

**Decentralizing Centralized States:
Electoral Incentives Generating Decentralization in Bolivia,
Mexico, and Brazil, with a Twist**

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I. Argumentative Section

The Bolivian government has historically operated as a highly centralized political system. Within this centralized system the only important political constituency was the elite and white minority, while the ethnic populations of Quechua and Aymara Indians that account for more than half of the country's population were wholly unrepresented. This centralized and exclusionary system, however, has been significantly altered over the last decade beginning in 1994 when the party holding central power, the Movimiento Nacionalista Revolucionario (MNR), enacted legislation that drastically decentralized political and fiscal resources to the municipal level of government. This wide-sweeping set of reforms, called the Ley Participación Popular (LPP), provided new fiscal and political resources for previously disregarded groups, and as a result these sub-national actors have effectively mobilized and gained political representation on both the local and national level. One decade later, the national government has been forced to accommodate the political desires of these historically ignored groups.

This transition towards inclusionary government has provoked hostile and tense interaction between the old actors familiar with the centralized political establishment, and new ones with the desire to solidify their position within a new political system. The events of the fall of 2003 are the most telling examples of this tension, when Bolivian citizens all across the country, upset by a plan to sell natural gas by building a pipeline through Chile, protested the rule of the national government. These protests enabled many social groups to verbalize distaste for the central government through political avenues that were previously blocked. With opposition in the political arena, these subnational actors succeeded and forced the resignation of President Gonzalo Sánchez de Lozada (Global News Wire, 2003). Interestingly, it was Sánchez de Lozada

himself that worked to create and implement the decentralization reforms in 1994, reforms that would eventually lead to his demise.

The implementation and outcome of these reforms prompts two questions about the nature of rational choice in political decision-making. First, what factors motivate actors thriving in a centralized system to introduce reforms to cede actual power and change the system? And second, how can we best understand this decision-making process? This study seeks to address the basic factors that motivated decentralization in Bolivia specifically, and explain more generally why rational actors will enact reforms to cede power across different country cases. These factors will manifest in different variables, but these variables will uniformly affect the electoral incentives of the decision makers. Additionally, this investigation will address a contextual variable that is not analyzed in the specific Bolivian or general decentralization literature, and explain the role that crisis of legitimacy plays in how decentralization policy is crafted. Normal theory, by assuming rationality and long-term focus among political actors, would evaluate the MNR decision as a miscalculation.¹ Incorporating the theory of crisis, I will augment the understanding of this calculation and show that the MNR did not miscalculate. Instead, a heightened level of crisis forced the calculation of the costs and benefits of the reform to focus on short-term gains, and discount the long-term risks of reform. Before fully rationalizing my argument I will begin with a review of literature investigating both general decentralization principals, and Bolivia's case specifically.

Literature Review

Though the study of decentralization is relatively young in Latin American studies, and there is no consensus on one absolute causal variable, evaluating the process by focusing on the future *electoral incentives* for elites within the system has emerged as the dominant approach

among scholars. This is to say that the strongest persuasion to motivate political leaders to cede power is the opportunity to improve their future political opportunities. Numerous theories have been developed in recent times to explain the decision to decentralize; scholars point to democratization, pressure from international financial institutions, neoliberal reforms, and other socio-structural factors as general causal variables. None of these variables, however, is comprehensive enough to act as a general theory across varying temporal and geographic cases (Montero and Samuels, 2004).² Indeed, even the *electoral incentives* approach is not comprehensive and will include different variables specific to each country case. This model is generalizable across cases not because it provides one specific set of causal variables, but because it assumes a rational, preference-seeking mindset among political leaders that can be similarly affected by different factors.³ In this section I will first discuss general decentralization theory, and then analyze literature specifically analyzing the Bolivian experience.

As noted in a survey of the numerous causal arguments about decentralization, the electoralist approach “has emerged as the most powerful in the literature” (Montero and Samuels, 2004: 24). The most prominent assertion of this electoralist approach was provided in a study in 1999 in which the authors conclude that the key to a country’s propensity to decentralize or not is found in the institutions of its party structure. They argue that “the bargaining power held by national executive and subnational politicians over decentralization equals their respective influence over national legislators who enact reforms” (Willis, Haggard, and Garman, 1999: 18). Long before Willis et al., William Riker posited a similar relationship while studying federalist states, positing that in federalist systems power will be centralized according to the degree to which the political party itself is centralized (Riker, 1964). In these analyses it is the relative position of *party brokers*, and the center of the party control, that will affect decentralization, as it

is in the best interest of legislators to please and thus gain favor from these party brokers by dispersing resources to the level of government at which they reside.

Authors such as David Samuels, Kent Eaton, Stephan Haggard and Steven Webb, and have also put forth arguments for this ‘political-institutional’ approach, addressing decentralization experiences in numerous countries throughout Latin America. Haggard and Webb (2004) and Eaton (2004) continue with Willis et al.’s argument, positing that when party brokers are subnational there will be incentive to decentralize power, while national party brokers will provide pressure to centralize. Furthermore, David Samuels (2004) takes the electoralist approach a step further, augmenting it by including the role of ‘dynamic expectations,’ and determines that in Brazil both the location of party brokers and the expected career path for political careers affected decentralization in the 1980s. This analysis provides the most comprehensive understanding of decentralization decisions by magnifying the importance of electoral incentives for leaders desiring power. Motivated most strongly by electoral possibilities, certain electoral institutions or ideological constructions causing interactions between elites and groups of people desiring decentralization, may motivate elites to cede power in order to curry future electoral favor.

The literature on the Bolivia case is sparse and superficial in its analysis. Only two significant sources analyze the MNR’s decision to decentralize, and each of these analyses is insufficient.⁴ The more comprehensive of these investigations of Bolivian decentralization is Kathleen O’Neill’s dissertation, written in 1999. O’Neill asserts that those holding power in Bolivia chose to decentralize because they saw their best electoral possibilities in the rural areas rather than urban areas. This model is called *dynamic expectations*, positing three causal variables leading to decentralization: national party support, subnational support, and timing (O’Neill,

1999: 36). O'Neill argues that "parties that find themselves in the executive of a strong, centralized government may rationally choose to decentralize power if they do not expect to retain the executive indefinitely and if they can expect to gain a significant percentage of power at the level(s) of government to which power is distributed" (O'Neill, 1999: 27). O'Neill illustrates the Bolivian experience by arguing that while in power the MNR "gripped national power weakly" but "had widespread support throughout the country at the local level," and pushed decentralization through in order to capitalize on this dynamic of political support (O'Neill, 1999: 173). While these variables were necessary for decentralization to occur, and are therefore included in my argument, O'Neill's argument lacks sufficient evaluation of other important factors in Bolivian society, and the elite actor's calculation of the time-horizon. As I will show in my argument, O'Neill does not fully understand the complications of the political climate at the time of decentralization. As a result, she fails to sufficiently explore numerous factors that affected electoral futures, and she does not explore the complications incited by a high level of crisis in the government. These failures will be remedied in this study.

Main Argument: The Bolivian experience with decentralization was a result of electoral incentives motivating decentralization, and crisis of legitimacy inducing calculations with greater weight on short-term consequences.

Though evaluation of decentralization processes must always include understanding of a host of macro and micro-level factors, electoral incentives provides a generalizable structure for understanding elite decisions to decentralize. In Bolivia, decentralization occurred because the political climate in 1993 possessed two distinct factors that provided electoral incentives motivating dispersal of resources: the difference in national and subnational support for the MNR (as posited by O'Neill), and strong subnational support for decentralization. Importantly, there

was a simultaneous shift in the political climate, producing a heightened level of crisis that affected political futures. This last factor acts as a third variable and makes the Bolivian case unique. This variable did not affect the incentives to decentralize, but did affect the volatility of the system, creating uncertainty for the future of the government. With this uncertainty, the manner in which elites calculated reform options was drastically altered. The time-period in which they could consider the outcomes of reform was truncated, and as a result they focused more seriously on short-term political gains.

Using the dynamic expectations approach in the case put forth by Kathleen O'Neill (1999), I argue that the first aspect of the political climate motivating decentralization was determined by two variables: the party's national level support and local level support. Recognizing it had strong subnational support and experienced inconsistent national level support, the MNR faced significant motivation to redistribute resources to the levels at which they possessed support. Though this aspect of my argument follows that of O'Neill, the comprehensive study differs significantly because it not only incorporates other variables that she doesn't address, but it also includes the variable of crisis, allowing deeper understanding of the decision-making process. My argument will separate from O'Neill's in the manner it posits that Sánchez de Lozada and the MNR were more concerned about short-term, rather than long-term, success.

As the MNR was facing waning support on the national level, a second aspect of the political climate inducing decentralization was general pressure from subnational levels of society. Indeed, the decentralization debate had been ongoing in the country since the mid-1980s with different regions and social groups calling for greater fiscal and political autonomy and increased access to resources provided by the center. In the 1993 elections, Sánchez de Lozada

and the MNR actually used decentralization as a political platform, tapping into this sector of society in order to curry electoral favor. Using a political package called Plan de Todos, the MNR appealed to all those desiring greater inclusion and efficiency in the state.

The last variable that affected this decision is unique in its nature and effect on the decision-making process. At this time, the MNR recognized that the Bolivian state faced a crisis of legitimacy. As a result, the option of maintaining the status quo wasn't viable, and government officials recognized that change was necessary. The level of crisis is judged by the precariousness of existing institutions, and the strength and volatility of the state. Many arguments about the role of crisis in decentralization have been posited, arguing both negative and positive correlations, but with contrasting empirical evidence for both sides, it is unfeasible to assert a consistent relationship. In contrast to these arguments, I assert that the crisis situation in Bolivia did not provide impetus for a specific type of change (i.e., decentralization), but instead provided impetus for, simply, change. With the other factors providing electoral incentives to decentralize, this heightened level of crisis morphed the calculation process and induced an event that might not have otherwise transpired. The heightened level of crisis created a precarious environment within the government's legitimacy, thus removing the luxury of maintaining the status quo in the centralized system, while the other electoral incentive variables created pressure for decentralization. As a result, MNR and Sánchez de Lozada crafted and introduced the LPP in 1994.

Case Selection/ Operationalization

In evaluating Bolivia's path to decentralization it is important to establish whether the causal variables were unique to that country, or whether one can understand overarching themes of decentralization from this experience. In order to evaluate whether or not Bolivia's

decentralization is generalizable, then, this study will place it in the context of the decentralization experiences in Mexico and Brazil. I will show how decentralization was motivated by variables affecting *electoral incentives* in each case, but that differences in levels of legitimacy crisis motivated differences in the calculation process for each case. I will operationalize the variables in this study with a combination of quantitative and qualitative research, using quantitative analysis to evaluate national and subnational party support, but qualitative measures to interpret the subnational appeal for decentralization, and the differences in crisis level. This paper will be organized as follows: I will begin by analyzing the decentralization experience in Bolivia, and then discuss the context of this case using Mexico and Brazil as contrasting examples. I will end with a conclusion, revisiting the central themes of the paper.

II. Empirical Section

Bolivia

Bolivia's move to decentralization must be understood as a rational choice made by elite members of the MNR party in order to maximize their electoral incentives for the time period shortly after the reforms. Indeed, there were also ideological motivations at the base of these reforms, and they had a significant effect on changing Bolivia's political landscape to bring many new actors into the political arena.⁵ The reforms were wide sweeping and immediately opened the political sphere to 42 percent of the population that had no previous internal or external experience with formal government (Grindle, 2000: 96). The fundamental motivations of these reforms, however, were based in the electoral benefits expected by elite actors. Along with these factors, a heightened state of crisis meant that the political system was in a process of transformation, making uncertain the nature of the long-term political climate. Within this context, the political leadership chose to focus its attention on the short-term benefits of

decentralization, and ignore the long-term risks. In this analysis I will show that the principal motives driving the reform process were electoral incentives for the MNR party and its leader Gonzalo Sánchez de Lozada.

The MNR's incentives to decentralize are best understood when analyzing their electoral possibilities in both the short and long term. Two factors in the Bolivian political sphere pushed the party towards decentralization, and will both be unpacked here. First, as Kathleen O'Neill argues, a party that "finds itself in the executive of a strong, centralized government may rationally choose to decentralize power if they do not expect to retain the executive indefinitely and if they can expect to gain a significant percentage of power at the level(s) of government to which power is distributed" (O'Neill, 1999: 27). This scenario manifested itself in Bolivia, as the MNR and Gonzalo Sánchez de Lozada saw extreme variance in its popularity on the national level, but recognized solid and consistent support throughout the municipal level of government. O'Neill asserts that within the context of highly centralized power there is great incentive "for a party with strong support at the subnational level throughout much of the nation's territory to decentralize power and therefore retain access to decentralized positions, even when national power is out of its reach" (O'Neill, 2004: 63). O'Neill's argument, however, does not sufficiently prove the MNR was losing its national support base.

It is unclear why O'Neill asserts that the MNR was in a drastic position of diminished political support, as all of the political parties, including the MNR, experienced fluctuations in their popularity in each election (refer to appendix for election statistics). From 1980 to 1993 (the year of decentralization), the MNR never received less than 20 percent of the vote or finished worse than second (the best showing was 39 percent for UDP in 1980), and the election before the LPP was introduced was the most successful for the MNR, winning with 35 percent of the

vote (O'Neill, 1999: 178). Her argument can still be understood, however, and may be better stated, as a desire among party officials to tap into a part of society where they enjoyed more consistent support.

In each election between 1980 and 1993, the MNR was the strongest party in rural areas by a large margin, garnering between 43 and 73 percent of the vote from these citizens. To assert, however, as O'Neill does, that this difference in support was sufficient to motivate drastic reforms is incorrect. The MNR held the executive twice and cooperated in coalition governments in all ten years leading up these reforms, so it does not follow that these leaders faced a crisis of support drastic enough to cede the central power they had held more consistently than any other party. The difference in the consistency of support in rural and urban areas, however, was still a causal variable in motivating decentralization to local levels of government. Given pressure from the crisis factors that truncated the ability to perpetuate the old centralized system, these pressures made decentralization a desirable change for the MNR. Though this difference in support was not sufficient to independently cause the reforms, then, it was still important as one causal variable pushing the MNR towards decentralization.

A second causal variable affecting the decision to decentralize was the presence of strong subnational desire for decentralization. In numerous texts, some written more than a decade before the reforms were introduced, authors call for decentralization as a means of leveling social inequalities, cutting corruption, and creating more efficiency in the government.⁶ In a book written in 1990, discussing the problems in Bolivian society, Carlos Toranzo Roca concludes that decentralization was a necessary reform because “changing the true exclusive character of the state [was] a historical necessity” (Toranzo Roca, 1990: 27.) An academic and political figure, Carlos Dabdoub Arrien, in his book “Decentralization Already” philosophized in 1994 “to live a

centralized administrative political system, whose inefficiency, anachronism and voracity were so clear for 161 years, was in reality a feat, but also a frustrating and impoverishing experience for the majority of Bolivians” (Arrien, 1994: 1). In his book, Arrien continues on to outline the important features that must come as a part of decentralization to establish a stronger and more efficient Bolivia.

Javier Medina, an important academic involved in the construction of the law, saw the importance of this subnational pressure firsthand as it imparted pressure on the government. He writes in hindsight that the LPP was “the result of the social and political fights of the workers,” arguing that the law came about because “the rural Bolivian population, in effect, fought to participate more actively in making decisions that affect the common good” (Medina, 2001: 43).⁷ Durán and Molina reiterate this point, arguing that these reforms were in large part a result of “a long fight developed during the whole history of rural Bolivia” (Durán and Molina, 1997: 59). The fights Medina refers to began in the 1980s and continued up to the creation of the LPP, constructed by numerous small groups each looking to attain different goals. These groups each fought individually for equalization of education, health, social welfare, and infrastructural resources across the different regions and between urban and rural communities, and the amalgamation of these forces impressed significant pressure on the national level.

The most telling sign of the presence of this pressure in the political sphere is reflected in the MNR’s political platform, called the Plan de Todos. In the national elections in 1993 the MNR used decentralization as a policy issue to curry favor among the Bolivian electorate, showing that the issue was so palpable it was used in national elections. As a broad proposal for social change, the Plan de Todos presented three reform plans. As Molina Monasterios writes, however, “the essence of the Plan de Todos was popular participation,” showing that this issue of

decentralization was at the heart of the social change (Molina Monasterios, 1997: 123). Of the four elections leading to 1993, this election was the most successful for the MNR, showing the widespread support among the electorate for this type of change in the government. Some might argue that the MNR tapped into this issue simply to win the votes of this constituency, but in the political climate of the time, with the support variable discussed above and the crisis variable to be discussed below, this type of ploy would not have been viable and would have served to diminish the legitimacy of the party and government structure.

The importance placed on this subnational pressure was also a theme I found in interviews with numerous academicians and social leaders.⁸ With questions focused on unearthing the political motivations for decentralization, most interviewees pointed to external factors pressuring the central government that made reform practically inevitable. In Santa Cruz, the wealthiest region of Bolivia, Professor Anna María Lema Garrett emphasized the importance of the different regions of Bolivia, citing the strong pull on the center that was present because of the “political, economic, and cultural divides between each region and the capital La Paz” (Lema Garret, 2004). Speaking with Julio Bascopé, a director in the regional government, I was given the standard party line about the need for decentralization to improve efficiency within the government’s fiscal allocations (Bascopé, 2004). In La Paz, a social leader named Jaime Solares asserted that the numerous social actors from across the country all inspired decentralization, and the reforms were “a victory for all Bolivians” (Solares, 2004). All of these people emphasized the importance of the subnational actors calling for decentralization, thereby providing electoral incentives for the MNR.

This subnational desire for decentralization constituted the second causal variable, acting with O’Neill’s *dynamic expectations* argument to create internal and external impetus for the

MNR to enact policies of decentralization. Internally, the MNR recognized that with decentralization they could benefit by obtaining a great deal of the resources dispersed to rural areas. Externally, the pressure from subnational groups for greater fiscal and political autonomy was an issue that was only growing with time, and needed to be appeased. The legitimacy of the MNR was also closely tied to this subnational constituency because the party traded promises of decentralization for their votes in the 1993 election. Simultaneously the MNR was operating at a time that the Bolivian state was facing a general crisis of governability, and this last variable acted as the final catalyst to motivate reform.

The last variable, crisis, is unique in its nature and its effect on the decentralization process. This variable is measured in the precariousness of the legitimacy of the state, and its effect on policy formation was two-fold. First, the fact that crisis existed in the system meant that the current system was more likely to collapse; change was needed to maintain governing legitimacy and build the strength of the state. With the two variables already discussed, the MNR's best option for change was a decentralized system that transferred fiscal and political autonomy to local levels. And second, the specific factors constituting the crisis were best ameliorated by decentralization reform. Interestingly, the nature of this crisis was present in the Bolivian state for many years leading to the point when decentralization reforms were enacted, but former political leaders chose to ignore the issue and work to maintain the centralized state. In finally deciding to address the crisis, political leaders recognized that with an uncertain future it was more important to focus on the short term gains for their party and the Bolivian state, and discount the future uncertainties they couldn't control.

The most prominent official to recognize the deep issues of legitimacy in the Bolivian government was Sánchez de Lozada. Assembling small groups of international political theorists,

including scholars from Georgetown and Yale University, Sánchez de Lozada spent a great deal of time between 1991 and 1993 discussing the biggest problems facing Bolivia. With these scholars, Sánchez de Lozada came to believe that “centralized power faced several threats: a weak central state, incomplete nationalism, extensive corruption with a resulting loss of legitimacy for government, and pressure from economic elites for regional solutions to economic growth and development” (Grindle, 2000: 119). These factors “eventually contributed to a crisis of governance serious enough for political leaders to consider radical new solutions to long-existing problems,” prompting the beginning of the decentralization discussion (Grindle, 2000: 98). In this regard, the crisis of the state was a long-standing weakness in the central government, but it was not addressed by previous administrations.

The reason that the crisis of the Bolivian state was finally addressed boils down to the fact that Sánchez de Lozada recognized that the future of the Bolivian democratic state was on precarious footing. Even though previous governments were able to maintain the status quo and enjoy controlling the centralized exclusionary system, this administration understood that drastic changes were necessary in order to “ensure that the Bolivian state had a future” (Grindle, 2000: 124). After significant deliberation, these actors recognized that these changes must come in the form of decentralization, as it was the only reform that could “strengthen (and save) the state by reducing its functions,” thereby increasing efficiency and limiting corruption (Grindle, 2000: 120). Worries about long-term political futures were not entertained, as the focus was on regaining control of a crisis situation.

The effects of crisis as a causal variable must be understood in coincidence with the first two variables, but its nature is different from these first two factors. This difference lies in the way that the first two variables influence the internal motivations of the elite decision-makers,

while the crisis variable changes the context in which these motivations are evaluated. Grindle argues that crisis was the paramount variable in the Bolivian case, and that in the presence of this variable the “electoral advantage of the politicians involved could not be easily linked to their actions” (Grindle, 2000: 123). Crisis was important, but Grindle’s explanation is incomplete and we must understand the true effects of this variable: to magnify uncertainty in the future of the state and provide strong motivation for deep change within the government. The fact that this change manifested in decentralization was a result of the interaction with the other two variables.

The interaction of these three variables, coming together in 1993, created a ‘perfect storm’ in which each of these causal variables was important in providing strong motivation for decentralization reform. Subtracting any of the three factors affecting the political climate, removing the subnational support for decentralization in the face of the crisis of the state or the MNR’s opportunity to thrive in a dispersal of power, could have drastically altered the outcome of this policy. These variables, however, were all present in the Bolivia political system in 1993, and all contributed to the decision to decentralize. Recognizing the crisis of the Bolivian state while simultaneously understanding the electoral incentives that were affected by strong subnational support for decentralization and the differences in urban and rural communities, the MNR decided to enact decentralization as a solution to numerous problems. Made within the context of the crisis variable, this calculation focused on the short-term gains, and did not have the luxury to worry about long-term effects on their party’s popularity. As a result of this factor, we must understand that the MNR’s decision to decentralize was not a miscalculation. Instead, the decision was made using sound rational choice referencing within a crisis situation.

Mexico

In contrast to the large crisis in Bolivia, Mexico presents a case where the governing body faced a small crisis of its rule. Using electoral incentives as the causal variable for this case as well, this study will show how the crisis variable does not play as important a role in this case, and as a result the Mexican government was able to focus their attentions on their long-term political interests. They still had to appease a small crisis of subnational support, however, in the short-run, and though there was variance in the degree of the crises, this similarity shows the cross-country importance of crisis in enacting reform.

Mexico's political system has been one of the most centralized in Latin America since it gained independence roughly seventy-five years ago. From the time of independence the main government institution has been the central political party known as the PRI (or the Partido Revolucionario Institucional), with every senator save one, from 1929-1989, elected from this party (Willis et al., 1999: 42). The PRI and its President have enjoyed 'metaconstitutional' powers, and strong party cohesion has enabled the party to hold fiscal and political resources in the center. In recent years this system has been challenged, though, since opposition parties have begun to gain importance in the political arena and call for the decentralization of resources (Willis et al., 1999: 42; Buira, 1998: 185). In light of inefficiencies in the government and distaste with the PRI, decentralization has been a topic popularly debated in the political arena since the early 1980s; although some legislation has been passed, the functional outcome of these reforms have been less than satisfying (Rodríguez, 1997: 1; La Botz, 1995).

One scholar argues that recent decentralization has been initiated by 'bottom-up' pressures, positing that "as electoral competition has taken root at the state and municipal level in many areas across Mexico, democratically elected mayors and governors have begun to demand

more autonomy from the central government and more control over local fiscal policy” (Beer, 2004: 180). This bottom-up pressure, however, presents only half the equation for explaining decentralization, because the path to decentralization must be understood by looking at the interaction between both the ‘bottom-up’ pressures and the ‘top-down’ hegemonic central power. These elite actors in the center have used decentralization as a short-term symbolic tool to appease opposition and guarantee long-term electoral success. Operating as an institutional part of the government, the PRI knew that while its place in the future of Mexican government may have been relatively weakened, it was still strong, so it faced only a small political crisis.

Beginning with the de la Madrid administration decentralization gained significant symbolic importance, but the central government was never interested in ceding power and these reforms therefore never took root (Edmonds, 2003; Klesner, 1996). Decentralization gained its importance because all those analyzing the political arena recognized that the central government was extremely ineffective in some ways, and “that a spatial reallocation of power [was] necessary in the name of efficiency” (Stansfield, 1992: 123). In the face of these serious inefficiencies within the PRI and central government, “decentralization, as proposed by President de la Madrid and continued under Salinas and Zedillo, focused on easing mounting political pressures and alleviating some of the administrative problems that have contributed to the erosion of the government’s legitimacy and control” (Rodríguez, 1997: 1). These reforms, however, were only a “means of holding on to political power and bolstering [the PRI’s] faltering legitimacy” (Rodríguez, 1997: 3). The reforms introduced at this time were superficial, then, and designed by the PRI as symbolic legislation to buy political legitimacy and gain electoral favor. Much of the promised fiscal and political autonomy never materialized at the local level, as “the underlying

purpose of Mexico's decentralization policy [was] to centralize by decentralizing" (Rodríguez, 1997: 3).

The rift in the relationship between the institutionalized central system and growing opposition caused a small crisis for the PRI, forcing symbolic short-term reforms to appease external actors. These reforms were made to bolster legitimacy and improve electoral incentives, and present a different interaction of crisis and electoral interests to contrast Bolivia. Even though decentralization reforms in Mexico came as a result of slight setbacks to the PRI's political legitimacy, the decisions must be understood within a long-term time-horizon. The Mexican case is unique because the PRI was entrenched as the primary actor in the Mexican political arena and therefore saw no threat to its dominance. The party therefore evaluated its future electoral prospects with a long-term time horizon, but interestingly, used superficial short-term reforms to appease opposition actors. Decentralization reforms ceded small amounts of short-term power; more importantly, however, these reforms assured the PRI greater legitimacy to continue operating as key leaders in Mexican government for the long-term political future.

Brazil

As a result of its sheer size and diverse demographics, among other factors, Brazil has been the most decentralized country in Latin America dating back to before the 1980s when decentralization began to proliferate in Latin American countries (Willis et al., 1999: 18). The path to decentralization in Brazil was unique, and can only be understood by evaluating the interaction of different political institutions and actors. The electoral incentives manifested in the structure of political parties, along with institutions established under military rule, set the stage for the high levels of decentralization present in the country. The systemic importance placed on the periphery and not at the center, along with weak parties, has influenced decentralization over

the past two decades. Contrary to the Bolivian case the actors in Brazil did not face any crises of legitimacy, and they consequently employed a long-term time-horizon to evaluate their political prospects.

Some argue that Brazil's move towards decentralization was a result of the democratization that emerged from the authoritarian rule the military regime (Nickson, 1995; Souza, 1997; Bird and Vaillancourt, 1998), but this argument is insufficient and must be augmented with the explanation of other variables also affecting the decision-making process. To analyze Brazil's move towards decentralization I will unpack the role of the party system, institutions set up prior to democratization, and the role of elections. I will finish by evaluating the role of time-horizon for Brazilian actors. While democratization did set the stage for deep political change, decentralization patterns were established before the country democratized (Samuels, 2004: 68). Municipal elections allowed by the military government and the resulting structure of political allegiance, along with weak party structure and the order of elections, all augmented the decentralization that was already present in the country.

As noted in the premises of this study, decentralization is a result of negotiation and calculation by elite actors holding power over policy. To understand decentralization, then, we must begin by understanding the preferences of these actors. In Brazil's system, the actors on the national level in legislative positions owe their allegiance to local political actors, in the form of governors and mayors (Willis et al., 1999: 19). The importance for these local actors began under the military regime, as the military regime "involved a controlled electoral opening that increased the military's dependence on political elites at the state level" (Willis et al., 1999: 19). With these elections, the military "dealt directly with municipalities, in a less politicized and more bureaucratized fashion," thus freeing "municipalities from state-government tutelage and, in

combination with Congress's and the states' military-imposed debility, left municipal mayors as the only politicians able to claim credit for implementation of government programs or projects at the local level" (Samuels, 2004: 69). Even prior to democratization, then, "aspiring politicians found that they could play an important role at the municipal level during the military regime, as opposed to the state or national level," rendering the local level of government as the only functional access to the political arena (Samuels, 2004: 69).

With the onset of democratization, federalism was quickly revived and decentralization took new steps, and the governors and mayors continued to act as the most important political actors (Dillinger and Webb, 1999: 11). As Dillinger and Webb note, while the first direct presidential election was not held until 1989, direct elections for governors and mayors were held regularly beginning in 1982, giving "legitimacy to the state level of government before the other levels" (Dillinger and Webb, 1999: 11). The order of these elections produced two results. First, "electoral cycles between levels of government as well as party procedures for nomination have fostered a party structure organized at the state level;" and second, because the presidential election is in an off-year, rather than gaining political pork by "riding presidential coattails, congressional candidates often owed their allegiances to gubernatorial candidates" (Willis et al., 1999: 19). Due to both a law requiring that party nominations come from local levels, and the importance of electoral conventions run by municipal level political officials, these local level officials act as the central party brokers for political parties, and political candidates thus "cultivated assiduously the support of governors and mayors" (Willis et al., 1999: 21). Not only was it true, then, that politicians looked to gain the support of local officials in order to attain national prominence, but it was also the case that "by the 1980s a surprising number of Brazilian politicians sought to make their political careers at the municipal level" (Samuels, 2004: 69).

The strong influence for actors and opportunities at the periphery, then, provided a strong pressure for decentralizing resources to this level. Incentives provided by actors at the central level of government were unable to counterbalance this pull, and as a result power was significantly decentralized. Characterized by a weakly institutionalized party system, it was “difficult for presidents to organize political support through party channels... and instead, [the president] [relied] extensively on patronage.” (Mainwaring, 1999: 5; Mainwaring, 1997: 55; Weyland, 1996). Gaining support for reforms by holding party members accountable is impossible in this fractured party system, then, and as a result this fragmented “party structure weakened incentives for legislators to identify with either executive or collective party interests and has led to unusual powers on the part of subnational governments” (Willis et al., 1999: 24). Officials that held the power to shape the political landscape after democratization, therefore, with their own electoral interests in mind, worried only about appeasing local level officials. There was great incentive to redirect resources to the periphery, therefore, and no central power strong enough to keep these resources in the center.

In the case of Brazil, without any crisis, the actors that influenced decentralization calculated their costs and benefits in the context of their long-term political future. There was no immediate crisis facing either one individual political actor or a common political party, and as a result these actors were able to assume that their chance for political gain would be determined by their ability to play into political institutions that were already deeply rooted. Though the political arena was changing with the advent of democracy, the institutions providing incentives for political leaders to act at the periphery were already firmly ingrained; elite actors, therefore, knew that they could continue to play the political game in similar political context for the indefinite

future. Brazil's decentralization is therefore best understood as a case for the electoral incentives model in the context of a long-term time-horizon.

III. Conclusion

The process of calculating the costs and benefits of reform is at the heart of any political decision-making process. We can assume that in weighing the potential costs with the potential benefits of a reform, politicians will have strong incentive to decentralize if the resulting situation for those with the ability to enact it seems better than alternative situations. Each decision, however, is made within much different context, and it is imperative that we fully understand this context before attempting to purport understanding of a decision. This study affirms this hypothesis, showing that the Bolivian case was affected by electoral incentive variables existing in concert with a contextual variable affecting the time-period in which actors chose to evaluate their political futures. Simply assuming that in similar instances the decision-making actors would hold their long-term interests in mind, as O'Neill and other scholars do in their studies, elicits incomplete or inaccurate understanding of the decision-making process. Evaluating long-term interests as opposed to short-term interests presents actors with different predicted outcomes, and decisions in these opposing time frames would therefore represent much different process. It is by further unpacking both the electoral incentives and crisis variables, therefore, that this study augments the previous understanding of Bolivia's move to decentralization.

I have placed Bolivia's experience with decentralization in the context of two other Latin American countries whose decentralization experience were each unique. These contrasting cases reaffirm the fact that each decentralization process is case specific, and that we must understand the numerous variables influencing the decision-making process in each case. The similarity in the significant power held by elite actors in each country's decentralization process, however,

supports the arguments focusing on understanding elite-choice and electoral incentives as the underlying aspect of this decision-making process. In all of these cases, electoral incentives act as the underlying causal variable, motivating elite actors to embark on decentralization policies when they know they stand to benefit greatly. In Mexico and Bolivia the parties in control of power built more support by enacting the reforms, and in Brazil politicians secured their political futures by appeasing their party brokers. These decisions were also affected by the presence or absence of a crisis of the state.

Coincident to these electoral incentives, the variation in the presence of crisis across these cases illustrates the different effects wrought on the decision-making process by the differences in the circumstances of the political state. Bolivia provides a case where heightened crisis caused short-term goals to eclipse any long-term costs of decentralization. Facing a crisis of the state the party knew that changes were needed, and standing to gain politically the administration decided to decentralize. In contrast, Mexico falls in the middle of the spectrum, experiencing a smaller crisis of the state. Because the PRI knew it was institutionalized, it knew it would stay around in government for a long time, and thus employed a long-term time horizon. To ameliorate the minute crisis, however, they had to enact short-term policies of decentralization, showing the different effects this crisis variable can have. Brazil falls at the other end of the spectrum to Bolivia, and is an example of elite actors focusing solely on their long-term interests, knowing that there was no crisis to undermine the entrenched political institutions. The calculations for these actors therefore reflected an understanding of the long-term effects of their policies. In these cases those actors making decisions chose to decentralize to appease either their political superiors, in Brazil, or opposition actors, in Mexico, in order to ensure success in their long-term political future. Though the functional results of decentralization have been drastically different

in these two cases, understanding the calculation process as looking at the long-term political interests enables one to better understand the critical factors influencing these politicians.

This study has augmented not only the specific scholarship on Bolivian decentralization, by assessing a wider array of causal variables, but also general decentralization theory, by introducing the importance of crisis as a contextual variable. This latter contribution, however, still begs further investigation to better understand the role of crisis in political reform. To best understand this role, however, one must first unpack the different *types* of crisis in order to see if there is a correlation between these definitions, and their outcomes on political reforms. One can assume that in any political reform, whether it is in regards to fiscal, social, or political institutions, the level of centralization in the country will be increased or decreased on some minute to substantial level. Looking at trends of reforms introduced in different crisis situations, then, one might find a pattern of centralization or decentralization. Both of the crisis situations in this study occur internally, with subnational actors upset with inefficiencies in government rule. Crises of the state, in both Mexico and Bolivia, were induced because of the government's own ineptitude, and generated issues with their governing legitimacy, leading to decentralization. Crisis situations external to government control, however, might impress different types of reforms. In a deep economic crisis with high inflation, or a security crisis with a nation facing external threats, the government might be expected to recentralize power facing a crisis without any underlying opposition from subnational actors. The different causal weight of different types of crisis is a complicated but interesting topic for discussion, and it is a chapter in decentralization scholarship that has not yet been written. Further investigation would enhance this paper, and bolster decentralization theory.

In Bolivia in 1993 rational thinkers analyzed a situation of strong electoral incentives and a crisis of the state, and decided to cede power, regardless of the eventual consequences of the reform. The MNR and Gonzalo Sánchez de Lozada did not weigh the long-term risks of bringing new actors into the political arena, and instead focused on the immediate benefits of this reform to both their own electoral possibilities and the strength of the country. The prospect of losing power in a changed political arena sometime in the long-run was far less of a concern than seeing the Bolivian state lose its legitimacy in the short-run, and as a result these actors employed a short-term time-horizon to calculate their expected benefit for reform. Using the crisis variable to understand the difference in context enables one to see the rationality behind this decision, removing the doubt that the MNR miscalculated, and must be employed in understanding the decision-making process behind any political reform. It is with the evaluation of the effect that crisis has on the time context variable that one can truly understand the characterization of, and intensity given to, the costs and benefits weighed in any reform, and fully understand the decision-making process.

¹ Assuming rationality in central actions, the decision to decentralize is understood as the outcome of rationally calculating the costs and benefits of dispersing power, and how this policy will affect the future electoral interests of those actors involved in the decision. Ceding power can be justified with rational choice models, but this analysis also assumes beneficial long-run outcomes for the decision-makers. As the events of the past fall show, the MNR's long-term electoral interests were not defended, and so if one assumes that the decision to decentralize was made with long-term interest in mind, they would have to categorize the MNR's decision to decentralize as a miscalculation. This study, however, will explain that this decision was not a matter of miscalculation. Instead, a high level of political and state crisis forced the calculation of the costs and benefits of the reform to focus sharply on short-term gains, and discount the long-term risks.

² Montero and Samuels (2004) provide a comprehensive analysis of competing theories of decentralization. Specifically they discuss the impact of neoliberal reforms, stating that some argue "decentralization follows a particular political-economic logic, and that it emerges primarily in countries undergoing a weakening of state-led development models and the emergence of more market-oriented strategies" (Montero and Samuels 2004: 13). They show that others argue that international institutions, recognizing the increase in political and fiscal efficiency under decentralization, have normatively called for and therefore caused an increase in decentralization. These scholars argue that the influence for these institutions has led to decentralization because of factors that include: "increased openness of Latin America's markets to foreign investors, the transnationalization of production, and the advice of international financial institutions on macroeconomic reform and structural adjustment" (Montero and Samuels 2004: 15).

Lastly, they point to still other scholars who posit that decentralization of power has simply been an extension of the democratization of the region. This argument hypothesizes that "democratization opens up 'bottom-up' pressures for decentralization by creating new political spaces and providing for direct elections at the subnational level" (Montero and Samuels 2004: 17). Though these arguments may have validity in specific cases, however, each is insufficient in explaining decentralization across the region, and is therefore simultaneously refuted in this text.

³ The basic assumption of this study is that political decisions emerge from rational actors making decisions based on organizing different options in preference-seeking models. Merilee Grindle unpacks this concept, noting that politics is essentially "strategic actors who accumulate information about the options available to them and select actions that are most likely to allow them to maximize power, votes, influence, or political survival" (Grindle 1996: 22). Decisions to decentralize must be understood as a way of maximizing preferences, and in this model it would not be out of line to hypothesize "that politicians would cede some of their power in order to achieve more immediate advantage over opponents or achieve other immediate goals they considered more important, or that they would respond to the overwhelming pressure of those who supported power-sharing in exchange for electoral support" (Grindle, 1996: 23-24).

⁴ In an assessment of the march to decentralization, Merilee Grindle notes that decentralization reforms were enacted in order "to strengthen (and save) the state by reducing its functions, to remove from the hands of central officials many of the policy-related benefits they traded for personal and partisan advantage, and to side-step demands for the regional autonomy that could threaten a much deeper division of the country into have and have-not regions" (Grindle, 2001: 120). Though understanding the importance of crisis as an important factor is notable, and will be explored later in the paper, Grindle emphasizes the causal weight of this variable too deeply. She does not assess the numerous factors affecting the electoral incentives of the elite actors, nor the external nature of this crisis variable, as I will fully unpack later in this paper.

⁵ Functionally, Popular Participation was designed to affect Bolivia in three ways: regionally, politically and fiscally. The LPP was functionally sound and significant, bringing underrepresented and previously ignored groups into politics (Peirce, 1998). Regionally, the reforms divided Bolivia into 311 municipalities, 187 of which were new districts (Gray-Molina, 2001: 66); politically, each of these districts gained significant power, as each municipality was "to be governed by elected councilors, overseen in turn by public oversight committees composed of representatives of local grass-roots organizations" (Gray-Molina, 2001: 66); and fiscally, "municipalities received revenue-sharing transfers based on population size, and were granted municipal revenue-raising power over property taxes, fees and user charges" (Gray-Molina, 2001: 66).

⁶ The important roles that subnational actors assumed in the process of decentralization is emphasized in numerous works, provided in both pre-reform hypotheses, and post-reform analysis. These books include:

Cossío, 1993; Thedieck, 1994; Palález Gantier, 1995; Hugo Molina, 1996; Medina, 1997; Böhr I., 2001; Terrazas, 2002; Nijenhuis, 2002. Ayo, 2002;

⁷ This is taken from Spanish text, translated by the author. All Spanish texts utilized in this paper are translated in the same manner.

⁸ During a trip to Bolivia to conduct research on decentralization reforms I interviewed numerous academic, social, and political leaders from three different regions in the country. These interviews were focused on understanding the heart of the motivations for implementing decentralization reforms, and though each interviewer provided distinct perspective, there were similarities, like the one discussed here, that pervaded all the interviews. For similar viewpoints see: Quispe, 2004; Solares, 2004; Delgadillo, 2004; Maria Fernandez, 2004; Carlos Fernandez, 2004; Sandoval de Carvalho, 2004.

Appendix (all data found in O'Neill, 1999)

Party Support in National Elections, 1980-1993.

Party	1980	1985	1989	1993
UDP	38.7			
MNR	20.2	30.4	25.8	35.6
A.D.N.	16.8	32.8	25.4	21.1
PSI	8.7			
MIR		10.2	22.0	
MNRI		5.5		
Condepa			12.3	14.3
IU			8.1	
UCS				13.8
MBL				5.4

Local Level Support, 1993 Election

Party	% of Total Vote	% of Districts Won
MNR	34.9	71.9
A.D.N.	7.8	3.0
MIR-NM	9.4	3.0
Condepa	19.6	8.6
UCS	8.4	6.8

Regional Results of Municipal Contest, 1985-1993 (Parties with Plurality of Vote)

Region	1985	1987	1989	1991	1993
Chaquisaca	MNR	MBL	IU	MIR-A.D.N	MNR
La Paz	A.D.N.	MIR	Condepa	Condepa	Condepa
Cochabamba	A.D.N.	A.D.N.	MIR-A.D.N.	MIR-A.D.N.	MBL
Oruro	MNR	MIR	MIR-A.D.N.	UCS	MNR
Potosí	MNR	MIR	MIR-A.D.N.	MIR-A.D.N.	MNR
Tarija	MNR	MNR	MIR-A.D.N.	MNR	MNR
Santa Cruz	MNR	A.D.N.	MIR-A.D.N.	MNR	MNR
Bení	MNR	A.D.N.	MIR-A.D.N.	MNR	MNR
Pando	MNR	A.D.N.	MIR-A.D.N.	MIR-A.D.N.	MNR

Percentage of total support originating in rural locations

Party	1985 Local Elections	1987 Local Elections	1989 Local Elections
MNR	73.3	35.2	43
A.D.N.	53.9	36.4	
MIR	65.3	43	
A.D.N.-MIR			35.4
Condepa			19.3
UCS			40.1

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