

UNBUNDLING PATH DEPENDENCE: A CASE STUDY OF
TELECOMMUNICATIONS REFORM IN MEXICO (1990-2006)

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ABSTRACT

This is a case study of the telecommunications reform in Mexico, which transformed the state telephone monopoly, through privatization (1990-1996) and liberalization (1996-2006), into a multi-competitor telecommunications market. Reform results show (1) growth, but primarily through a concentrated market and the economic output of the dominant privatized incumbents, and (2) improvements in sector development, but with insufficient levels of competition and investment, and underdevelopment in infrastructure, service diversity, pricing, technology deployment, and universal access. This dissertation explains these mixed results as the consequence of path-dependence of reform on a negative institutional endowment, one which favors regulatory governance structures that establish or enforce selective property rights (monopoly rights) on the market. The institutional endowment is defined herein as the formal structures of the federal division of powers (legislative, executive and judicial powers), as well as other institutions and organizations which affect its functions. The institutional endowment is reviewed within the broader context of a democratic transition which shifted control of policymaking between the executive and legislative branches in Mexico, but which maintained rent-seeking coalitions of political and economic entrepreneurs (elites in a position to enact policies) that gain or protect selective entitlements within the system during reform periods. This case study of regulatory reform in Mexico shows the growth and development of the

telecommunications sector to be constrained by the institutional characteristics mentioned above. At the same time, unexpected consequences of incremental strengthening of the judicial branch have presented new options for future structural reform of the regulatory governance system of the telecommunications sector.