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IRS Institut für
Regionalentwicklung
und Strukturplanung

Working Paper

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Regionalization and Institutional Change in Western Mexico, 1981-2001

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Introduction

During the last two decades of the 20th century, Mexico underwent profound institutional transformations as a result of the implementation of economic reform through structural adjustment, two phenomena influenced by neo-liberal thinking. These transformations modified the role of the Nation-State at its three levels of government and its relations with the different regions of the country. In this context, few studies have been undertaken that attempt to analyze the impact that these phenomena have had on a regional level. Furthermore, as far as Central-Western Mexico is concerned and according with the available studies, no one has been able to evaluate the repercussions of public policy in this region of the country, basically the process of regionalization. This situation responds especially to the limited use of the theoretical and methodological tools. The general objective of this research project is to propose a vision for systematically studying the main institutional transformations at the regional level. We will take as an example the Western Mexico region from 1981 to 2001. Our intention is to advocate for an interdisciplinary approach that considers geo-historical relationships that emerge over time and go beyond (as a critic of) the traditional conception of a region as an addition of low-level political-administrative territories (municipalities) grouped together in higher-level territorial units with their own political-administrative boundaries (regions).

Our reflection is divided into three parts, plus a section of final considerations. The first part briefly examines the theoretical perspective of institutional change, based on the neo-institutional economics; we will emphasize its connection with the process of regionalization implemented in Western Mexico during the last years of the 90's. The second part will point out some of the repercussions that the structural adjustment process has had on the regions, specifically the Western Mexico. In the third part, we attempt to demonstrate the relevance of recognizing the influence of external and internal factors in the analysis, as well as their ties to international, national and local dimensions in the definition of regionalization strategies. In the final considerations we will look into the advisability of creating or redefining the middle-level governance for the purpose of addressing and managing regional problems (*regional governance*). We are convinced that research into this region of Western Mexico could help to define general criteria for making comparisons and establishing a dialogue with other regions, both in Mexico and abroad,

that have experienced similar phenomena. The challenge would be to restructure and redesign existing institutions so that they can respond more efficiently to the problems of public affairs on the intermediate level.

Institutions

During the two last decades of 20th century, an economic reform process known as structural adjustment was carried out in Mexico. This process in turn led to an institutional change through the implementation of specific policies, basically of a fiscal, monetary and commercial nature. This economic reform intensified the transformation of the country's different regions, when they tried to adapt to the new circumstances. The repercussions in the different regions were quite diverse. In Western Mexico, specifically in Jalisco, one of the strategies was to reorganize and regroup low-level territorial units (municipalities) into medium-level territorial units (regions). This process is known as regionalization. However, for such a process to succeed, it is important to have a profound impact on formal and informal institutions, in order to reach the goals that are set, regardless of which regionalization approach is followed. Thus the question arises: How can we analyze institutional change?

The theoretical and methodological premises of the new institutional economics offer us a series of useful concepts for analyzing institutional change. We believe that the conceptual perspective of the new institutional economics is relevant for analyzing regional economic development over time. To begin our analysis, we will follow the guidelines of Douglass C. North and other exponents of the new institutional economics, for the specific purpose of making a more deeply study of this theoretical approach that will serve as the basis for this research note.¹

¹ Douglass C. North was Nobel Laureate in Economics in 1993 and Ronald H. Coase in 1991. Specially North during his carrier as economist has shown a peculiar interest in problems of efficiency and economic growth throughout the time, specifically in the United States, a list of the most representatives works can be read in The Nobel Foundation, "Autobiography of Douglass C. North", June (1999), <http://nobel.sdsc.edu/laureates>. Concerning the approach of institutional change, the bibliography is enormous, but the following texts are some references: North, Douglass C., 1998, "The new institutional economics and third world development", en Harris John, Hunter Janet and Lewis Colin, *The new institutional economics and third world development*, Ed. Routledge Economics, New York, pp.17-26; Toye, John, 1998, "The new institutional economics and its implications for development theory", en Harris John, Hunter Janet and Lewis Colin, *The new institutional economics and third world development*, Ed. Routledge Economics, New York, pp.27-48; Ronald Coase, "The new institutional economics," *The American Economic Review* 88 (1998): 72-74; Victor Nee, "Norms and Networks in economic and organizational performance," *The American Economic Review* 88 (1998): 85-

Institutions, in North's view, are limitations set by people, and these limitations give structure to people's interactions. They also encourage political or economic exchanges over time and determine the performance of different economies.² Transversal or longitudinal analysis of institutional matrices from industrialized and underdeveloped countries, is the key to understanding economic success or failure; the types of institutional incentives are reflected in the behavior of individuals, who may act efficiently or inefficiently according with a specific contexts; incentives in underdeveloped countries have often been inequality distributed.³ Empirical evidence has shown that coordination among institutions and organizations, as well as the capacity for adaptation to new circumstances and flexibility, have been crucial for economic performance.⁴ Over time, inefficient institutions have tended to disappear, although the speed of their disappearance has varied from country to country. But in general, humanity has tended to create more efficient forms of social, economic, political and administrative organization. Institutions are thus creations of the human mind; they are intangible, but they influence individual lives in different ways.⁵

It is important to draw a distinction between institutions and organizations. The former include all the norms created by humanity, while the latter are forms of cooperation and coordination that different individuals set up to reduce uncertainty, to attain certain common objectives and to maximize their benefits in terms of the opportunities available within the established institutional framework.⁶ During the process of institutional change, the negotiating capacity of organizations or individuals is vital; sometimes cooperation is more effective than rivalry in reducing transaction costs.⁷ Institutions function as contact points for organizations and individuals. Cooperation takes on different forms among

89; John Edgren, "Modeling institutional change: Some critical thoughts," *Journal of Economics Issues*, XXX (1996): 1017-1029; Olivier Williamson, "The institutions of governance," *The American Economic Review* 88 (1998): 75-79; Jérôme Maucourant, "Institutions et monnaie dans l'oeuvre de W.C. Mitchell", *Revue d'économie politique*, 108 (1998): 392-418; Stiglitz Joseph E., 1998, "Más instrumentos y metas más amplias para el desarrollo. Hacia el consenso post-Washington", *Instituciones y de Desarrollo*, octubre, pp.13-57.

² Douglass C. North *Instituciones, cambio institucional y desempeño económico*, (México: Fondo de Cultura Económica, 1993), 13-14.

³ Douglass C. North, "El desempeño económico a lo largo del tiempo," *El trimestre económico*, 244 (1994): 568 y 580; North, *Instituciones, cambio institucional*, 95 y 107.

⁴ Jordi Borja y Manuel Castells *Local y global. La gestión de las ciudades en la era de la información*, (Madrid: Taurus, 1997): 15 y 32

⁵ North, *Instituciones, cambio institucional*, 139.

⁶ North "El desempeño económico", 572; North, *Instituciones, cambio institucional*, 99.

⁷ Andrew Davies, «Économies locales et globalisation», *Cahier Leed* 20 (1995): 17-18 y 37.

organizations, but all are aimed at sharing risks and at the same time reducing transaction costs. Nevertheless, when cooperation takes on complex forms, such as alliances or networks,⁸ the institutional matrix must offer advantages to each of its members, and also promote stability among them. At the end of the 20th century, one of the main functions of cooperative undertakings is the exchange of information, because information now travels along such long and complex routes, which makes it difficult to use without distortions. Strategic alliances and/or networks promote a more efficient use of information, and create institutional memory regarding specific responsibilities, abilities, knowledge and routines.⁹ Analysis using the neo-institutional economics approach attempts to put together a three-dimensional figure that includes law, economics and organization, all of them seen over time.¹⁰

North classifies institutions into two types: formal and informal. When a certain society is being analyzed, formal institutions (the collection of written norms or laws that limit interactions among individuals) are easier to recognize and define than informal institutions (which encompass customs, traditions and behavior codes). While it is clearly important to distinguish each type of institution, there is a process of mutual feedback that makes it hard to conceive of one as totally independent of the other. Informal limitations complement and strengthen formal norms, but the mere existence of institutions does not necessarily imply efficiency: they are parameters that help to detect which efforts will be rewarded and which will be penalized, in order to adapt more coherently to a given institutional framework. The formal institutional framework can be modified when individuals and organizations with negotiating capability are interested in modifying it; however, the rhythm and intensity of change in formal and informal institutions rarely coincide. Normally, formal institutions are easier to modify than informal ones, because

⁸ The strategic alliances are forms of horizontal cooperation, where the links and transactions are not necessarily market relationships. Concerning the networks, they are horizontally or diagonally structured; the cohabitation of both organizational structures in a specific contexts became what is known as *innovative milieux*. The development of this idea is taking of Joachim Genosko, "Networks, Innovative Milieux and Globalization: Some Comments on a Regional Economic Discussion", *European Planning Studies*, 5, (1997): 285-287 y 293-294.

⁹ Sherwin Rosen, "Costos de transacción y mercado de trabajos internos", en *La naturaleza de la empresa. Orígenes, evolución y desarrollo*, Ed., O. Williamson y S. Winter (México: FCE, 1996): 109, 114, 116, 119 y 122.

¹⁰ Williamson y Winter present an interesting point of view about the Coase's main ideas, which summarize the most essential contributions around the transaction cost concept. See O. Williamson y S. Winter, *La naturaleza de la empresa*, 15ss.

cultural traits tend to persist or else they change very gradually, which influences institutional change. Therefore, the ideologies, ideas and conception held by individuals in the world around us, take on a crucial importance in institutional change; they can either drive or block transformations.¹¹ It is necessary to have an accurate perception of individuals' "standardization of instincts"¹² in a given context, because the knowledge and learning of institutional rules in a transitional process may prove to be slow, contradictory or inefficient.¹³

The institutional framework influences organizations, so, in North's conception, it is important to determine how they affect both transaction and production costs. The use of the concept of transaction costs is not unique to North; most of the exponents of the neo-institutional economics school use it from a three-way perspective: a) transaction as the unit of analysis, b) contract evaluation, and c) transaction differentiation. These perspectives give greater detail to the analysis.¹⁴ R. H. Coase, in his famous article of 1937 on "The nature of the firm", discussed transaction costs for the first time. Coase states that the organization of a firm implies a cost; therefore, when it costs an individual less to organize the production of a certain good than to acquire it on the market, it is better to organize a firm. When the sum of the costs of hiring productive factors and selling the product (transaction costs) are less than the costs of resorting to the market, then it is feasible to start up a firm, or else an organization.¹⁵

Individuals and organizations act on the basis of information, which is usually incomplete. The gathering of information and its lack are transaction costs that individuals and organizations assume; misinformation, or the poor use of information, results in persistent inefficiency in performance. However, giving a satisfactory explanation for performance differences among economies has proven to be a complicated task. When

¹¹ North, *Instituciones, cambio institucional*, 55, 87, 109, 115, 120 y 143.

¹² Maucourant, «Institutions et monnaie», 401.

¹³ Some critical points of view about the conception of community, where are articulated with society and culture as creating institution and institutional change might be revisited in Edgren, "Modeling institutional change", 1017, 1019 y 1021.

¹⁴ Olivier Williamson, "La lógica de la organización económica", en *La naturaleza de la empresa. Orígenes, evolución y desarrollo*, Eds., O. Williamson y S. Winter (México: FCE, 1996): 156.

¹⁵ R.H. Coase, "La naturaleza de la empresa", in *La naturaleza de la empresa. Orígenes, evolución y desarrollo*, Eds., O. Williamson y S. Winter (México: FCE, 1996):33, 35, 40-41, 44, 46, 67 y 92. See also the Williamson and Winter annotation's about the factors which have bonded the analysis of cost into organizations, specially in the firms, (O. Williamson y S. Winter, *La naturaleza de la empresa*, 11, 13, 16, y 22).

there are significant negotiation costs (such as obtaining information), institutions are important, therefore, negotiating becomes a costly proposition. Institutions will signal when individuals are acting according to mistaken mental models, by rewarding or penalizing these individuals or organizations. The enforcement of agreements, norms or laws has a cost for society; when this enforcement is not achieved, especially in impersonal exchanges, inefficiencies result, which in North's view lead to serious growth and development problems. It thus stands to reason that in underdeveloped countries, carrying out transactions proves to be more costly than in industrialized countries. Greater complexity in the institutional matrix leads to greater complexity in the exchanges and higher costs to assure that institutions function efficiently. Therefore, one of the purposes of institutional change is to bring down these transaction costs, which will affect production costs and therefore total costs, in order to secure growing returns and reduce market imperfections. To carry out institutional change, it will be necessary to use productive resources and factors, but it is also crucial to protect property rights, the second key concept in neo-institutional economics analysis.¹⁶

With positive transactions costs, it is necessary to allocate resources, and the allocation of resources has an impact on property rights, which means that these rights depend on costs and benefits. However, property rights are not defined in the production sphere, but in the political sphere. This explains why it is so important for the political sphere to function efficiently. North affirms that the political marketplace will be in charge of enforcement, so property rights are not necessarily efficient—their inefficiency should come as no surprise.¹⁷ An example of the importance of the definition of property rights can be seen in privatization policies: they modified the structure of property, but they did not necessarily lead to greater efficiency in the performance of the economies in question.¹⁸

Uncertainty and experience, while not carrying the conceptual weight of transaction costs or property rights in neo-institutional analysis, are transcendent elements that tie in with these others, but they are not exclusive to this kind of analysis, because other authors

¹⁶ North "El desempeño económico", 569; North, *Instituciones, cambio institucional*, 7, 19, 23-24, 29, 43, 76, 80, 85, 92, 111 y 124.

¹⁷ North, *Instituciones, cambio institucional*, 45, 73 y 142.

¹⁸ Wolfgang Seibel, "Privatization by means of state bureaucracy? The Treuhand phenomenon in Eastern Germany", en *Restructuring networks in post-socialism: legacies, linkages, and localities*, Eds, G. Grabher

affirm that the recognition of sanctions or incentives for individuals is essential.¹⁹ Institutional change modifies formal and informal rules, thus when no cooperation or information is available, individuals and organizations are shown to be inept in the new context— uncertainty influences their decisions. Individuals are seldom rational; they display a *limited rationality* (to a great extent a result of complex, incomplete contracts and market failures).²⁰ Contrary to the postulates of neo-classical theory, both individuals and organizations will be forced to decipher their environment and motivate themselves to act; the repetition or frequency of similar situations, the regularity of exchanges, cultural homogeneity (or at least an understanding among different cultures and ways of thinking) encourage individuals and organizations to take an active part in this type of exchange when the institutional framework has been modified.²¹

In a more general way, the neo-institutional economic approach attempts to be a theory of economic dynamics, as a basis for a theory of economic development and a rudimentary guideline for the application of policies or organizational designs for improving economic performance. It also builds on ideas proposed by other schools of thought²² and tries to apply their conceptual apparatus to give a more thorough explanation from both a transversal and a longitudinal viewpoint, especially in the search for empirical evidence that could lend greater coherence to its postulates.

The analysis of regional development from this perspective seems promising, due to the precise definition of the factors involved. Thus it is possible to evaluate the participating agents. The use of the neo-institutional approach offers an adaptive flexibility: there are interesting applications in regional contexts with some degree of open economy. These applications refer to the use of technological innovations, the legal and institutional

and D. Stark, (Oxford: University Press, 1997): 284-304; Julian Exeter y Steven Fries, “La transición después del comunismo. Estructura y perspectivas”, *Finanzas y Desarrollo*, Septiembre 1998, 27.

¹⁹ Aldo Ferrer, *Historia de la globalización: Orígenes del orden económico mundial*, (México: FCE, 1996), 128.

²⁰ Williamson, “La lógica de la organización”, 151 y 131; O. Williamson y S. Winter, *La naturaleza de la empresa*, 18. About this point and the asymmetric information in the firms see also Oliver D. Hart, “Los contratos incompletos y la teoría de la empresa”, en *La naturaleza de la empresa. Orígenes, evolución y desarrollo*, Eds., O. Williamson y S. Winter (México: FCE, 1996): 195-196, 202, 211 y 217.

²¹ North, *Instituciones, cambio institucional*, 24, 34, 52 y 124.

²² We find an example when North refers to the early texts of the Economic Commission for Latin America and the Caribbean (ECLAC), and also of Latin-American dependence theory. According to North, the institutional framework of Latin American economies stress certain kinds of commercial practices in the international arena, which has been persisted over the time, North, *Instituciones, cambio institucional*, 130, 173 y 176; North “El desempeño económico”, 567-8.

basis for enhancing the performance of regional economies.²³ In addition, its historical reinterpretation has drawn the interest of some adherents to cases from Mexico.²⁴ The success of the neo-institutional vision notwithstanding, we recommend prudence in using it, to avoid exaggerating the adaptive flexibility and forcing a theoretical and methodological interpretation onto the process of regionalization and its impact on the design or restructuring of middle-level organizations.

In conclusion, on the basis of the elements set forth here, we believe that it is feasible to address the main problems resulting from the intensification of structural adjustment on the regional level, and, as typically occurs, the grouping of low-level territorial units (municipalities) into regions interferes with the solution of complex problems such as those affecting a hydrological basin, where a considerable number of individuals and organizations are involved, as well as geographical, historical and cultural factors, without put outside the political and economic considerations.

The region and structural adjustment

Starting in the 1980's, both in Mexico and in other Latin American countries, one priority in public policy was to achieve economic reform, which was implemented through structural adjustment plans. This strategy consisted of setting up and coordinating measures in the commercial, monetary and fiscal spheres.²⁵ These economic policies were formulated with the consensus, backing and advice of the main international agencies, specifically the International Monetary Fund (IMF) and the World Bank (WB); they also proved to be remarkably similar to other economic reform plans implemented in different social-political and economic contexts.²⁶ Nevertheless, in most cases, one of their key features was a

²³ Clark W. Reynolds, "Open regionalism lessons from Latin America for East Asia", *Working Paper*, 241 (University of Notre Dame: The Helen Kellogg Institute for International Studies, 1997): 17.

²⁴ Antonio Ibarra, "Teoría económica e historia: un acercamiento a la integración propuesta por North", *Economía Informa*, 257 (1997): 10-2, Hugo J Contreras Sosa, "Institucionalismo y neo-institucionalismo un abecedario económico", *Economía Informa*, 275 (1997): 5-11; Antonio Sánchez Bernal, Ed., *Experiencias municipales de cambio institucional*, (México: Universidad de Guadalajara, 2002).

²⁵ The aspects, which should have been included in an economic reform for the Mexican case, had been considered generally since late 70's, about this early considerations see Clark W. Reynolds, "Por qué el desarrollo estabilizador de México fue en realidad desestabilizador: algunas consecuencias para el futuro", *El Trimestre Económico*, 250, (1996): 653-680. In late 80's and early 90's the proposition were more concrete, see Dornbusch Rudiger, "México: Estabilización, deuda y crecimiento", *El Trimestre Económico*, 250, (1996): 921-982.

²⁶ GONZÁLEZ, José Antonio *et al.*, *Latin American Macroeconomic Reforms. The Second Stage*, (London: University of Chicago Press, 2003); Mariana Llanos, *Privatization and democracy in Argentina. An analysis*

pronounced sectoral bias, while regional policy took a back seat during the implementation of structural adjustment.²⁷ In the case of Mexico, even though economic reform promoted a formal institutional change, everything indicates that the outcome of its implementation increased the inequalities among the different regions, which became even more notorious after the economic crisis of 1994.²⁸

This general process of formal institutional change intensified the transformations of the different Mexican regions, which tried to adapt to the new context according to their specific characteristics. Few studies have tried to analyze the impact of structural adjustment programs on the regions.²⁹ As far as Western Mexico is concerned, there is little information to indicate just what the consequences of these policies were, or what strategies came out of them. Knowledge in this area is uncertain at best.³⁰ Starting in the 1990's, a transition took place in the implementation of public policies: programs with a local scope took on more importance; decentralization (in its various shapes) and the shift in social policy were options that grew out of the limitations of economic reform.³¹

of president-Congress relations, (USA: Pelgrave, 2002); Vito Tanzi, Ed., *Transition to market. Studies in fiscal reform*, (Washington D.C.: IMF, 1993); Exeter y Fries, "La transición después del comunismo", 26-9.

²⁷ H. Veltmeyer, J. Petras y S. Vieux, *Neoliberalism and class conflict in Latin America: A comparative perspective on the political economy of structural adjustment*, (USA: Macmillan, Press LTD, 1997), 1-56; Borja y Castells, *Local y global*, 418.

²⁸ John Sheahan, "Changing social programs and economic strategies: Implications for poverty and inequality", *Latin American Research Review*, 33, (1998): 187, 190 y 196; Christopher Colclough, "Estructuralismo y neoliberalismo: una introducción", en *¿Estados o mercados? El neoliberalismo y el debate sobre las políticas de desarrollo* Ch. Colclough y J. Manor, Eds., (México: FCE, 1994): 1-44; David Evans, "Manos visibles e invisibles en la reforma de la política comercial", en *¿Estados o mercados? El neoliberalismo y el debate sobre las políticas de desarrollo*, Ch. Colclough y J. Manor, Eds., (México: FCE, 1994): 77-116.

²⁹ James Wilkie and Clint E. Smith, *Integrating cities and regions. North America Faces Globalization*, (Mexico: Universidad de Guadalajara, 1998). Organización para la Cooperación y el Desarrollo Económico (OCDE), *Desarrollo regional y política estructural en México*, (París: OCDE, 1998); Reynolds, "Open regionalism lessons", 27. OECD, *Descentralización e infraestructura local en México: Una nueva política pública para el desarrollo*, (París: OECD, 1998).

³⁰ Scott, James *et al.*, *El renacimiento de las regiones. Descentralización y desarrollo regional en Alemania (Brandenburgo) y México (Jalisco)*, (México: Universidad de Guadalajara, 2001); Daniel Hiernaux Nicolás, "Reestructuración económica y cambios territoriales en México. Un balance 1982-1995", en *Globalización y territorio: impactos y perspectivas*, C.A. de Mattos, D. Hiernaux y D. Restrepo, Eds., (México: FCE-Pontificia Universidad de Chile, 1998): 92-119; Edith Jiménez Huerta, *El principio de la irregularidad. Mercado del suelo para la vivienda en Aguascalientes, 1975-1998*, (México: Universidad de Guadalajara-CIED, 2000).

³¹ Davies, "Économías locales", 48; José Ayala Espino, "Diseño e innovación de las instituciones agrarias mexicanas. Una perspectiva desde la teoría de las instituciones", *Economía Informa*, 257 (1997), 13-9; Erika Olvera, "Derechos de propiedad de costos de transformación en el campo mexicano. El caso de las reformas al artículo 27 constitucional", *Economía Informa*, 257 (1997), 32-36.

At the same time, it is important to point out that structural adjustment programs are based on economic neo-liberalism, which has affected other activities in society.³² Prominent among the measures that have had an impact on regions and smaller communities, are privatization, free trade, productive modernization, the drive toward the process of worldwide interdependence (globalization), as well as the reorganization of municipal public finances, budget cuts, among others.³³ One characteristic of this type of policy was the questioning of the traditional role of the Nation-State, which led to the emergence of societal players that encouraged grass-roots participation in areas that go far beyond the economic sphere.³⁴

In this way, we consider it important to study more thoroughly (i) the new institutional set-ups that are emerging in the regions through the process of regionalization, this concept being understood as the creation or redesign of organizational structures in three dimensions— political, administrative and economic— for the purpose of dealing with the challenges that arise out of institutional change resulting from economic reform. Likewise, it is crucial to pay special attention to the internal and external connections where public policy plays a key role. Also (ii) to analyze the type of institutional change given the onset of a new conception of time and space, i.e., in the case discussed in this research note, we believe it is crucial to examine the strategy of grouping low-level political-administrative territorial units (municipalities) into higher-level political-administrative territorial units (regions) as a way of responding to the challenges implicit in economic reform (process of regionalization). (iii) To evaluate critically and as far as possible, the impact and relevance of this type of institutional change in the design and creation of middle-level organizations whose radius of action is not defined exclusively by political-administrative criteria. And finally (iv) to explore the possibilities of restructuring or designing intermediate organizations (*regional governance*), for example, hydrological

³² OECD, *Reconciling economy and society: Towards a plural economy*, (Paris, OECD, 1996).

³³ Denis Besnainou and Laurent Davezies, "Regional policy in Mexico", *The OECD Observer*, 210, (1998): 17-19; Olivier Crevoisier, "Financing regional endogenous development: The role of proximity capital in the age of globalization", *European Planning Studies*, 5, (1997): 407-15; Norman S. Fielke, "Popular myths about the world economy", *New England Economic Review*, July/August (1997), 17-26; Raúl M., Madrid, "Labouring against neoliberalism: unions and patterns of reform in Latin America", *Journal of Latin American Studies*, 35, (2003), 53-88; Peter Young, "Las enseñanzas de la privatización", *Economic Reform Today*, 1, (1998):1-7; Luis Fernando Ocampo, "Lo regional: punto de encuentro", *CIUDADES* 29, (1996),42.

basin boards or regional development agencies, both non-governmental in nature, whose scope goes beyond political-administrative aspects to take in geo-historical criteria of resource location or productive and marketing chains, in order to design regional-level public policies that would encourage profound institutional change (formal and informal) within the context of regionalization.

One exercise of public policy implementation and change along these lines was the regionalization program promoted by the government of the state of Jalisco and developed between 1996 and 2000. On the basis of the proposals laid out in the Regional Development Plan, the process of regionalization was conceived as a strategy for developing the state: starting in 1996, the 124 municipalities that make up Jalisco were grouped into 12 regions (see maps).³⁵ The agency in charge of carrying out the regionalization process was the Planning Committee for the Development of the State (COPLADE, in its initials in Spanish). It was thus an initiative that tried to foment “the progress of the municipalities, by promoting the common good, job-creation, improvements in the inhabitants’ quality of life, and the apportionment of resources, agencies and personnel that have always gravitated to the capital city (Guadalajara)... (with) a vision looking forward to the year 2020, gauging the potential and the strengths of each region and warning about their weaknesses and backwardness...Regionalization proposes that decisions affecting the life of a region’s inhabitants no longer be taken in the State Capital (which is basic for the process of decentralization)”.³⁶

³⁴ Ugo Pipitone, *Tres ensayos sobre desarrollo y frustración: Asia Oriental y América Latina*, (México: Porrúa-CIDE, 1997): 1-90; Carlos Maya Ambía, “Estado, mercado y sociedad civil: tres líneas de comentarios al libro de José Ayala Espino”, *Economía Informa*, 257 (1997), 13-9.

³⁵ The regions were the following: 01 Norte, 02 Altos Norte, 03 Altos Sur, 04 Ciénega, 05 Sureste, 06 Sur, 07 Sierra de Amula, 08 Costa Sur, 09 Costa Norte, 10 Sierra Occidental, 11 Valles y 12 Centro.

³⁶ Gobierno del Estado de Jalisco, *Plan de Desarrollo Regional. Región 04 Ciénega*, (México: Gobierno de Jalisco-COPLADE, 1996), 1.

México



MAPA 1



La Ciénega de Jalisco (04 Ciénega)



This strategy formed part of the main challenges identified by the first alternation-party administration of 1994-2000, headed by the National Action Party (PAN). However, the regionalization project and its implementation, which aimed at a more efficient administration of space, proved to be more complicated than the designer had originally bargained for. Furthermore, this process became politicized, even blocked, by the existence of narrow interest groups and organizations. The foregoing represents an example of what we have called the grouping of low-level political-administrative territorial units (municipalities) as a basic criterion for regionalization, resulting in higher-level territorial units (regions) whose limits are still defined by political-administrative boundaries. No effort is made to consolidate or design middle-level organizations of a plural and non-governmental nature to support a profound (formal and informal) institutional change.

We therefore believe that on the basis of a study of one of the twelve regions that emerged from the 1996 regionalization program (04 Ciénega), general comparative criteria can be established, as well as dialogue with other regions of Mexico and other countries that have been involved in similar phenomena. In addition, it is crucial to overcome the limited use of theoretical and methodological tools: once the objective is met, interdisciplinary and comparative reflection will be possible, and the area of study will be

regions designed according to criteria that are different from those mentioned, using an institutional change approach.

In this way, taking a wider perspective and bearing in mind the dimensions of the regional context of the case study— the Ciénega region of Jalisco— we can ask: What links are established with external and internal factors and the problems that they cause, in a specific process of regionalization like Jalisco's? What similarities or differences do we find in this process when we compare it to other phenomena in Mexico and elsewhere? What are the factors involved in the design or restructuring of middle-level regional organizations (*regional governance*) of a plural and non-governmental nature, as mechanisms for coping the challenges that arise out of economic reform?

One of the main objectives of the regionalization process in Jalisco, as proposed by the respective authorities, was to evaluate the essential transformations of the space and of policies implemented over time. For our part, we understand that this is closely related to an institutional change, whose general context has been influenced by the worldwide economic interdependence among countries and by systematic transformation, which in Mexico's case meant going from a closed to an open economy, where market mechanisms increased in importance as an alternative for resource allocation. With this approach, we can begin to make out a panorama where local matters must be coordinated with regionalization and growing economic interdependence.

In the context of West-Central Mexico, which is comparable to other areas in Mexico and abroad, local issues have been affected by, among other phenomena, unprecedented urban growth, unequal performance of the economic sectors, stiffer competition for existing resources, the deterioration of economic and social infrastructure (where educational and health-care institutions play a key role), as well as new patterns in the geographical division of labor markets driven by migratory processes.³⁷ These elements form part of the material basis of the process of regionalization. So, one of the specific objectives of any such process should be a thorough analysis of the process itself, essentially of the cooperation that occurs among different local, national and international

³⁷ R. Hinojosa Ojeda, "L'accord de libre-échange nord-américain et les migrations", in *Migration et développement: un nouveau partenariat pour la coopération*, OCDE Ed., (Paris: OCDE, 1994); Guillaume D. Massey et al., *Return to Aztlan: the social process of international migration from western Mexico*, (Los Angeles: University of California Press, 1987).

organizations over the last few decades. In other words, it would be important to determine what its links are, how they have been affected by political, economic, social, cultural and public-health events, in order to design or restructure middle-level organizations that can meet these challenges. In fact, this is one of the main topics of study that this research note wishes to highlight, not just for the Ciénega region of Jalisco, but also for other contexts with similar issues.

The interconnection and intersection of factors

If one of our study objectives consists of analyzing the main institutional transformations that came out of the economic reform beginning in the 1980's, and their impact on the regions, for instance on the Ciénega region of Jalisco, using an interdisciplinary approach where reference is made to the regionalization process, then we also consider it appropriate to examine the influence of external and internal factors that have an impact on the development of the regionalization process. Thus we propose, first of all, to consider the interconnection of three transversal axes (international, national and local), as a function of the influence of two longitudinal axes (exogenous and endogenous).

With regard to the transversal axes, first we have the **international dimension**, whose influence has become clearer in the context of the institutional change that Mexico has undergone since 1981, especially if we think of the regions as little open economies, where the following aspects are evident:

- The increase in economic interdependence through free trade, the greatest influence being the North American Free Trade Agreement (NAFTA), as well as the free trade agreements signed with Europe and Chile.
- The systematic transformation of a closed economy into an economy open to international markets, where it is remarkable how the flow of tangible and intangible goods has increased substantially, through channels both traditional and non-traditional (new information technologies), all within the framework of structural adjustment programs of a neo-liberal bent.
- The increase in the importance of market mechanisms, where the Nation-State's participation as a regulatory body has changed over time. This forms part of the main changes taking place on the international level, whose influence is being felt not only

in Mexico, but also in most of the Nation-States with which the country has any kind of relation. In the case of Mexico, the effects of this new input of ideas influence the role of the three levels of government.

Secondly, we have the **national dimension**, where some of the aspects that have upset the new regional configurations in Jalisco, specifically in the Ciénega region, are comparable to those found in other areas both in Mexico and abroad. This leads to the following:

- Unprecedented growth of urban areas, which implies the redefinition of public policies of an essentially urban character. Since these areas are among the main recipients of resources, an unequal relation with the surrounding environment develops, and the challenges in terms of coordination and cooperation of city governments grow.
- One consequence of the predominance of public policies with an urban focus, designed to meet the needs of the majority of the inhabitants, is that there are few strategies that promote efficient coordination and distribution between urban and rural areas, in terms of the use of scarce resources, in order to generate sustainable growth as a function of inter- and intra-regional needs.
- The provision of factors gives rise to comparatively uneven performances in the different regions over time. If there are no collective strategies targeting the regions to try to curtail this trend, one result is the growth of inter- and intra-regional inequalities, whereby some parts of the region, or sometimes even entire regions, are gradually bypassed by the main economic, political or cultural currents. One consequence of this phenomenon is the constant, gradual deterioration of economic and social infrastructure (fundamentally in the areas of public education and health care). Another result is the fracturing of old geo-historical regions, which only leads to a proliferation of areas of exclusion and extreme poverty.
- In view of the new patterns of geographical division of labor markets, migratory flows tend to intensify. Social mobility is a constant. This could lead to institutional instability, especially if the trend in the regions' growth and development is divergent.

Finally, within the transversal axes, we have the third element, the **local dimension**. It is important to take spatial analysis to a deeper level in a context of institutional change, especially regarding such factors as:

- Cooperation among local institutions and organizations, where the growing participation of citizens' groups stands out and these groups have ties to other similar organizations, both in the region and outside of it, capable of mobilizing tangible and intangible resources.
- What are the challenges that different communities face from the standpoint of political, economic, social and cultural integration?
- What kind of institutional change is demanded by the growing process of globalization, with the respective elements that come with it, and what type of transformation can feasibly be undertaken in the region? But especially, how can we carry out these transformations or what are the roles that each player is supposed to assume?

Exogenous and endogenous factors

With respect to the interconnection of the second group of longitudinal axes, we believe it is important to analyze specifically two main topics that together give coherence to the interconnection of the three dimensions mentioned above, namely, exogenous and endogenous factors.

Exogenous Factors. If we think of the regions as little open economies that try to adapt to the process of economic integration, then there is a series of external factors that directly and indirectly influence their economic, political and social development, for example:

- a) The growing internationalization of the economy and the role of foreign capital:
 - The establishment of economic and social networks in the main urban areas with multiple and discontinuous ties over space to entities outside the country, which directly or indirectly have an impact on the regions.
 - Given these discontinuous ties over space among international, national and local dimensions, there will be areas within the regions that will remain isolated from the main trends resulting from these dimensions, basically in rural areas.

- On the basis of the ties that are established and that persist over time, essentially in metropolitan areas, multiplier effects are generated in the different territories, which are likely to produce inequalities and contradictions.

b) Productive transformation and de-location:

- International division of productive processes: the promotion of a model of international outsourcing (*export maquiladora*), which can generate instability and volatility in job creation; this has been Mexico's experience since late 2001.
- Cost reduction and profit increases for businesses, but what are the long-term benefits for regions and their inhabitants?
- To what degree can *regional governance* adapt in order to respond to new productive location policies? How are resources distributed and appropriated, with due respect for property rights, among the players, in view of the fact that that from this distribution, new capacities will be generated? What role do social, political, cultural and ecological factors play?

c) Dissemination and implementation of new technologies:

- The influences of new conceptions of time and space on the public and private spheres.
- This implies a reduction in the time government authorities have to make decisions and to implement and administer more flexible public policies; this becomes especially complicated when there are no middle-level organizational structures to simplify the cooperation and exchange of information among regional players, or when these structures function imperfectly.
- It is also important to promote structural planning, based on the constant evaluation of policies that are implemented and that have a regional impact; this obviously exceeds the political-administrative capabilities of low-level territorial units.
- The specific implementation of collective strategies, on the basis of regional characteristics, for the purpose of exploiting the benefits that come from using new information technologies, demands a constant evaluation of human capacities, but

what is to be done about the continuous deterioration of economic and social infrastructure (public education and health care)?

Endogenous factors. With regard to internal factors, which are also connected to the dimensions mentioned above, we have:

- a) Elaboration of a diagnosis regarding the relevance of designing or restructuring middle-level organizations in the region, capable of evaluating the main changes resulting from economic reform, using the institutional change approach:
- Transformation of organizations and institutions (formal and informal) on a local scale and the type of coordination or cooperation among them.
 - Degree of adaptation and flexibility of the organizations and institutions in their respective spheres of influence.
 - Mechanisms for cooperation among individuals and organizations, by means of regulatory measures for enhance growth, promoting and correcting local economic distortions, on a regional scale.
- b) Analysis of the effectiveness of the coordination between the planning and the implementation of public policies in the locality when they have a regional impact:
- Types of cooperation among public, private and social organizations.
 - Rebuilding new regional contexts from the community level up, by coordinating the public sector in collaboration with citizens' organizations.
 - Analysis of the forms of cooperation within the process of regionalization.
- c) Recognition of strategic local-level players that have a regional impact.
- The role of collective experience in solving specific problems: the challenges of citizen participation.
 - Consolidation and creation of strategic alliances based on the exchange of information among public, private and social players.
 - Search for balance among public, private and social interests.
 - Distribution and use of resources that make decision-making sustainable; these resources can be generated outside the political-administrative limits of the low-level

territorial units (municipalities), even though they are crucial for these units, for example: water, knowledge or migration.

Final Considerations

The economic neo-institutionalism, seen as a dynamic theory in the context of regional development, can reveal factors (both economic and non-economic) that are involved in the process of regionalization and that prove to be decisive to the success or failure of this process. We also think that, along these same lines, this theoretical approach will allow us to recognize first of all, how institutions, organization and individuals participate in thorough-going institutional change in the Ciénega region of the Lerma-Chapala Basin; and secondly, how to influence the functioning or design of middle-level institutions or organizations from a three-dimensional standpoint: political, economic and organizational.

Table No. 1 proposes a summary of the interconnections among the transversal and longitudinal axes; from there a regional diagnosis can be made on the basis of the role that each one of their elements plays. We therefore believe that it is advisable, on the basis of theoretical and empirical research, to evaluate the relevance of regional development agencies (such as middle-level governance) whose fundamental objective consists of generating, promoting and regulating balanced development in its three dimensions, while bearing in mind the two factors that have been mentioned, with a geo-historical vision that goes beyond the grouping of low-level political-administrative territorial units (municipalities) as the main criterion of regionalization.

Table No.1. Articulation of transversal and longitudinal's axes of regional influences.			
Factors/Axes	Local	National	International
Exogenous	Resource's receiver which can be used inside the region	Resource's receiver which can engender multiplies repercussions of national dimensions	Resource's receiver of international repercussions, which uncertain effects and can produce institutional instability
Endogenous	Intensive use of own resources. It is important to apply strategies of conservation and reproduction of resources.	Intensive use of exchange of national resources	Intensive use of exchange of international resources