

Mexico's Budget Battle

By Laura Carlsen | November 19, 2004

On November 18th, Mexico's President Vicente Fox announced his decision to "impugn" the 2005 national budget approved by Congress. The effect of the announcement on Mexican politics is akin to shaking up a pop bottle then uncorking it.



In a marathon session ending at 4:30 in the morning, the Chamber of Deputies voted 323-137 to approve a budget that reassigned 112 billion pesos within the executive's federal budget proposal. After expressing his strong disapproval, Fox made the drastic move to formally reject the final budget approved by Congress that morning.

The showdown had been shaping up for days. Many points of the presidential proposal proved highly controversial. The Fox administration pays members of its upper echelons astronomical salaries and benefits, a fact that rubs raw in a society still facing serious poverty problems. Moreover, the president and his wife have faced criticism for their opulent lifestyle, much of which is supported by public funds. In reaction, the new congressional budget cut funds to the presidency and also downsized the budgets of other cabinet offices.

Another point of contention was the president's estimation of oil revenue. Despite the fact that oil reached record prices this year and one congressional study predicts an average of around \$29 dollars for next year, the Fox administration estimated an extremely modest \$23 a barrel as the basis for its budget. Congressional critics argued that the Fox administration was deliberately underestimating the price of oil so that it will be able to tap the resulting surplus revenues as a sort of discretionary fund beyond control of the legislature. In fact, this is what happened with unplanned oil earnings this year, much of which went to debt payment despite calls by administration critics that this windfall revenue be used to support badly underfunded social programs. To ensure that Congress will have role in spending a surplus revenue, the congressional budget included a clause that would ensure the close monitoring of windfall earnings.

The Chamber of Deputies budget also includes a 16% increase in funding for education, significant additional

funding for rural programs and health, and a cut in funds destined to the IPAB—a program designed as part of the bank bailout to pay private bank debt that is still undergoing audit. Congress's budget also channels major additional funding to state governments. Legislators placed many new clauses in the budget that require greater accountability from the executive branch.

On national television, President Fox called the budget irresponsible, warned of "impulsive Parliamentarianism" and accused the opposition parties in Congress of having underlying electoral motives for the modifications. However, he did not define the legal measures he planned to take.

There is a good reason for this omission. According to the reading of many constitutional experts, there *are* no established legal channels that would permit a president to reject a budget duly approved by the legislature.

The Mexican constitution grants final budgetmaking authority to the lower house of Congress. The constitution makes no provisions for a right to presidential veto on budgetmaking.

A constitutional controversy claiming that Congress's budget is technically illegal may be possible. But this would create the question of how to finance the nation's operations during the court case, which experts say could take up to a year. The other option, in which the president returns the budget with "observations," would lead to a political stand-off with unknown consequences.

Although this is the first time in recent history that a president has announced intentions to challenge a budget, it is not the first time Congress has made major changes to the executive proposal. Past presidents have simply tolerated congressional revisions. Fox's decision shows a lack of statesmanship and has provoked the ire of most of the legislature.



In his message to the public, Fox stated repeatedly that his government has worked to end the disproportionate presidential power cultivated during 70 years of one-party rule. But then, as if contradicting himself, he proclaimed his intention to defy Congress's ruling on the budget in a clear test of force between the executive and legislative branches. Once again the Fox administration's commitment to building a more equitable balance of power seems dubious at best.

Considering the murky legal grounds, the confrontation is likely to inject even more uncertainty into a political situation, which was already showing signs of departure from the norms of legality, civility, and consensus-building.

This year's combination of political scandals, fallen expectations, and internecine warfare among political elites already presaged a tense lead-up to the 2006 elections, where Mexico City mayor Andrés Manuel López Obrado, widely considered the arch-rival of Fox and the PAN party, is an early favorite. On recent tours abroad, President Fox has touted Mexico's stability as its greatest long-term capital. This latest crisis over the 2005 budget calls into question basic principles of governance and adds to an increasingly tense political climate.

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