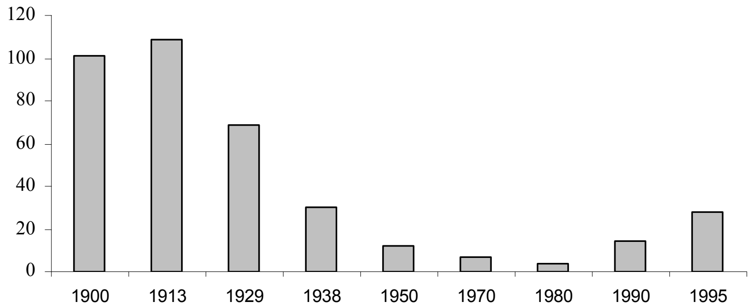
The regime of general Porfirio Díaz shaped Mexico over thirty years from 1876 to 1911.[13] Díaz' regime was the first since independence able to extend the state's reach to most of the Mexican territory. As such, the autocratic coalition not only brought a previously unknown political stability to the country but also gained access to the most important production factors of the Mexican economy. Díaz' autocratic coalition was small and not institutionalized by a differentiated party structure. It consisted of the military, a small number of bureaucrats and economic elites, mainly from the financial sector, and a reduced number of other economic sectors (Haber et al. 2003: 42ff). Facilitated by the low level of socio-economic differentiation, the autocratic coalition was not confronted with well-organized economic groups.

Given its territorial reach and its relative political stability, the economic policy of the regime focused on capital accumulation. Economic modernization under Díaz consisted mainly of larger investments in infrastructure, mining and in several light industries. The regime fostered the emergence of a financial sector responsible for organizing the large amount of capital necessary to supply the productive sectors. As Mexican elites lacked of sufficient own resources, the regime relied on improving its relations with the United States and other foreign investors. Additionally, the regime continuously renegotiated its external debt in order to avoid massive capital outflows respectively to promote capital inflows (Aggarwal 1996: 175, 182-187).

Partially impressive growth rates respectively the modernization of the productive sector during the *Porfiriato* largely originated from a combination of two crucial factors: first, the improvement of the relations with the United States, which functioned as an investment source and an export market. As figure 3 demonstrates, the economic weight of the Foreign Direct Investment stock in the last years of the *Porfiriato* was substantially higher than in the rest of the century. Furthermore, the "discovery of oil in Mexico in 1901, along with its improving financial condition, encouraged foreign creditors and financiers to compete in loan offers to Mexico" (Aggarwal 1996: 186). Second, the emergence of a financial market (whose leading actors became an integral part of the autocratic regime) supplied domestic investments. As a result, economic modernization was mainly based on the exploitation of natural resources using cheap domestic labour, foreign technology and foreign capital to promote exports as well as to expand the country's infrastructure network, especially railroads.

[13] With the exception of the 1880-1883 period, during which Díaz voluntarily stepped back from the presidency and a supporter of Díaz' modernization strategy acted as president. Díaz, who continued to be the main political character behind the scenes, officially became re-elected and returned to office in 1884.

Fig. 3: Stock of Foreign Direct Investment as Percentage of GDP



Source: Twomey 2001: 35

However, given the small autocratic coalition, the government had strong incentives to provide rents to its supporters instead of public goods to an encompassing majority of society. Markets in all dynamic sectors of the Mexican economy were highly cartelized, provided enormous privileges for insiders and obstructed the emergence of competition-based resource allocation (Hansen 1971: 18). As Haber et al. note (2003: 44), the Díaz government "specified and protected property rights of a select group of asset holders and used the rents generated from this selective protection to subdue or seduce his political opponents". As a consequence, living conditions became highly heterogeneous.

Beyond the privileged ruling coalition, small businesses flourished in the urban areas of the northern and partially the central provinces of the country. Modernization came along with the emergence of an urban middle class consisting of white-collar workers, artisans, and entrepreneurs. For urban citizens, property rights increased slightly but there were no institutionalized guarantees and political opposition was fiercely repressed by the regime.

The rural population, however, was mostly excluded from economic modernization. The concentration of land not only erased traditional production and property right structures (*ejidos*) but also converted small peasants in land workers deprived of civil and political rights. Therefore, the rural peasantry bore most of the cost of a modernization strategy that was based on a narrow autocratic coalition.[14] Still in 1885, the illiteracy rate amounted to roughly 90%. In its last decade, the regime's policies provoked a decline in urban em-

[14] Land concentration and cheap labour enabled agriculture and livestock exports. This latter dynamic was further promoted due to the exploitation of new areas, which were integrated into the economy by the emerging railroad networks.

ployment as mechanization proceeded. Overall, most of the country's population did not profit from Mexico's growth under the *Porfiriato*.[15]

Highly uneven distribution of wealth confronted the regime with decreasing legitimacy since the beginning of the 20th century. Signs of political instability appeared in 1904 but the regime still was able to respond with little cooptation and repression (Vásquez/Meyer 1985: 96). Nevertheless, especially the urban middle class increased its calls for political liberalization as freedom of press or freedom of assembly was non-existent and elections were continuously manipulated. Beyond, the regime became increasingly confronted with the problem of succession. Despite promises of political liberalization made in 1908, neither was the aging Díaz willing to hand over power nor was the ruling coalition able to agree upon a potential successor (Mols 1981: 63; Blanquel 1995: 121). In an environment of increasing insecurity, economic policies became short-term oriented. Even if provoked by financial turmoil in the U.S., the 1907/1908 Mexican financial crisis reflected the weakness of a cartelized banking system dependent on capital inflows and further reduced political legitimacy. Regime collapse occurred finally when Díaz, despite of previous announcements, again campaigned for the presidency in 1910 and refused to allow a democratic election for the vice president.

3.3 The Revolution and Its Aftermath

The Mexican revolution (1910-1917) can be considered as a period of state erosion during which none of the major political groupings succeeded in establishing control over the state. Beyond the profiteers of the Díaz regime, a second group, led by Francisco Madero, was primordially based on the middle class, interested in political liberalization and slight economic change. The third group, led by Emiliano Zapata and Pancho Villa, mainly consisted of the rural population interested in radical economic change and agrarian reforms. None of the groups was able to set up a stable regime, many of their leaders were assassinated, among them Madero, Zapata and later Villa.[16]

Political order was partially re-established during the government of the northern general Venustiano Carranza in 1916 who defeated Zapata and Villa. Under his government, the Mexican constitution of 1917 was passed. This document presented a formal compromise of various factions in an attempt to prevent the dominance of one of the rivaling political groups. In this context, one important aspect was to prohibit re-election of presidents. It converted Mexico into a federal republic led by a president and a bicameral congress.

[15] See also Bortz/Aguila 2006. In the absence of refined data on wealth distribution, a study on Mexican inductees' height as a proxy-variable for broader well being comes to a similar conclusion. The height of Mexicans differed substantially between the upper and lower classes and this gap increased prior to the revolution (Moramay/Porras 2003).

[16] For an in-depth historical analysis of the Mexican revolution see Knight 1986.

Furthermore, the Mexican constitution restricted the influence of the church and formally provided an unprecedented amount of political and social rights to the Mexican citizenry, including the protection of indigenous communal land.

While the passing of the constitution set a formal end to the revolution, political instability continued in the following years. Carranza was murdered in 1920 and followed by presidents Alvaro Obregón (1920-24) and Plutarco Elias Calles (1924-28), whose governments successfully began to organize an elite settlement. Trade unions were brought under the control of the state, the army's revolutionary generals were weakened, the power of the Catholic Church was reduced substantially and initial land reforms were promoted.

Most importantly, in 1929, Calles founded the National Revolutionary Party and began to incorporate all organized sectors under the umbrella of this party. Thus, after successfully defeating respectively taming potential rivals of the emerging order, the Calles government began to institutionalize a corporatist structure designed to control the political system, to avoid violent conflict and to organize political succession. Yet, Calles remained the political leader even after one of his supporters was elected president. Thus, Calles himself became a threat for his own achievement: the institutionalization of a broader autocratic coalition. Political insecurity re-emerged before the 1934 presidential elections because his government showed augmenting signs of corruption, and increasingly disregarded social demands. The regime began to consolidate, when the next president, Lázaro Cárdenas, not only amplified the social commitment of his government but also successfully sent Calles into exile.

Not surprisingly, economic development during the Mexican revolution and its aftermath was seriously hampered by political instability. The ruling coalitions of the short-lived governments were relatively small and therefore confronted overall development with similar challenges as during the *Porfiriato*. Additionally, political turmoil reduced incentives to invest and diminished time horizons of political leaders, who were often interested in quickly extracting rents for securing their own political survival.

However, the revolution and its aftermath did not provoke a total collapse of the Mexican economy. Instead, the revolution affected different sectors in different ways. For instance, the international shortage of crude oil led to an unknown export boom in Mexico, which reached its peak in 1921 and then steadily declined until 1933 (Rubio 2006). The domestic condition for responding successfully to the increasing international demand in the midst of political turmoil is explained by the fact that the U.S. credibly signaled to Mexican politicians, that it would not tolerate the expropriation or destruction of U.S. investments in the Mexican oil and mining industry. Moreover, a high percentage of the state revenues originated from the oil sector, so incentives to kill the goose that laid the golden eggs were low (Haber et al. 2003: 200). In other sectors like banking and agriculture, political instability set more incentives for predations because those factors where perceived as an easy source for funding military efforts. As politicians with short-time horizons have an incentive to take away what is left in the vault to finance their political survival, the financial sector suffered most during the revolution (Haber et al. 2003: 346).

In sum, on the one hand, the differentiated analysis of Stephen Haber and his colleagues explains, why Mexico's economy did not collapse during the revolutionary turmoil and some sectors even experienced remarkable development. On the other hand, however, economic progress during the revolution and its aftermath remained substantially below the potential of the Mexican economy. Economic growth only began to speed up considerably in the 1930s with the emerging elite settlement under the Obregón and Calles governments.

3.4 The Regime of the PRI, Part one

During the Cárdenas presidency, the emerging elite settlement was consolidated and caused political stability for the decades to come (Knight 1992). The elite settlement manifested itself in a centralized and corporatist political system, which was mainly organized by the successor of the National Revolutionary party, the PRI, and an expanding state bureaucracy.[17]

The PRI reflected the institutionalization of the elite settlement and incorporated most politically relevant factions that were excluded during the *Porfiriato*. Thus, the ruling coalition became broader and more equilibrated. The party was initially divided into four and after the taming of the military into three sectors: the rural sector, the labor sector and popular sector, the latter a residual category including the interests of the middle classes and part of business.[18] Thus, the party functioned as an institutional guarantee for including additional societal interests in the policy-process (Mols 1981: 193f.). During the presidency of Cárdenas a corporatist structure of the PRI was consolidated, that

> linked state and party to both peasant and the working class, and, if not necessarily assuring that their interests would be presented, guaranteed that neither would mount an independent challenge to the regime (Centeno 1994: 7).

In fact, during its first decades, the PRI attempted to organize as much political interests as possible and granted previously unknown political mobility for those who accepted the political predominance of the party. In the first decade of the regime, the PRI was on a par with the bureaucracy of the executive. While the latter had the task to design and implement concrete policies, the political party functioned as a hierarchical organization that had to manage the aggregation of societal interests.

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[17] The PNR (Partido Nacional Revolucionario) was transformed into the PRM (Partido de la Revolución Mexicana) in 1938 and in 1946 into the PRI (Partido Revolucionario Institucionalizado), the latter name already reflecting the institutionalization of the regime.

[18] For an overview see Mols 1981, for an analysis of the labor sector see Lauth 1991.

However, Mexico was governed autocratically. The regime did not allow for decentralized political competition in the form of free and fair elections, obstructed the formation of alternative political organizations, dominated the press and recurred to repression when opponents openly questioned its legitimacy. There was no guarantee for the rule of law and there was no division of powers between the executive, the legislative and the judicative. Still, a limited and well-organized level of political competition existed within the regime. Furthermore, limited political pluralism and alternative political parties were accepted as long as they presented no threat for regime stability.

At the top of the political pyramid, the president presided the executive as well as the dominant party. His key function was not simply to rule in a top-down manner but to carefully balance the interests of the different regime factions. Despite his supreme position, the president had the principal task to act as the nation's most important conflict moderator. Furthermore, the regime entailed a mechanism of political succession that worked well for several decades. On the one hand, the prohibition of presidential re-election and the president's dependence on the party and the bureaucracy constrained the emergence of a personalized dictatorship. On the other hand, however, the president was allowed to choose his successor among a group of informally chosen candidates, who were perceived as being politically capable to guarantee the elite settlement. Each president was able to shape the future by selecting his successor but then was confronted with declining influence. As such, the regime comprised an orderly mechanism of succession, which was carefully observed if not controlled by all regime factions (Sanderson 1983; Centeno 1994: 7, 53).

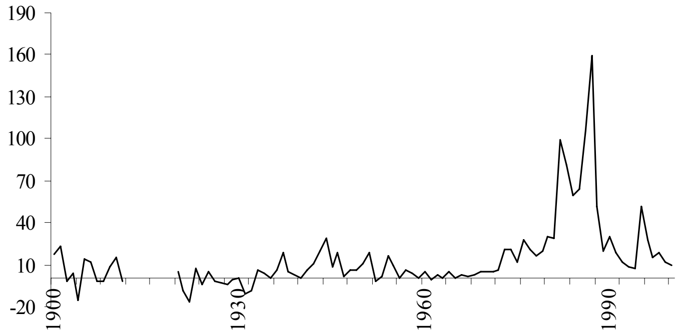
In sum, the autocratic PRI regime in its first decades managed to mimic some important institutional advantages of democracy to certain extend and differed substantially from the dictatorship of the *Porfiriato*. The regime was based on broader coalition of societal interests; it attempted to institutionalize conflict management; it allowed limited political competition within its own structures; and, finally, it established a mechanism of political succession.

This specific setting of autocracy provoked an economic pay-off. As figure 2 illustrates, the 1940-1980 period was characterized by continuous economic growth. Additionally, figure 4 shows a comparatively high level of macroeconomic stability between 1940 and 1970 (measured by the inflation rate). Furthermore, existing measures of broader well being such as life expectancy, school enrolment, etc. demonstrate that not only the elites profited from growth.[19] Not surprisingly, the economic strategy was more inward-oriented than during the *Porfiriato*. The focus on domestic markets and the application of import-substitution strategies together with the nationalization of key indus-

[19] Data for such measures from the 1950s onwards can be obtained at the World Bank (World Development Indicators) or at the United Nations Common Database (UNCDB).

tries coincided with a broader regime coalition that demanded increasing top-down planning in order to satisfy the broadened ruling coalition.[20]

Fig. 4: Inflation in Mexico, 1900-1999



Source: INEGI (Estadísticas Históricas), Banxico

Yet, economic policy-making of the PRI regime also came along with the weaknesses of autocratic order. While newly integrated societal groups also profited from economic growth, high levels of income distribution remained and even increased as demonstrated by the GINI-index in table 1.

Table 1: Income Distribution in Mexico: GINI Index, 1950-2000

	1950	1957	1963	1975	1984	1989	1994	2000
Gini	0.53	0.55	0.56	0.58	0.51	0.55	0.54	0.54

Source: World Bank, Deininger/Squire Data Set

Furthermore, despite of a broader ruling coalition, the vertical political integration seriously constrained the emergence of decentralized and competition-oriented modes of resource allocation. Albeit slowly, the regime increasingly was confronted with institutional sclerosis as the differentiated interests of the emerging middle classes were difficult to integrate into the aggregation mechanisms of the political party and the rural sector continuously lost influence in policy-making.[21] Instead, the executive and the bureaucracy increasingly began

[20] The nationalization of the oil industry in 1938 can be seen as a crucial step towards the “guided” capitalism Mexican style, which allowed the regime to craft economic policies more in accordance with regime stability than with economic efficiency.

[21] Since the land reforms during the Cárdenas presidency, the rural population was the segment of society that did profit less from the economic “miracle”. Nevertheless, through its party apparatus, the regime managed to mobilize rural masses in times of election and – at the rhetoric level – continuously recurred to the ideals of the revolution.

to dominate the regime and rent seeking and corruption steadily increased in favor of a smaller subset of the ruling coalition (Centeno 1994). This trend is also mirrored in the declining rates of economic productivity growth since the 1950s and reflects the increasing weight of rent-seeking politics.

Table 2: Total Factor Productivity Growth in Mexico, 1940-1994

1940-1950	1950-1960	1960-1970	1970-1980	1980-1990	1990-1994
3.90%	2.04%	1.85%	0.80%	-1.19%	-0.42%

Source: Santaella 1998: 19

Not surprisingly, the regime was confronted with augmenting discontent in the second half of the 1960s, which resulted in open protests of students in the run-up to the Olympic Games in 1968. The regime decision to repress students' protests with force was the crucial turning point with regard to regime stability.

3.5 The Regime of the PRI, Part two

Luis Echeverría, elected president in 1971 was confronted with the challenge of growing discontent of the population and the demands for economic privileges by a narrowing coalition. Echeverría and his successor, Lopez Portillo, temporarily solved this problem by a mixture of increasing economic cooptation, controlled political liberalization and a further concentration of power within the executive at the cost of the party (Faust 2001: 71f). Growing discontent was countered with an expansion of the administration and growth was financed through external resource mobilization. The increase of the bureaucracy and state-owned enterprises represented an instrument of political and economic cooptation that aimed at integrating part of the regime opposition respectively urban working and middle classes into the regime structures (Pardo 1991: 82). These measures were primordially financed by external resources and came at the prize of declining macroeconomic stability.

While foreign debt already augmented during the 1960s, massive debt increases occurred during the 1970s (table 3). At the end of the Echeverría presidency, the Mexican government was forced to negotiate debt rescheduling with the International Monetary Fund. Nevertheless, during the presidency of Lopez Portillo, the Mexican government further increased its external resource mobilization respectively international debt. The latter development was possible because the Mexican government as well as international creditors calculated easy repayment from projected oil revenues. This optimism resulted from the combination of the international oil crisis and the huge Mexican reserves discovered in 1976, which prolonged inefficient economic policies that were mainly driven by political considerations. Not surprisingly, a comparison of figure 2 and table 2 demonstrates that overall growth rates substantially differed from productivity growth during the 1970s. Finally, this vulnerable growth strategy collapsed in 1981 with the deterioration of oil prices and Mexico was confronted with a severe debt crisis.

Table 3: External Debt, 1941-2000

President	Increase of external debt in % During presidential period	External debt in % of GDP / Last year of presid. period	External debt in % of exports Last year of presid. period
Avila Camacho (1941-46)	-3	4.18	42.21
Aleman Valdés (1947-52)	58.8	5.42	61.13
Ruiz Cortines (1953-58)	108.8	7.59	112.54
López Mateos (1959-64)	157.6	10.43	200.25
Díaz Ordáz (1965-70)	107.3	11.99	330.55
Echeverría Alvarez (1971-76)	359.8	35.32	536.18
López Portillo (1977-82)	200.4	90.13	244.75
De la Madrid (1983-88)	15.4	39.81	221.34
Salinas de Gortari (1989-94)	25.8	18.95	140.33
Zedillo Ponce de L. (1995-00)	-19.3	11.55	43.10

Source: Statistics of INEGI & Banxico

In parallel to the increasingly volatile economic situation, a tension emerged between the growing influence of the executive and limited political pluralism. From the mid 1970s, different presidents recurred to carefully crafted electoral reforms. The latter augmented the political space for opposition parties while at the same time securing electoral majorities of the PRI (Nohlen 1993). Simultaneously, however, the executive and core bureaucratic entities, especially the planning ministry, increased their influence on policy-making.

Along with the rise of a small group of technocrats came the reshuffle of the autocratic coalition, which consisted of the re-emerging marriage between the political and the business elite (Centeno/Maxfield 1992). Since the state disposed of only limited resources to distribute among an enlarging number of interest groups, the administration had to search for additional financial sources. The debt crisis and the augmenting pressure of international financial organizations accelerated the declining political weight of the more socialist-oriented party in comparison to an emerging distribution coalition between the executive and business (Centeno 1994). Especially the governments of de la Madrid (1983-1987) and Salinas (1989-1994) saw the necessity to build closer links to private business and engaged in more market-oriented reforms. Privatization and foreign economic liberalization substantially reduced the role of the state in the economy and were secured by international arrangements such as the GATT membership (1986) and the creation of NAFTA (1994). Thus, a narrow coalition of political and economic elites again attempted to finance Mexican development through export led growth and foreign investment.

However, the costs of this policy shift were unequally distributed among the population. The close links between political decision-makers and business often led to private monopolies and cartel building, which extracted huge rents from their privileged market status. Since the re-privatization of the banking sector, this sector again became a crucial player in the narrowed coalition (Centeno/Maxfield 1992; Kessler 1998).

In contrast, organized labor and the rural population had to bear the costs of privatization and fiscal politics attempting to re-establish macroeconomic stability. As a consequence, the traditional institutions of conflict management and the mechanism of political succession were erased. In 1988, when Miguel de la Madrid selected his successor Salinas out of the same pro-business circle as presidential candidate, a group of leftist dissidents abandoned the PRI. Their candidate was only hindered to win the elections by fraud. The weakened regime refrained from repression because of the changing international context and a high level of internal polarization. Instead, Salinas further marginalized the party and begun to build up mechanisms of cooptation and social distribution directly linked to the executive. Nevertheless, regime erosion continued. Growing discontent of the rural population led to an insurgence in the rural state of Chiapas as the most significant sign against the government's market-oriented policies. Increasing levels of unorganized corruption reflected the short-time horizons of economic and political actors (Morris 1999) and, finally, the short-term oriented currency policy resulted in a financial crisis, which de facto put an end to the regime. While the PRI still could win the 1994 elections amidst economic and political stability, president Ernesto Zedillo not only had to engage in serious political reforms but also had to accept an increasing weakness of the PRI regime, which resulted in the regime change of 2000.

In sum, the gradual narrowing of the autocratic ruling coalition did not only lead to an unequal distribution of costs and rents from economic reforms. The resulting erosion of the mechanism of political succession also led to increasing political and economic instability, which finally put an end to one of the most long-living autocratic regimes of the 20th century.

4. Conclusion

Even if democracies produce an economic dividend in comparison to autocracies, all autocracies are not the same. Given this background, the article has attempted to provide an explanation of different economic performance under different autocratic settings. Most importantly, autocracies based on a broader coalition and those equipped with a stable mechanism of succession partly mimic the institutional set up of democracies. Therefore these autocracies show disproportional high levels of economic performance in comparison to other forms of autocratic order. Evidence from 20th century Mexico supports this argument. Dividing 20th century Mexican history in four periods of different kinds of autocratic rule shows, how the size of the autocratic coalition and the existence of a mechanism for political succession affect economic outcomes.

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