

subsequently contributed in a very strong way to the December balance of payments crisis. Electoral concerns also help explain the adoption of expansionary fiscal and monetary policy that year.⁹ Increased social spending on programs such as the National Solidarity Programme and the agricultural income subsidies programme PROCAMPO together with expanded credit on the part of Mexico's commercial and development banks also added fuel to the fire.

Second, the election run-up unfolded in a climate characterized by unprecedented uncertainty. The open non-conformity of Manuel Camacho, Mexico City's former mayor and the loser in the PRI's presidential candidate selection process, with the nomination of Luis Donaldo Colosio on November 28, 1993 caused much consternation. When Colosio's image was tarnished by the Chiapas uprising, rumours abounded of his possible eleventh hour replacement by Camacho. Even after Colosio's death, Camacho continued to be a thorn in the side of the PRI. Discord between Camacho and Zedillo would eventually lead to the former's resignation as chief government negotiator for the Chiapas peace talks. Colosio's assassination on March 23 precipitated a major panic in Mexican financial markets. Thereafter, the brief resignation in June of Jorge Carpizo, Minister of the Interior and chief executive of the Federal Electoral Institute, triggered momentary alarm about a crisis of governance and the future of the August 21 elections. Just as in the case of the political shocks mentioned above, the prelude to the 1994 election contributed to a steady erosion of investor confidence in Mexico.

The other political cyclical factor affecting the peso crisis was the handover period comprising Salinas's last few months in office and the first months of the new Zedillo government. As one administration wound down and the other prepared to take office, a costly leadership and administrative vacuum developed which seriously inhibited any timely and decisive response to Mexico's pending economic and financial problems. This void was exacerbated by another characteristic of the Mexican political system: the widespread replacement and rotation of the outgoing president's bureaucratic and political personnel by the new president's team. It is often said that due to the immense turnover in personnel, a new administration typically requires from a year to a year-and-a-half to learn the ropes. Despite some important senior-level continuity from the previous Administration, Zedillo's appointees were barely settling

⁹For example, real public sector programme expenditure grew by 5.58 percent between 1992 and 1993 and 12.34 percent between 1993 and 1994. The increase in 1994 of real programme expenditure was more than twice the rate of increase in 1993. These calculations are based on statistics found in Ernesto Zedillo, *Primer Informe de Gobierno: Anexo*(Mexico City: Poder Ejecutivo Federal 1995), p. 46.