The Microeconomics of Public Choice in Developing Economies: A Case Study of One Mexican Village

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1. Introduction

So much of development economics focuses on the macroeconomic level and national policies. For instance, one argument is that freer countries grow and overregulated, statist economies stagnate or regress. The empirical growth regressions focus on how GDP per capita correlates with national policies, as might be defined by one of the extant “freedom indices.” (See Lawson in this volume.)

For all the importance of this line of work, it is missing some relevant factors, namely local government and local institutions. If we are to understand economic development and underdevelopment, we need a better understanding of local institutions and how they operate. In this brief paper, I’ll outline some of what I learned about one pueblo in Mexico, San Agustín Oapan, in the state of Guerrero, Rio Balsas region.

For background, Oapan has an active population of about one thousand five hundred people, three thousand if the itinerant merchants were all back home at the same time. The pueblo lies along the Rio Balsas, and the residents have grown corn since pre-Hispanic times. Squash, pumpkins, watermelons, and other crops are grown as well. The terrain has mountains, canyons, and very large cactuses and is renowned for its beauty. Most of the cash income in the village comes from selling crafts such as painted pottery, bark paper drawings (“amates”), and painted stones, often to North American tourists in locales such as Acapulco and Cancun. Until 2007, the village was

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at least three hours from any major paved road, although with the new road, Oapan is only a bit more than an hour from Iguala, a city of 60,000. A typical Oapan family might have seven members and a yearly income of two thousand dollars. There is poverty, but in the last generation, starvation has disappeared, mostly because of the income from crafts. My interest in the pueblo dates from my role there as art collector, but I’ve also learned a fair amount about village politics, and I am using this paper to pass along that information.²

I view the political lessons from Oapan as complex rather than simple. We do observe a largely dysfunctional politics. Much of Mexican politics has been about extracting wealth from productive individuals rather than supplying public goods, such as roads, schools, or refuse collection, to rural communities (see Andreski 1966), and we see this tendency throughout the country, including in Oapan. Nonetheless the villagers have established some (partially) effective defense mechanisms against the external appropriation of village resources. The net effect of those protections, however, is to make internal politics in the village even more dysfunctional. One general lesson is that in an overall climate of wealth predation, it is very difficult to establish good local institutions.

Rural Mexican municipal government, as found in Oapan and numerous other pueblos, presents some special features:

• Local governmental structures are extremely weak, relative to the outside forces they confront
• Corruption is a paramount danger
• Local office holding is a cost rather than a benefit, under the “cargo system,” to be explained below
• Local democracy is participatory
• The political spectrum is usually defined along issues of preservation versus change, rather than along traditional left- or right-wing ideologies
• The lines between politics, religion, and kinship are blurred; personal quarrels dominate politics

These features, taken together, have created a political environment that discourages the production and accumulation of wealth. It also limits the incentive to provide local public goods. In other words, many of the problems of economic development are the problems of establishing effective local governance. Let’s start with the cargo system and then see how politics in Oapan operates.

² I’ve visited the village a dozen times, and my longest stay there was three weeks. I’ve conducted extensive interviews with North Americans who have lived in the area and also with numerous village residents. I present the artistic history of the village (and also some discussion of its politics) in my book Markets and Cultural Voices: Liberty vs. Power in the Lives of the Mexican Amate Painters (Cowen 2005).
The system of town government is derived from both pre-Hispanic and colonial influences. Town politics are participatory and democratic, and decisions consume a lot of time and energy. A decision to involve oneself in politics places one’s time and money at the mercy of community demands. Furthermore, the community is sufficiently small that a personal relationship or enmity usually precedes a political one. In effect, weak systems of local government are superimposed on social and kinship-based quarrels.

Unpaid volunteer labor, under the threat of community pressure, is the core form of political service. The comisaríos, the mayordomo, and the fiscál are the most important political posts. In addition to these offices, volunteers record transactions (the secretario), serve in the village band, perform songs and prayers, and help the major officeholders prepare for fiestas. Among other tasks, preparations for feasts include sewing, making candles, baking bread, repairing public buildings, and carpentry.¹

Most notably, public expenditures often come directly from the pocket of the officeholder, rather than from the general till or from tax revenues. The officeholder can draw up fines levied locally, but often that money runs out. The result is that holding political office is more of a cost, or a form of coerced contribution, than a means of enrichment. Officeholders, for instance, pay for most of the town fiestas, one of the most prominent public goods. This practice, common to many Mexican and Central American pueblos, is known as the “cargo system.”

Most duties in the cargo system are organized around local public goods. The comisario is the political leader, akin to a mayor. Comisarios are responsible for acting as town ambassador to the outside world, making sure town affairs run smoothly, organizing the fiestas, enforcing the laws, deciding when a tribunal should be called, preventing disorderly behavior, and, most of all, resolving disputes.²

The comisario receives the complaints from villagers. In theory, the comisario receives payment from the fines he collects, but very little of this income ends up in his hands. When individuals are censured for disorderly conduct, they are to pay a fine, at the discretion of the comisario, but no more than ten to twenty dollars. These fines are considered morally legitimate, but most comisarios see little of this money. The helpers of the comisario demand that the money be spent on them in the form of small tips or gifts of food. Usually there is little or nothing left over from the fines and so again, the comisario is responsible for expenditures at the margin.

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² Serious crimes, however, are brought to the county seat at Tepecualcuilco. On institutions in neighboring Ameyaltepec, which are similar in form, see Good Eshelman (1988, chapters 6–9).
Furthermore, social pressures discourage the comisarío from levying excessive fines.\footnote{A number of “topiles,” or assistants, help the comisarios implement their decisions.}

Accepting the comisarío office, therefore, is a very costly decision, and for many officeholders, it effectively amounts to bankruptcy. It commonly involves expenditures of several thousand dollars on the village fiestas or incidental expenses for that year.

Another official, the mayordomo, takes care of the chapel of his barrio, opens and closes the doors of the church at the appropriate times, and contributes expenses toward the fiestas. He buys fireworks, flowers, and food and drink for ceremonial events, including for church services every Sunday. The mayordomo also receives no pay. In fact, one former mayordomo, Inocencio Chino, estimates that the post cost him about two thousand dollars in direct expenses, not counting his time and energy. The mayordomo’s family and social network will help him bear these costs to some extent, but the mayordomo must later repay these favors with future reciprocal assistance, so many of the private costs of these posts are simply postponed.

The fiscal organizes some religious festivals and takes care of the church. He is responsible for opening and closing the church every day, caring for offerings, keeping the church clean, taking care of the church “saints” (“santos,” or statues, used in some fiestas), coordinating the activities of the church singers, and receiving offerings to the saints. Again, this is more of a burden than a benefit.

The powers of these officeholders are tightly circumscribed, and thus Oapan government is constrained and responsive to public opinion. Individuals serve a single year term, which typically is not repeated. Major officeholders must meet the informal approval of what pueblo members call “the authorities” [“las autoridades”]. These are respected individuals, typically older, who have held important pueblo posts in the past. They are the ultimate court of opinion through which all political decisions must pass, if those decisions are to command long-run community support.

The obvious cost to the cargo system is that it is ill-suited for producing local public goods. The quality of the town school is low, and usually no teacher is present. The result is that most of the villagers have only minimal literacy. The village gullies have an increasing quantity of garbage and plastic that does not get picked up or otherwise processed or restricted. Villagers themselves debate which local public goods should be the priority, but in practice, the money goes to the yearly town fiestas, the fireworks, the candles, and so on. In the cargo system, the incentive to serve the public interest simply isn’t that strong, if only because the officeholder pays the bill for most proposed benefits at the margin.

The cargo system may appear strange from our vantage point, but it is not without rationale. In lieu of using tax revenue, the community conscripts labor and forces a few individuals each year to pay an especially large part of the total tax bill through “donations” of their time and money. It is not obvious that the community has the tax infrastructure to raise money and pay full salaries each year; a lot of
income is in-kind or produced within the household. Technologies of measurement and monitoring simply aren’t very advanced in Oapan, if only because of limited literacy. Furthermore, many villagers would rather do a year’s worth of work as an officeholder than pay higher taxes throughout their lives.

The cargo system also eases monitoring costs. The authorities assess the lifetime contribution of each family head and then decide which subsequent burdens, in the form of political office, would be fair or appropriate. Since most of the cargo expenditures take the form of highly visible outputs, such as fireworks, beer, candles, and flowers, villagers can directly observe how good a job the officeholder has done. Monitoring the labor contribution, in the form of the cargos, is possibly easier than monitoring tax contributions.

The cargo system also makes it easier for the community to implement discretionary taxation. The injured, the sick, the alcoholic, and the totally destitute are not typically expected to execute major cargos. No one wants these people to hold major offices, so the decision to excuse them is noncontroversial and “incentive-compatible.” It would be harder, however, to use discretion to adjust the tax burden of each family each year. Everyone might agree that an alcoholic should not hold a major cargo, but not everyone will agree what alcoholism should imply, if anything, for a pecuniary tax burden. The cargo system thus helps an inevitably discretionary system to economize on decision-making costs. The point is not that the system is efficient but simply that it has some rationales rather than none, and that helps explain why it persists.

Some anthropologists, writing about other Mexican villages, have treated the cargo system as a means of purchasing social status and rising in the hierarchy of the village. This hypothesis, however, underrates the expenditures and the hassles relative to the status. We need to understand the marginal incentives of the cargo system, not just focus on whether some people enjoy being the leader.6

The operation of the cargo system resembles a university department in some regards. High-status individuals are seen as eligible for cargos, much as an academic department might pressure successful members to become department chair for several years. Senior members of the department think about who has not yet been chair and who might serve as a plausible candidate. (Note that the individuals who most want the job are not necessarily most wanted by others.) They then try to recruit this individual with a mix of pressure and persuasion, most of all appealing to guilt and a sense of community service.

Being chair offers some kinds of status but not others. Saying no when one is due

6 Greenberg (1981, chapter one) offers a systematic survey of hypotheses about status and the cargo system; see also Foster (1967, 207–11). Some writers have mentioned a redistributivist motive for the cargo system; see Greenberg (1981, 7–12). Brandes (1988, pp.55–56) offers some evidence against the egalitarian and “economic leveling” explanations of the cargo system.
to be chair or is an eligible candidate involves a negative stigma. Furthermore, there is status in being asked, even though the job itself brings little status. Nonetheless, being a good chair is not the primary means to status in academia, just as being comisario is not the primary means to status in the pueblo. In Oapan social networks, wealth, articulate speaking, and effective politicking produce more prestige than does office holding. Whether as a department chair or as a comisario, it is easier to lose prestige through one’s service than to gain it. Both jobs are more of a burden than a blessing. In both cases, individuals usually look forward to the end of their term.

Most individuals accept the cargos simply because they have to. They can leave the village altogether, as many people do, but otherwise an eligible candidate is expected to take the job. Failure to take the job would result in a loss of personal standing within the village. And while the job is costly, many individuals (until lately) had not expected to accumulate much wealth in any case. In other words, the feeling was that a person could either lose his wealth through a cargo or lose it in some other fashion, so why not accept the cargo? In any case, excess wealth tends to be soaked up by the demands of relatives for aid when bad times or medical emergencies appear, as they very frequently do in Oapan. In the village, the effective “marginal tax rate” on wealth accumulation is very high, whether the demands on that wealth come through the cargo system or not.

Performing a major cargo duty does bring some benefits. A comisario, for instance, has considerable influence for his year in office and some influence beyond that, if he was successful in building coalitions. People come to him to ask for favors, much as they might go to a departmental chair. Many comisarios enjoy being a center of attention in this fashion.

For better or worse, a cargo system is hard to get rid of, once in place. Most of the minor cargo burdens fall on individuals who are between twenty and thirty years of age. The major cargos fall on individuals who are somewhat older but still relatively young, say in the range of thirty to fifty years old. The elderly typically already have served their major cargos. As a result, this demographic distribution of the tax burden makes the system very stable. In essence, the elderly already have paid their taxes for life, and they are receiving a steady stream of benefits from the labor of others. Thus they tend to oppose change, for the same reasons that the elderly oppose changing social security systems in the wealthier Western democracies. Reformers have found age-linked social security systems to be among the most difficult institutions to change or improve, and the cargo system is “sticky” for related intergenerational reasons.

3. Why Weak Government Has Some Benefits for the Villagers

Probably the biggest benefit of the cargo system has to do with protecting the village against the possibility of internal corruption. Oapan residents sometimes benefit from having a weak and ineffective government. Limiting the power of the
pueblo officials, and giving them little or no access to a “public purse,” makes it harder and less worthwhile for outside parties to purchase the loyalties of those individuals.

The pueblo faces periodic confrontations with the outside world, during which time the entire future of the pueblo may be at stake. External institutions, such as the Mexican federal government or General Motors (more on these below), are more powerful than the pueblo itself. To the extent that individuals in power are corruptible, the pueblo will never have the resources to purchase their loyalties. By checking their political power so tightly, the pueblo tries to ensure that corruption cannot be used against them. In other words, “buying the comisario” simply isn’t worth that much. During normal times, this weakness of power may lead to ineffective government with weak powers and lots of squabbles, but during critical periods, the system allows the loyalties of the leaders to stay connected with the interests of the pueblo. This is a general theme stressed by James C. Scott in his recent book *The Art of Not Being Governed* (2009), which focuses on how poorer communities resist absorption or corruption at the hands of larger and wealthier outside cultures.

Let’s look at two of these critical episodes when the future of the village was at stake in more detail.

The first episode came in the early 1990s when there was talk of displacing the entire community through construction of a dam. The dam would have been built at San Juan Tetelcingo, a nearby Nahua pueblo, to meet the growing national demand for electricity. It was hoped that the World Bank would support the project with a loan. The proposed dam would have inundated most of Oapan, requiring the relocation of the residents. Oapan residents would have lost their homes, their growing fields, their ancestral graves, and, from their point of view, their cultural identities. They would have been lumped together with displaced individuals from other villages on a piece of unpromising mountainous land with no water located nearby. Given other recent examples of these resettlements, it’s not obvious that the displaced residents would have received much compensation. The state- and county-level politicians, however, generally favor such infrastructure projects because they can receive kickback income from the contracts, either directly or indirectly.\(^7\)

In response to the dam crisis, the villagers allied with some neighboring villagers and formed a council to organize protests, starting in October of 1990. The group consisted of numerous town comisarios and other local leaders of note. The county government was not trusted and so the villagers took the matter into their own hands. But the Council wasn’t so much a governmental entity as a loosely organized group, deriving its authority from the villagers and their leaders themselves. The primary personal returns for Council members came from their standing in the community and it proved difficult for outside powers to “buy out” the Council. There was no

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\(^7\) In addition to interviews, I have drawn on Hindley (1999) for information about the dam and the protests.
powerful leader who could be bought and who could then betray the pueblos.

The Council basically won the battle. In addition to organizing demonstrations, roadblocks, and protests, the Council drew up a petition to then-President Carlos Salinas, asking him to cancel the dam. The Council organized several roadblocks of the Mexico City-Acapulco highway, which won press attention, generated support from environmentalists, and caused some members of the opposition PRD party to take the side of the villagers. A march to Mexico City garnered further attention.

Eventually the state governor (of Guerrero) yielded to pressure and cancelled the dam, and the federal government of Mexico ratified this decision. Furthermore, funding interest from the World Bank was drying up, partly because the dam did not appear economically sound and partly because it was now politically problematic.

A second and more recent controversy in the pueblo concerned a General Motors offer to buy village lands. In 2001, it became known that General Motors was negotiating to buy land in Oapan and the neighboring pueblo of San Miguel. GM would have used the land to construct a large track for testing automobiles. The project would have occupied about two-thirds of the agricultural lands of the village, and it probably would have changed the way of life in Oapan.

The community voted to reject the offer, in large part because of their extreme suspicions. Pueblo members expect that the outside world, especially the Mexican government, will lie to them. They simply did not believe the talk of how a GM test track would bring money and jobs to the town. The price received by each family would have depended on its particular land holdings; overall, the rate would have given many typical families somewhere between four hundred and a thousand dollars. To the villagers, this seemed like a small amount for giving up their way of life and their land forever.

Fewer than fifteen voting villagers supported the project. Villagers know that big changes bring them under the scrutiny of the broader Mexican political establishment, and they have a general sense that this would turn out badly for them. Again, the villagers would not expect to receive the money that is promised to them. Today they can live largely undisturbed and off the radar screen, so to speak.

Note that while Oapan land holdings usually function as private property, the final land title is vested in the community, as in typical “ejido” systems. So the villagers never faced individual choices as to whether they wished to sell to General Motors. Instead, the community as a whole voted no, and that was binding on everyone.

The state government pressured the villagers to take the GM offer, but for obvious reasons, that strategy did not work and it may even have been counterproductive, as government pressure made the villagers more suspicious. A number of village leaders report that the government promised to resolve some ongoing land disputes with other pueblos if the villagers would sell the land. The no votes remained firm, and GM moved on to look for other village lands to buy.
This desire to preserve the past and the suspicion of outsiders has remained strong in the entire region. Decades before, textile interests tried to set up commercial looms in Ameyaltepec, another neighboring pueblo, but the villagers refused to cooperate, in large part because of their suspicion of outsiders. Anthropologist Peggy Golde notes that villagers in the region often gave pseudonyms to their pueblos in the late 1950s so that no one from the outside world could find or identify them.\(^8\)

Although the GM sale fell through, the villagers do not regard the matter as closed. The villagers know that they sit on potentially valuable land, underused from the point of view of the Mexican government. The Mexican government would gain economically, if only through opportunities for corruption, if it could bring large economic projects into rural Guerrero and push out the villagers.

The General Motors episode also shows why institutions such as NAFTA are problematic for many of the indigenous groups in Mexico. While the economic case for free trade is a strong one, politics matters as well. The long-run benefits of NAFTA, most of all for Mexico, are likely to dramatically outweigh the costs, but trade can worsen some political problems in the shorter run.

The core problem is that greater wealth sometimes brings greater political confiscation along some margins. NAFTA, and economic development more generally, has attracted much foreign investment to Mexico. The land in Guerrero is suddenly more valuable than before, or at least potentially so. With decent roads, Oapan would be no more than two-and-a-half hours from Mexico City. The Mexican national and state-level government therefore would like to get the villagers off the land, whether by legitimate means or not. The Mexican state and federal governments also favor foreign investment when the villagers do not—again, if only to capture payoffs. NAFTA in some regards has increased conflicts of interest between the villagers and higher levels of Mexican government.

4. Church Disputes

It’s also interesting to scrutinize disputes that are internal to the pueblo or the region, to get a better sense of how governance works—or in some cases, does not work. Some of the major debates in Oapan have concerned the nature of church services in town. In Oapan there has been a modern priest (a charismatic) and a traditional priest (a LeFebvrist), both of whom visit the pueblo. The villagers have fought over whether the ways of the modern priest or the traditional priest should reign, and the disagreement came to a head in the 1990s. Throughout most of the last decade, this has represented the most significant fracture within Oapan.\(^9\)

\(^8\) On this episode, see Golde (1986, 79)

\(^9\) Some members of Oapan have become Jehovah’s Witnesses or Mormons, especially the former. This is considered a conscious decision to reject the traditions of the pueblo and to
It is possible to interpret the fights in terms of a modernization faction and an anti-modernization faction. Beneath the religious issues, the two sides are arguing over the future of the pueblo and its relation to the outside world. It is a common pattern in Latin America for the more “charismatic” or “protestant” religions to support commerce, a strong work ethic, and modernization, while turning their back on many indigenous customs, including costly fiestas. In the Alto Balsas region, the charismatic factions are much stronger in the more modernized nearby pueblos of Ameyaltepec and Xalitla, and in the larger cities. The anti-charismatic faction understands these associations with modernization and resents them. So even though most villagers do not have well-worked-out theologies, the church has become a symbolic forum for disputes over what Oapan should be.

Throughout the 1990s, these religious disputes have mapped into party disputes, causing the village to split into factions. The village has two parties, PRI and PRD, corresponding to the two major parties on the Mexican national scene (PAN has fewer supporters in Oapan). On the national scene, PRI has the image of the establishment party that ruled in the past, while PRD is more left wing. The role of these parties in the village does not map tightly to their ideological reputations at the national level, but the divide is nonetheless real. The choice of party signals a stance on internal village politics.

The opponents of the modern priest tend to come from the left-wing PRD party, and supporters of the modern priest tend to come from PRI. That said, most individuals of the pueblo do not have a good idea what either party is about at the national level, so party membership should not be considered an explanatory variable in these disputes. If anything, party membership results from a position in the disputes, rather than vice versa.

The political fracture has influenced the fiestas of the pueblo and split their audience. At times the PRI followers seek to stage their own fiestas, typically to be held after the fiestas of the PRD followers. They want to have a different castillo (fireworks structure) and different bullfights. So far, the PRD forces have resisted this potential split in the fiestas. When the PRI supporters tried to bring in their own bulls for their own bullfight, the PRD forces blocked the road and would not allow it. Disputes over the castillos, the bullfights, and the fiestas have all led to tensions.

In part, the fracturing of local government derives from the recent democratization of Mexico and the arrival of parties in the village. Democratization means that voting now matters, unlike in the past when PRI held a virtual political monopoly. In earlier times, outside politicians never visited the village, as they had no need to do so. Today political candidates come to the village to obtain votes and support. This tends to embrace some parts of the outside world. Many villagers object to the antipathy that these converts hold to the traditional fiestas, costumes, and ceremonies. In fact these conversions are threatening to break down the cargo system, as converts are not eligible for the cargo duties.
politicize the village, create factions, and split opinion. The outsiders are perceived as having access to resources that the villagers do not have, if only the ability to pave the road down the mountain.

The greater wealth of the village is another reason why politics has heated up. In earlier times, there was much less of a surplus to fight over, as residents were living much closer to subsistence. In contemporary times, the fiestas involve more material resources, the land is worth more, and the church has more money. At the same time, the increasing wealth of the village has created more free time, including free time to pursue politics. Villagers need not spend all their spare time working the fields to hold off starvation, but now enjoy a surplus, albeit a modest one.

We can think of the village as having a set of social networks and a set of conventions for how those networks operate. Those conventions evolved over many decades when Oapan was a much poorer and much more isolated place. The conventions may have produced stability in an earlier time. But in the more modern environment of greater wealth, more free time, more contact with the outside world, and more democracy, these norms and conventions have led to quarrels and disunity.

More generally, the Oapan experience suggests a modification to extant theories of cooperation. A wide variety of writings in the social sciences argue that cooperation is possible when interactions are repeated, anonymity is absent, and the number of participants is relatively small. These same conditions, however, are precisely what have damaged cooperative behavior in Oapan, at least once people could find the time and energy to fight. When individuals are driven by envy and the desire for status, their behavior will not fit models of material self-interest. They will seek to feel good about themselves, and hold a feeling of self-righteousness, rather than striking a quick and simple bargain or compromise. In part, the various parties are locked into ongoing bargaining games and are looking to maximize their share of the surplus. Simple favor trading no longer suffices, as everyone cares about his bargaining position for the future. And in part, the participants do not wish to give up their historic grudges.

Excess familiarity becomes the root of conflict rather than the solution (Cowen and Sutter 1999). Since neither party will find a cooperative solution to be fair or acceptable in terms of local prestige, repeated interactions escalate the emotional import of conflict.

For this reason, the so-called Coase Theorem does not apply to village politics. Disputants cannot eliminate their problems simply by sitting down at the bargaining table and cutting a deal. The principle of identity—a person’s sense of who he is and what he stands for—interferes with the principle of mutual benefit through trade.
5. Toward the Future

At present, most of the Rio Balsas villages are in the process of becoming remittance economies. Oapan lags behind in this process because out-migration has been slower, but it was headed in the same direction, at least until the recent economic crisis led to reverse migration back to Mexico. Oapan has developed at a solid pace since the 1960s; I have estimated this at roughly 6 percent a year (Cowen 2005), with occasional breaks during Mexican recessions and financial collapses, such as in the early 1980s. Some Oapan families are building up their craft businesses, and some families now earn as much as $10,000 a year or more.

The village does not yet show signs of throwing off the institutions of traditional governance. Many Mexican villages have abandoned the cargo system, however, and moved to more mainstream municipal forms. For this to occur in Oapan, it might be required that first the village have natural and less suspicious relations with the outside world. As Mexico continues to democratize, and as more villagers vote and gain national political influence, this will likely someday come about.

References

