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**THE SIGNIFICANCE OF THE 2006 MEXICAN PRESIDENTIAL ELECTION**

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Good afternoon. Mexico is back in a state of calm. The question is whether that calm is the one before the storm or the one that announces a new era of institutional and economic development, and that's not a small question for Mexicans to address. In fact, the saga continues, largely because there is no overarching sense of direction as to what the future should be, but if one looks at the past, if one looks at how much Mexico has changed over the past two decades, it's absolutely astounding to see the extraordinary shift in economic direction, the extraordinary transformation in the political arena. That does not settle the complexity of the fight that Mexico's leading these days, but it does show the difficult and complex times that we've been having, as much as the advances that have actually been made.

The answer as to whether this era is going to be one of transformation, or one of more dispute, has to do with how, at the end of the day, Calderon, the current president-elect, understands the problem and the way he accepts the nature of the challenge and acts upon it. Though the big contest was between Calderon and Lopez Obrador, the real dispute is about the nature of the society, as Mexico should be.

On July 2nd, on the day of the election, Mexicans went out to vote, to pick out a president. For them, it represented a choice between continuing the liberalization of recent years or returning to the past, and the voters recognized the nature of the election largely as a referendum. Lopez Obrador understood the nature of the grievances that Mexican voters have had over the past several years better than anybody else, but he misunderstood what the voters actually wanted. In that difference, I think, is where the key to this election lies.

Mexicans are fed up with the bureaucracy, they are fed up with the pompous, arrogant claims by bureaucrats, by wealthy people, by intellectuals, by lots of people who have been telling everybody what to do without anybody having the instruments to deal with it. Mexicans, however, did not want to return to the idyllic past that Lopez Obrador represented. What they wanted was an opportunity to be like those that they were upset with, and that's probably the nature of the issue. They wanted to be part of the winners' side. They wanted an opportunity to be part of it, not simply to get everybody back into a different era. At the end of the day, the people who actually decided, the people who shifted their vote on election day, were the people who went like that old saying of the MGM movie theater: They went in, saw the lion and decided they have already seen the movie and didn't like it one bit.

But there's an important thing here. Whereas optimism was the trait of the election in 2000 when Fox won, when the expectation that a nation of partisan government would open up a world of possibilities for the country, for citizens, for economic development, all of which was lost largely to

Fox's many failings, now this election was run on a feeling of disappointment, resentment, bitterness and jealousy that actually carried the day.

This confronts Mexicans with deeply ingrained problems that have to be dealt with but have not been dealt with over the past couple decades. Mexico suffers a very severe institutional weakness. Notice just the contrast between the Mexican election of 2006 and the U.S. election of 2000. There were many similarities, according to many people that saw superficially the comparisons, but it's exactly the opposite. What happened in Mexico this time, we have a very strong electoral system with very weak institutions which lent themselves to the kind of protest that actually took place in the U.S. in 2000. The U.S. has a very weak electoral system but very strong institutions. Even if Al Gore had wanted to dispute the election, the institutions would never have allowed him to. That contrast shows the very fundamental difference between the countries and probably the deepest issue for Mexico.

So the kinds of issues that loom high on the horizon for Felipe Calderon to deal with have to do, first and foremost, with institutional problems, with building institutions, so that Mexicans can be represented, so that there can be interaction and effectiveness in the way the legislatures and the president can work with each other.

Also, fundamental issues that this election showed are the pervasiveness of a raw dispute for power at any cost, the presence of too many known institutional and, to a large extent, anti-systemic groups willing to fight outside institutions, by definition, or their preferences, and a very old, very deeply ingrained suspicion of authority.

More specifically, Mexico has had a lack of a development strategy. It has had a series of changes in its economic policies but it has not been able to develop a sense of direction in economic development strategy that would bring about a definition of where we want to go and everybody could jump on to that bandwagon.

In the absence of that, Mexicans are pulling in different directions, some asking for protection for this, some getting better wages, better wage increases, for instance, well beyond the official rate. Some get special privileges in the economy, some in the political arena, all of which simply condemn the possibility of an economy progressing seriously.

So what does this mean for the future? In my mind, Calderon faces three big challenges. First, he has to secure the survival and consolidation of his administration.

Second, and this is in no specific order, he has to break away from the economic paralysis. He has to attain significantly higher rates of economic growth, and he needs to undertake a strong, profound, institutional reorganization. A lot of what happens over the next several years will depend on the way he brings the problem. Will he define the problem as a huge challenge, as a huge need for Mexico to transform itself? Or will he simply say I have already won and have all the latitude to go on with my original plans? Think of George Bush. He decided, after 2000, he had all the latitude and went on with his own programs, regardless of what had happened in the election itself. The challenge is not small. The fact of the matter is that Lopez Obrador remains a popular figure, and even beyond him specifically, there is no question that the sense of grievance that he unveiled, that he revealed to the populace at large, remains very profoundly real in Mexican society.

Third, there are many Mexicans, to the tune of some 20 percent, who do believe that there was electoral fraud. There are many people, not as many in absolute numbers, but many who are willing

to do something potentially violent about their perception of electoral fraud. It's also equally true and foremost that the economy has not been performing the way it could and should, and that has created enormous dislocation, social and political, that people do not feel represented, and that their expectations are ultimately unfathomable.

Calderon's greatest strength in all of this I think is the fact that he owes very little to anybody. I started saying that a moment of calm has overtaken Mexico voters these days. In that sense, I think there is a danger of arrogance and overconfidence, because ultimately it's not that Lopez Obrador was defeated. The truth be said, he actually lost, he lost at the very end, and that is what has to be borne in mind. The issues that he uncovered in this election, the aspirations of many Mexicans that have not been able to benefit from the past 20 years, are there. There are no mechanisms of control that existed in the past in the old political system, all of which brings about a very unstable balance to Mexican society.

If you think of a little ball at the tip of a mountain, a very unstable equilibrium where the ball might fall in any direction, a strong wind in the right direction could lead Mexico into a very quick accelerated economic development. But exactly the opposite is equally true. The wrong kind of wind can move Mexico backwards right away. So how Calderon decides to act, how he defines the challenge, and how good he is at getting there will determine Mexico's ways for a long time to come. Thank you.

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