

SOCIETY AND ECONOMY IN MEXICO

Edited by
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Foreword by
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To the coeditors of the Statistical Abstract of Latin America,
who have contributed greatly to the development of
the UCLA Research Project on Statistical Measurement of Change
in Latin America

Stephen Haber, 1980-83

David E. Lorey, 1986-87

Enrique Ochoa, 1987

Adam Perkal, 1983-86

Peter L. Reich, 1977-80

Paul Turovsky, 1976-77



Eje Central, Mexico City

Photo by James W. Wilkie

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1

The Six Ideological Phases of Mexico's "Permanent Revolution" since 1910

JAMES W. WILKIE

To provide a broad political context into which fit the economic, social, and political elements of Mexican twentieth-century history, I offer here a conceptual framework for periodizing Mexico's idea of "Permanent Revolution" since 1910. My interpretation divides the course of events and debates into six phases of ideology which have guided Mexico's ongoing experiment in state-directed socioeconomic change. The phases are as follows:¹

I. Political Revolution, 1910-30

A. Violence, 1910-19

B. Reconstruction, 1920-30

II. Social Revolution, 1930-40

III. Economic Revolution, 1940-60

IV. Balanced Revolution, 1960-70

V. Statist Revolution, 1970-82

A. Political, 1970-76

B. Economic, 1976-82

VI. Restructured Revolution, 1983-

A. Economic, 1982-88

B. Political, 1988-

The Official Party of the Mexican Revolution, which has governed the country implicitly since the late 1910s and explicitly since 1929, justifies its continued rule on the basis of the need for a strong

¹ This periodization draws upon an earlier analysis developed in my study titled "La Rivoluzione Messicana e la Sua Eredità," in Nicola Tranfaglia and Massimo Firpo, eds., *La Storia-I Grandi Problemi dal Medioevo all'Età Contemporanea*, vol. 9, no. 4 (Torino: Unione Tipografico-Editrice Torinese, 1986), pp. 56-72.

government to serve as the engine required to forge a modern society and economy as well as to overcome successive crises in national development. The Mexican Revolution began in 1910; seven years of violence followed before a constitution could be achieved that would elaborate the movement's long-term goals. Although the 1917 charter accorded to the private sector an important role in national affairs, implementation of the constitution has seen the state assume an ever expanding role—at least through 1982.

Established as the Partido Nacional Revolucionario (PNR) in 1929, the Official Party organized regional strongmen to end the need for them to try to seize power. In return for assured positions of importance in the national government, the regional bosses agreed to resolve their differences behind the scenes thus allowing the Official Party to present a united image to the public.

The Official Party was transformed into a popular front in 1938 as the Partido de la Revolucion Mexicana (PRM). The PRM shifted the base of Party strength to four sectors: organized peasants, organized labor, the military, and popular groups (including the middle and upper classes), each being represented in Congress. Although the moneyed sectors were left out of the PRM, their real influence in the government was provided for under legislation that required all businesses above a certain size to join into chambers of a national network of trade associations, which eventually organized into two national groups (CONCANACO and CONCAMIN, discussed below).

The Official Party's final transformation came in 1946 when it became the Partido de la Revolución Institucional (PRI). The PRI dropped the military sector from its formal organization, but by that time all of the formal groups had lost influence to the trade associations.

Under the Official Party the Congress and judiciary have been subordinate to the presidency in all major policy decisions. Although theoretically independent, in fact the Congress and courts have been very careful not to offend the executive branch of government because the president of Mexico has emerged with the influence of a king, albeit one who cannot be reelected. In 1940 supreme court justices won a change in their term, which had been limited to the term of office of the Mexican president who appointed them. Now the justices have tenure but no real power in matters of interest to the nation's chief executive.

Whereas Mexican leaders sought political solutions from 1910 to 1930 and looked to electoral "answers" to complex problems, during the 1930s they rejected the purely political approach and turned to social solutions. Under the banner of Social Revolution, the left-wing of the Official Party rose to ascendancy. Pushing such programs as land reform for the peasants and the right to strike for laborers, the government undertook the nationalization of major industry and transportation. Less overtly, the government laid the basis for loaning funds to private industry.

Not until the period from 1940 to 1960 did the government emphasize openly a call for economic revolution. Under this ideology, the government was able to convert manufacturing subsidies into the scale required to launch the country's industrial expansion. Further, state policy emphasized the

nationalization of industry and creation of state-run enterprises such as railways, airlines, and steel mills. State corporations were decentralized into the parastate sector so as to allow the enterprises to operate as businesses independent from the central government, with the idea that profits would help develop Mexico's public sector rather than the private sector. Unfortunately, such enterprises usually operate at a loss and Mexico's parastate corporations were no exception, requiring subsidies from the central government.

State policy also focused on building the economic infrastructure needed for industrialization, including hydroelectric projects. Thus the ideology of the period turned away from land reform to emphasize irrigation, for example.

In the 1950s the Official Party adopted a monetarist policy subsequently known as "stabilizing development." This policy, which lasted from 1954 to 1970, was based upon a stable peso and low inflation. Gross domestic product (GDP) grew steadily. Stability for economic growth was also provided by tacit pacts which the Official Party had begun to make with an increasing number of socioeconomic sectors beginning in the late 1930s.

By the 1960s many in Mexico sought a new path that would overcome disenchantment with successive state policy shifts from emphasizing political themes (1910-30), to social ideas (1930-40), and then economic themes (1940-60). Hence there arose the concept of Balanced Revolution, which from 1960 to 1970 sought to harmonize the desires of each of the three preceding periods. During this period the para-state sector of government expanded into numerous industries, including nationalization of Mexico's electricity and telephone networks.

Following the failure of Balanced Revolution, punctuated by the government-student battle in 1968 at Mexico City's Plaza of the Three Cultures, the Official Party turned to the Statist phase of the Revolution, 1970-82. During this period the idea was advanced in the first subperiod from 1970 to 1976 that a legal revolution would make possible new state power for national development. This first Statist subperiod called for government-sponsored redistribution of wealth domestically and independence from the United States internationally. The subperiod from 1976 to 1982 emphasized rapid economic change to take advantage of Mexico's new oil-based wealth.

With the collapse of world oil prices in 1982, Mexico was forced in 1983 to adopt the present ideology of Restructured Revolution. Realizing that the bloated parastate sector of government could no longer be supported in its many money-losing businesses, since 1983 the Official Party has sought to reduce the parastate sector in favor of an increased role for the private sector. Too, all government activity is subject to revamping in order to deregulate and rationalize decisions in the Mexican economy. And the government is dismantling the private sector's protected Mexican market, forcing private industry into the world market place.

Through the historical course of these six periods, an implicit theory of state policy has emerged to justify continued one-party rule: the government has had to identify (or if necessary to create) a series

of crises that require its continuation in power until the Constitution of 1917 can supposedly be fully implemented and the country's population can live in harmonious well-being by overcoming Mexico's troubled historical antecedents. The crises themselves are not seen by the Official Party as indicating the Revolution's failures but as representing new problems that will always be caused by the unforeseeable conjuncture of events.

Thus for the Official Party each new crisis offers the kind of stimulus needed to advance Mexico to ever higher stages of development from the past into the future in a country where since independence 167 years ago, the population has grown from 6 to 80 million. This view of crisis has been tested by the economic depression of Mexico since 1982. That a major group split from the Official Party for the national elections of 1988 suggests that the Official Party may have become involved in a crisis of more damaging proportions than it realized.

Antecedents to the Revolution²

Nineteenth-Century Mexico

Mexico's independence from Spain did not come in 1821 as a result of the country's having built a strong preindependence economic and political infrastructure, as had the United States. Rather, independence came as the result of a chaotic civil war after 1810 that had seen freedom won by those who originally opposed the break with Spain. In the end, events in Spain had dictated that the Spanish conservatives in the colonies could protect their privileges only by breaking with the liberal reforms in the homeland.

² Colin M. MacLachlan and Jaime E. Rodriguez O., in *The Forging of the Cosmic Race: A Reinterpretation of Colonial Mexico* (Berkeley: University of California Press, 1980), have reinterpreted findings to argue that on its own terms the colonial period involved a balanced, integrated economy and that its legacy did not cause the organizational failures of newly independent Mexico; rather, those failures should be attributed to the collapse of silver mining and the inability of the government to pay the costs required for national development. Although their argument is persuasive about the colonial period, its silver-analysis theory about the post-1821 era must be supplemented because the era lacked an institutional and legal legacy for development. See John H. Coatsworth, "Obstacles to Economic Growth in Nineteenth-Century Mexico," *American Historical Review* 83: 1 (1980), pp. 80-100. Also important is Jaime E. Rodriguez A., ed., *The Independence of Mexico and the Creation of the New Nation* (Los Angeles: UCLA Latin American Center Publications, 1989). For positive reinterpretation of the Diaz era, see Raymond Vernon, *The Dilemma of Mexico's Development: The Roles of the Public and Private Sectors* (Cambridge, Mass.: Harvard University Press, 1963), and Fernando Rosenzweig, "El Desarrollo Económico de México de 1877 a 1911," *El Trimestre Económico* 32 (1965) pp. 405-454. The emergence of Mexico's industrial base during the era of President Porfirio Diaz (1876-1911) is postulated by Stephen H. Haber, *Industry and Underdevelopment: The Industrialization of Mexico, 1890-1940* (Stanford: Stanford University Press, 1989).

Ill-prepared for independence economically and politically, Mexico fell into civil war that continued for the next half century and caused the destruction of the country's silver, gold, and other mining bases for wealth. Loss of mining production hampered consolidation of the new nation, shattering confidence in the credit and investment system. In the confusion of civil war, Mexico could not defend against U.S. incursions into the north. As a result of war with the United States (1846-47), Mexico was forced in 1848 to yield half of its territory to the United States, including the gold of California which would help to fund U.S. industrialization. To complicate matters, Mexico engaged in ruinous struggles with the Roman Catholic Church between 1853 and 1867 for control of civil society (including registry of birth, marriage, and death), land and property, and credit.

Not until the era of the dictator Porfirio Díaz (1876-1911) was the country returned to order in the name of achieving progress. Utilizing the slogan "bread or the stick," Díaz ended the chaos that had engulfed Mexico since independence. Too, his programs halted Mexico's long slide into economic depression that had coincided with the destruction of the mines. By providing the country's first credit, investment, and commercial codes, Díaz laid the basis for economic recovery. Capitalizing on the fact that Mexico was far behind the United States, with whom so many of Mexico's leaders compared their country's unfavorable position of material wealth, Díaz helped to overcome Mexico's disadvantageous geography by building railways to export raw materials. Lacking the coast-to-coast transportation systems that the United States enjoyed, Mexico had been especially vulnerable to competition once the world needed U.S. agricultural and industrial goods more than Mexico's mining output, which had also lost out to U.S. production.

During the Díaz administration, Mexican mineral and agricultural exports allowed economic recovery and attracted foreign capital to establish modern industry. As part of his program to stimulate the economy, Díaz settled the postindependence struggle over land ownership by opting against the liberal idea of backing the medium-sized rural farm owner; he reinforced the growth of the great hacienda that had survived since Spanish colonial days. The peasants suffered grievously under the Díaz solution, the large entrepreneurs in town and countryside profiting at the expense of the masses. Under Díaz, the basis was laid for the emergence of the middle class in Mexico, which constituted an estimated 8 percent of the population by 1895.

Crisis of the Díaz Dictatorship, 1899-1910

Consequences of Díaz's long-term economic pattern were several. Mexico found itself short of cash needed by the banking system to finance and refinance mortgages held by growing numbers of economically powerful landowners, who faced serious problems in repaying loans during a time of increasing world economic instability. At the same time, the rural middle class and Indian peasants were feeling the cumulative effects of the decline in the possibility of their owning land-during Díaz's more than thirty years in power, one-quarter of Mexico's land surface was transferred into large landholdings to develop export-oriented agriculture and ranching products. Hence, the vast majority of rural people faced decline in food supply owing to export production, loss of their own lands, and indebtedness of

Indians to the large landowners. Beyond the rural sector, some middle class employees and professionals were affected by a general decline in real wages.

Matters were complicated for the Díaz dictatorship by the erratic performance of the Mexican economy after 1899. CDP had a high growth rate in 1901, 1903, 1905, and 1907, but those gains were offset by negative growth rates in 1899, 1902, 1906, and 1908. This whipsawing of the economy was further complicated by the very low growth rates of CDP in 1900, 1904, and 1910 (Table 1).

When in Mexico's presidential election of 1910 the new upwardly mobile middle class and economically powerful entrepreneurs found themselves definitively closed out of political influence, Francisco I. Madero and other critics of Díaz moved to resolve the problem of dictatorship by calling for the establishing of political democracy, which seemed to be the basis for the economic success of such countries as the United States and England. Even Díaz had entered office with the slogan "effective suffrage and no reelection," which he had soon chosen to forget.

Table 1

YEARLY CHANGE IN MEXICO'S REAL GROSS DOMESTIC PRODUCT,¹ 1896–1988

Year	PC	Year	PC	Year	PC
1896	3.1	1935	7.4	1965	6.5
1897	6.7	1936	8.0	1966	6.9
1898	5.8	1937	3.3	1967	6.3
1899	-4.8	1938	1.6	1968	8.1
		1939	5.4	1969	6.3
1900	.8				
1901	8.6	1940	1.4	1970	6.9 ^a
1902	-7.1	1941	9.7	1971	4.2
1903	11.2	1942	5.6	1972	8.5
1904	1.8	1943	3.7	1973	8.4
		1944	8.2	1974	6.1
1905	10.4				
1906	-1.1	1945	3.1	1975	5.6
1907	5.9	1946	6.6	1976	4.2
1908	-.2	1947	3.4	1977	3.4
1909	2.9	1948	4.1	1978	8.2
		1949	5.5	1979	9.2
1910	.9				
1921	7.7	1950	9.9	1980	8.3
1922	2.3	1951	7.7	1981	8.8
1923	3.4	1952	4.0	1982	-.6
1924	-1.6	1953	.3	1983	-4.2
		1954	10.0	1984	3.5
1925	6.2				
1926	6.0	1955	8.5	1985	2.5
1927	-4.4	1956	6.8	1986	-3.8
1928	.6	1957	7.6	1987	1.5
1929	-3.9	1958	5.4	1988	1.1
		1959	3.0		
1930	-6.3				
1931	3.3	1960	8.1		
1932	-14.9	1961	4.9		
1933	11.3	1962	4.7		
1934	6.8	1963	8.0		
		1964	11.7		

1. GDP data in Chapter 5, below, may vary slightly owing to revisions given here.

a. Improved data, 1970–.

SOURCE: Calculated from latest revisions of Banco de México constant-peso data in market prices:

To 1925 Instituto Nacional de Estadística e Informática, *Estadísticas Históricas de México*, 2 vols. (México, D.F.), I, p. 311.

1925–58 Nacional Financiera, *La Economía Mexicana en Cifras*, 1986, p. 80.

1958–77 International Monetary Fund, *International Financial Statistics—Yearbook*, 1986 and 1987.

1978–81 Banco de México, *Indicadores Económicos*, May 1987.

1982–88 Nacional Financiera, *El Mercado de Valores*, June 1, 1989.

Phase I. Ideology of Political Revolution, 1910–30

The Violent Stage,³ 1910–20

³ For bibliography, see James W. Wilkie and Albert L. Michaels. eds., *Revolution in Mexico: Years of Upheaval* (Tucson: University of Arizona Press, 1984). The detailed story is told in, for example, Arnaldo Cordoba, *La Ideología de la Revolueion Mexicana* (Mexico, D.F.: Ediciones Era, 1973); Ramon Ruiz, *The Great Rebellion: Mexico, 1905–1924* (New York: Norton, 1980); and John Mason Hart, *Revolutionary Mexico: The Coming and Process of the Mexican Revolution* (Berkeley: University of California Press, 1987). See also Alan Knight, *The Mexican Revolution*, 2 vols, (New York: Cambridge University Press, 1986). who examines the teens; and Linda B. Hall, Alvaro Obregon:

Given the mixed social and economic situation, both the urban and rural sectors had reason to support the call of Francisco Madero for peaceful political change in the presidential election of 1910. Jailed to prevent his participation in the election, Madero then called for revolution against the old dictator. In 1911, after Madero captured Ciudad Juarez, Diaz realized that his army had aged with him and was unable to fight, so he agreed to leave office.

Elected to the presidency, Madero seemed oblivious to the fact that the political solution of electing new leaders could not resolve popular demands for dismantling the Diaz-backed hacienda system. Madero could not restrain leaders such as Emiliano Zapata, who led the movement to seize haciendas (many of which had been consolidated by foreigners) and divide them among their former owners. In the turbulence of threat to foreign investment Madero was overthrown in 1913 by General Victoriano Huerta, his chief of staff who had the support of U.S. Ambassador Henry Lane Wilson. However, Ambassador Wilson could not convince the new U.S. president, Woodrow Wilson (no relation), that the fall of Madero was justified. Horrified by the murder of Madero, who had been "shot while attempting to escape," Woodrow Wilson not only refused to recognize Huerta but recalled Henry Lane Wilson and then set about trying to teach Mexicans that the threat to democracy could not be rewarded.

Within Mexico, the death of Madero provoked four years of upheaval. Venustiano Carranza (of the northeast), Francisco Villa (of the north center), Alvaro Obregón (of the northwest), and Zapata (of the center south) maneuvered their armies in shifting coalitions to see who would win the continuing civil war. Carranza won with the backing of Obregón. Subsequently Obregón imposed a constitution radical for its time upon Carranza, who did not implement much of it. The Constitution of 1917 went beyond prohibiting reelection of presidents. Among other things, it provided for land reform, workers' rights (including profit sharing), and secular education. Although the state was declared the owner of Mexico's subsoil mineral wealth and responsible for re-creating and protecting the ejido (communal farm, discussed below), the Constitution of 1917 also provided for private property rights. Given the foreign and domestic interests threatened by the legislation (which was never ratified by Mexico's thirty-two political entities), and given the possibility of U.S. intervention, regulatory laws to implement the constitution have taken many years to emerge.

The Stage of Reconstruction,⁴ 1920-30

Power and Revolution in Mexico, 1911-1920 (College Station: Texas A&M University Press, 1981). who treats the rise of General Obregón, Essential reading is Friedrich Katz, *The Secret War in Mexico: Europe, the United States, and the Mexican Revolution* (Chicago: University of Chicago Press, 1981)~ Michael C. Meyer reappraises the role of Huerta, the General who overthrew President Madero to become president in 1913, in Huerta (Lincoln: University of Nebraska Press, 1972). An important statistical view of political careers from 1900 to 1976 is developed by Peter H. Smith, *Political Recruitment in Twentieth-Century Mexico* (Princeton, N.): Princeton University Press, 1979).

⁴ The best descriptive work for 1920- 30 is the detailed chronology provided in John W. F. Dulles, *Yesterday in Mexico: A chronicle of the Revolution, 1919-1936* (Austin: University of Texas Press, 1961), but the period remains open to analysis. The classic account in Ernest Gruening, *Mexico and Its Heritage* (New York: Century, 1928). An interesting thread of inquiry involves the life of General Almazán which carries from the 1910s through his rise to

To stop Obregon's rise in politics and certain presidential victory, Carranza tried to impose his successor on Mexico. The ploy failed and Carranza was assassinated in 1919, thus opening the way for Obregon's election in 1920.

President Obregon finally brought relative peace to the country by incorporating dissident generals into the regular army. Zapata, who had remained in rebellion to call for land reform ever since he declared himself against Madero in 1911, had been killed by Carranza's troops in 1919 and that left only a few powerful leaders, such as Juan Andreu Almazan, to be co-opted. Once incorporated into the regular army, Almazan went into the construction business. With public works contracts awarded by Obregon and subsequent presidents, Almazan began by building a model military base in Monterrey before turning to road construction. Such co-option not only brought peace to Mexico but also reconstruction of the country's damaged economic infrastructure.

Obregon began the process of land reform slowly because his government did not receive U.S. diplomatic recognition until 1924. Obregon's support for the formation of peasant leagues throughout the country to petition for land in an organized way helped him remain in the presidency because, when in 1923 some of his generals rebelled, he was able to mobilize the peasants against the dissident military. This first success of the peasant leagues signaled the beginning of a peasant role in politics that would expand in the 1930s.

With peace established again by 1924, Obregon and his successor in the presidency, Plutarco Elias Calles (1924-28), could proceed on a number of fronts not only to rebuild Mexico but also to frame new institutions. Jose Vasconcelos, Minister of Education (1921-24), firmly established a new role for educators and stimulated the pedagogical contributions of Mexico's famous muralists, such as Diego Rivera. Manuel Gomez Morin wrote the law for the country's first Agricultural Credit Bank (1925).

Calles established the government's administrative structure. The Banco de Mexico was founded, as were the national commissions for roads, irrigation, and electricity. Calles, who increased the tempo of land reform, found that implementing the constitution was quite problematic, especially to foreigners (who feared losing their subsoil petroleum rights) and to foreign and domestic Catholics (who were angered by limitations on the historical power of the Church in Mexico).

Facing the Cristero War (1926-29) in which lay Catholics rebelled against the government after the Church hierarchy ceased administering the sacraments in Mexico, Calles also had to contend with rebellious generals in 1927 and 1929, the latter of whom were rumored to be trying to link up with the

military power in the 1920s, his role in building the railway link of "mainland" Mexico to the Yucatan peninsula, his influence on the presidential election of 1940, and his role in building tourism after 1940. See James W. Wilkie. "El Complejo Industrial-Militar en Mexico durante la Decada de 1930: Dialogo con el General Juan Andreu Almazan," *Revista Mexicana de Ciencia Politica* 20:77 (1974), pp. 59-65.

Cristeros. In this complex situation, Calles maintained his power by (a) calling on the peasant leagues to help do battle with rebellious soldiers, (b) toning down his rhetoric about the rights of labor over capital, and (c) accepting the friendship of U.S. Ambassador Dwight Morrow.

Morrow convinced Calles that additional land not be expropriated without previous payment; in turn, Morrow oversaw a softening in the U.S. position that Mexico was dangerous in its "drift toward Bolshevism." Indeed, Calles moderated land reform, labor programs, and support of the Sandino cause against the U.S. marines fighting in Nicaragua.

Morrow also tried to help end the Cristero War, but that work was undone with the assassination of President-elect Obregón in 1928 by a Catholic fanatic. Obregón had been convinced to seek peace with the Catholics, especially because he was scheduled to return to the presidency after changing the constitution to allow for his controversial presidential reelection following an intervening term.

To stifle any doubts that the assassination was religious and not political, Calles (who stood to gain most politically if he did not have to give power back to Obregón), called for the creation of an Official Party of the Revolution, which emerged in 1929 to represent all political wings among the so-called Revolutionary Family. Calles announced that he would never again seek the presidency.

Interim-President Emilio Portes Gil (1928-30) established the Official Party (Partido Nacional Revolucionario), which was based upon the power of regional political bosses. In power fourteen months (the time needed to nominate and elect Obregón's successor, Pascual Ortiz Rubio, for the period 1930-34), Portes Gil defied Calles's main policy goal of merely espousing radical rhetoric.

With regard to revolutionary policy, Portes ignored Calles's wishes and mobilized the country to develop a draft labor code, but it was aborted before it could finally implement the pro-labor provisions of the constitution. Even before Calles left for Europe in June 1929 to assess the world situation, for example, Portes overrode his view that there was no need for labor activism. Calles had argued that the rights of labor were protected by Luis Morones, who was not only the powerful boss of organized labor but also former Minister of Labor under Calles. In theory the workers were protected, but in practice Morones represented the quintessence of labor union corruption.

With Calles in Europe for seven months until December 1929,⁵ President Portes Gil acted freely, especially pushing land reform. He and his Minister of Agriculture, Marte R. Gómez, refurbished the image of Zapata, still considered by many to have been a troublesome bandit during the course of his life. Portes and Gómez described Zapata as a heroic guerrilla who fought tenaciously for the right of the peasants to own land. The monthly rate of definitive land distribution to ejidos rose to an average 1.4

⁵ Interview with Emilio Portes Gil in James W. Wilkie and Edna Monzon de Wilkie, *Mexico Visto en el Siglo XX; Entrevistas de Historia Oral: Ramon Beleta, Marte R. Gómez, Manuel Gómez Morín, Vicente Lombardo Toledano, Miguel Palomar y Vizcarra, Emilio Portes Gil, Jesús Silva Herzog* (Mexico, D.F.: Distribuido por el Instituto de Investigaciones Económicas, 1969), 512

times the averages of Obregón and Calles combined, and the rate for persons benefited has never been surpassed (Table 2).

Table 2
LAND REFORM IN MEXICO, 1916-88

PART I. Hectares²

Date Term Ends ³	President	Approx. Months in Office	Resolutions Published ⁴			Definitive Actions ⁵		
			Number	Hectares ⁷	Hectare /Month	Number	Hectares ⁷	Hectare /Month
May 21, 1920	Venustiano Carranza	48.4	326	224,393	4,636	188	134,239	2,774
Nov. 30, 1920	Adolfo de la Huerta ⁶	6.1		157,533	25,825		33,696	5,524
Nov. 30, 1924	Alvaro Obregón	48.0	748	1,730,686	36,056	628	1,133,813	23,621
Nov. 29, 1928	Plutarco Elías Calles	48.0	1,622	3,186,294	66,381	1,573	2,972,876	61,935
Feb. 4, 1930	Emilio Portes Gil	14.1	1,350	2,438,511	172,944	1,156	1,707,757	121,118
Sept. 3, 1932	Pascual Ortiz Rubio	30.8	540	1,225,752	39,797	852	944,538	30,669
Nov. 29, 1934	Abelardo L. Rodríguez	27.0	1,581	2,060,228	76,304	596	790,694	29,285
Nov. 29, 1940	Lázaro Cárdenas	72.0	11,334	20,145,910	279,804	10,744	17,906,430	248,700
Nov. 30, 1946	Manuel Ávila Camacho	72.0	3,074	5,970,398	82,922	3,485	5,944,450	82,562
Nov. 30, 1952	Miguel Alemán Valdez	72.0	2,245	5,429,528	75,410	2,385	4,844,123	67,279
Nov. 30, 1958	Adolfo Ruiz Cortines	72.0	1,745	5,771,721	80,163	1,864	4,936,665	68,565
Nov. 30, 1964	Adolfo López Mateos	72.0	2,375	9,308,149	129,280	2,887	11,361,270	157,795
Nov. 30, 1970	Gustavo Díaz Ordaz	72.0	3,912	23,055,619	320,217	2,769	14,139,560	196,383
Nov. 30, 1976	Luis Echeverría Álvarez	72.0	2,208	12,243,317	170,046	2,202	13,328,852	185,123
Nov. 30, 1982	José López Portillo	72.0	3,415	6,347,425	88,159	1,975 ^a	6,728,797 ^a	93,456
Nov. 30, 1988	Miguel de la Madrid Hurtado	72.0	2,103	4,448,754	61,788	1,298	2,981,519	41,410
Total		870.4	38,578	103,744,209 ^b	119,191	34,602	89,889,279	103,274

1. Revises most data given in Mexico's presidential reports (which tend to be unreliable when compared to detailed data given by the land reform agency); Instituto Nacional de Estadística, Geografía e Informática, *Estadísticas Históricas de México*, I, p. 277; and data for presidents Díaz Ordaz and Echeverría given in James W. Wilkie, *La Revolución Mexicana (1910-1976): Gasto Federal y Cambio Social* (México, D.F.: Fondo de Cultura Económica, 1978), p. 323.

2. Land reform rights distributed as grants to, restitutions to, and enlargements of collective and individual ejidos; grants for new ejidal population centers; and confirmation of existing communal land rights (which recognizes de jure rights of ejidatarios historically holding de facto rights with unregistered legal papers).

3. Because presidential reports to congress customarily take place September 1 and presidents leave office December 1, data for the final three months in office for any president may be credited to the following president.

4. Presidential resolutions become preliminary actions when published in the Mexican government's *Diario Oficial*; resolutions are subject to appeal by persons affected and do not become effective until presidential definitive actions are signed. Resolutions here exclude those signed by one president but not published until one or more succeeding presidents have also taken into account political considerations, technical details, and bureaucratic delays.

5. Definitive actions finalize previously published presidential resolutions; they are also known as "resoluciones ejecutadas" or "resoluciones definitivamente entregadas." Definitive actions take into account appeals, technical adjustments, and changing circumstances to often modify the resolutions. Definitive actions may be based on resolutions signed by earlier presidents. Pending definitive actions are here excluded.

6. Data for De la Huerta are separated here from data for Carranza.

7. One hectare equals 2.47 acres.

a. These definitive data are from Secretaría de Reforma Agraria (SRA), *Avance en Materia Agraria*, cited in Source, below. These figures should be used with caution because the López Portillo government did not

leave records fully documenting definitive actions, according to Alfonso Casillas Romahn, MMH's head of the SRA Dirección General de Documentación e Información Agraria, interviews August and October 1988. De la Madrid's *Quinto Informe Económico: Apéndice Estadístico*, 1987, p. 412, gives the following erroneous figures for the JLP period: 3,321 definitive actions distributing 13,904,924 hectares.

b. Excludes 65,023,310 hectares resolved for distribution by one president but published under another (1920-80), according to Casillas.

c. The only figure available is from De la Madrid's *Quinto Informe*, cited in note a, above. Although this figure seems logical in relation to the historical series, it should be used with caution because of the erroneous data given in the *Quinto Informe* for the number of hectares distributed to these persons.

d. Excludes 1,346,759 beneficiaries resolved under one president but published under another (1920-80), according to Casillas.

SOURCE: Secretaría de Reforma Agraria (SRA), *Avance en Materia Agraria, 1983-1987* (México, D.F.: Dirección General de Programación y Evaluación, n.d.); James W. Wilkie, *The Mexican Revolution: Federal Expenditure and Social Change Since 1910* (Berkeley: University of California Press, 1970), p. 188; and SRA chart "Resoluciones Presidenciales Publicadas, Ejecutadas y Pendientes de Ejecutar por Período Presidencial, 1915-1980," photocopied in José Luis Mares, "Diagnóstico del Sector Agropecuario y Forestal; Estructura Social: La Reforma Agraria en México, 1915-1980; Un Nuevo Enfoque Analítico," manuscript, n.d., except all De la Huerta data are from Departamento Agrario, *Memoria de Labores, 1945-1946* (statistical section), figures subtracted from total for Carranza in source above. JLP data for resolutions are from SRA, Dirección General de Documentación e Información Agraria, "Resoluciones Presidenciales Publicadas en el Período de José López Portillo," computer printout October 1988, supplied by Alfonso Casillas Romahn; for JLP definitive data, see note a, above. MMH data are from SRA, "Resoluciones y Ejecuciones en el Período de Miguel de la Madrid Hurtado," computer printout August 1988, supplied by Casillas Romahn.

(PART II on overleaf)

Table 2 (Continued)

PART II. Beneficiaries¹

Date Term Ends ²	President	Approx. Months in Office	Resolutions Published		Definitive Actions	
			Persons	Persons /Month	Persons	Persons /Month
May 21, 1920	Venustiano Carranza	48.4	59,848	1,237	40,068	828
Nov. 30, 1920	Adolfo de la Huerta	6.1	17,355	2,845	6,330	1,038
Nov. 30, 1924	Alvaro Obregón	48.0	164,128	3,419	134,798	2,808
Nov. 29, 1928	Plutarco Elías Calles	48.0	302,539	6,303	297,428	6,196
Feb. 4, 1930	Emilio Portes Gil	14.1	187,269	13,281	171,577	12,169
Sept. 3, 1932	Pascual Ortiz Rubio	30.8	57,994	1,883	64,556	2,096
Nov. 29, 1934	Abelardo L. Rodríguez	27.0	158,393	5,866	68,556	2,539
Nov. 29, 1940	Lázaro Cárdenas	72.0	764,888	10,623	811,157	11,266
Nov. 30, 1946	Manuel Avila Camacho	72.0	122,941	1,708	157,836	2,192
Nov. 30, 1952	Miguel Alemán Valdez	72.0	108,625	1,509	97,391	1,353
Nov. 30, 1958	Adolfo Ruiz Cortines	72.0	226,292	3,143	231,888	3,221
Nov. 30, 1964	Adolfo López Mateos	72.0	289,356	4,019	304,498	4,229
Nov. 30, 1970	Gustavo Díaz Ordaz	72.0	374,520	5,202	240,695	3,343
Nov. 30, 1976	Luis Echeverría Álvarez	72.0	223,250	3,101	206,452	2,867
Nov. 30, 1982	José López Portillo	72.0	245,488	3,410	264,532 ^c	3,674
Nov. 30, 1988	Miguel de la Madrid Hurtado	72.0	184,213	2,559	105,920	1,471
	Total	870.4	3,487,099 ^d	4,006	3,203,682	3,681

1. For notes, see Part I, above.

SOURCE: Resolutions, SRA chart, "Resoluciones Presidenciales Publicadas, Ejecutadas y Pendientes de Ejecutar por Período Presidencial, 1915-1980," given in Mares, slightly revising data in Nacional Financiera, *La Economía Mexicana en Cifras*, 1977, p. 45; except data for De la Huerta from Departamento Agraria, *Memoria de Labores, 1945-1946* (statistical section), subtracted here from data for Carranza. JLP data are from SRA, Dirección General de Documentación e Información Agraria, "Resoluciones Presidenciales Publicadas en el Período de José López Portillo," computer printout October 1988, supplied by Alfonso Casillas Romahn (see note a, above).

MMH data are from SRA, "Resoluciones y Ejecuciones en el Período de Miguel de la Madrid Hurtado," computer printout August 1988, supplied by Casillas Romahn.

Definitive Actions, SRA chart for 1915-80 (as for resolutions, above), slightly revising Wilkie, *The Mexican Revolution: Federal Expenditure and Social Change Since 1910*, p. 194; except JLP data for definitive actions are from MMH, *Quinto Informe de Gobierno; Apéndice Estadístico*, 1987, p. 412. MMH data are from SRA, "Resoluciones y Ejecuciones en el Período de Miguel de la Madrid Hurtado," computer printout August 1988, supplied by Casillas Romahn.

**PART III. Certificates of Ineffectability Granted
to Protect Agricultural and Ranching Lands
from Land Reform,¹ 1934-88^a
(Number)**

Period	President	Agricultural		Ranching	
		Issued	Pending	Issued	Pending
1934-40	Lázaro Cárdenas	865	0	69	0
1940-46	Manuel Avila Camacho	13,350	0	126	0
1946-52	Miguel Alemán	73,694	0	575	0
1952-58	Adolfo Ruiz Cortines	82,366	0	445	0
1958-64	Adolfo López Mateos	8,627	0	54	0
1964-70	Gustavo Díaz Ordaz	2,055	0	749	0
1970-76	Luis Echeverría Álvarez	1,496	0	361	0
1976-82	José López Portillo	7,715	0	481	0
	Subtotal	190,235	0	2,862	0
1982-88	Miguel de la Madrid Hurtado	222,816	1,257	31,572	451
	Total	413,051	1,257	34,434	451

1. For farm lands, certificates are permanent; for ranching, some certificates are permanent and some are for 25 years. Data include certificates issued as renewal of protection granted earlier.

a. Between 1901 and 1933, 67 certificates were issued for agricultural lands, 2 for ranching lands.

SOURCE: SRA, Dirección General de Documentación e Información Agraria, "Inefectabilidad: Concentrado de Certificados por Período Presidencial," computer printout August 1988, supplied by director general Alfonso Casillas Romahn.

Table 2 (Continued)

**PART IV. Agricultural Lands Protected
by Certificates of Inaffectability, 1936-88^a
(Hectares)**

Period	President	Type of Land ¹		Total ¹
		Irrigated	Rainfed	
1934-40	Lázaro Cárdenas	12,040	41,555	53,595
1940-46	Manuel Avila Camacho	115,474	292,712	408,186
1946-52	Miguel Alemán	387,397	455,416	842,813
1952-58	Adolfo Ruiz Cortines	94,197	1,229,526	1,323,723
1958-64	Adolfo López Mateos	150,340	34,704	185,044
1964-70	Gustavo Díaz Ordaz	60,796	52,413	113,209
1970-76	Luis Echeverría Álvarez	14,892	15,089	29,981
1976-82	José López Portillo	48,392	37,654	86,046
1982-88	Miguel de la Madrid Hurtado	343,906	1,476,657	1,820,563
Total		1,227,447	3,635,736	4,863,183

1. May include some renewal of certificates granted early in the program.

a. Between 1901 and 1933, 23 hectares were protected, 13 irrigated and 10 rainfed land.

SOURCE: SRA, Dirección General de Documentación e Información Agraria, "Inaffectabilidad: Superficie Amparada por Certificados Agrícolas Emitidos," computer printout August 1988, supplied by director general Alfonso Casillas Romahn.

**PART V. Ranching Lands Protected
by Certificates of Inaffectability, 1934-88^a
(Hectares)**

Period	President	Total
1934-40	Lázaro Cárdenas	114,369
1940-46	Manuel Avila Camacho	736,148
1946-52	Miguel Alemán	2,316,743
1952-58	Adolfo Ruiz Cortines	945,577
1958-64	Adolfo López Mateos	71,944
1964-70	Gustavo Díaz Ordaz	2,262,575
1970-76	Luis Echeverría Álvarez	262,024
1976-82	José López Portillo	70,387
1982-88	Miguel de la Madrid Hurtado	9,311,582
Total		16,091,890

1. Includes renewal of certificates.

a. Between 1901 and 1933, 54 hectares were protected, 472 of low quality and 69 of medium quality.

SOURCE: SRA, Dirección General de Documentación e Información Agraria, "Inaffectabilidad: Superficie Amparada por Certificados Ganaderos Emitidos," computer printout August 1988, supplied by director general Alfonso Casillas Romahn.

Phase II. Ideology of Social Revolution,⁶ 1930-40

⁶ For a work which shows implicitly the complexity of events of the 1930s, see *ibid.* On politics, see Lyle C. Brown, "General Lázaro Cárdenas and Mexican Presidential Politics, 1933-1940" (Ph.D. dissertation, University of Texas at Austin, 1964). Also useful is the view on the Cárdenas presidency in Nora Hamilton, *The Limits of State Autonomy: Post-Revolutionary Mexico* (Princeton, N.J.: Princeton University Press, 1982). For the most important single reference work on politics, see Roderic A. Camp, *Mexican Political Biographies, 1935-1981*, 2d ed. (Tucson: University of Arizona Press, 1982). See also Camp, *Intellectuals and the State in Twentieth-Century Mexico* (Austin: University of Texas Press, 1985). Camp's most recent work is his insightful *Entrepreneurs and Politics in Twentieth-Century Mexico* (New York: Oxford University Press, 1989). Other views of industrialists are provided by Dale Story, *Industry, the State, and Public Policy in Mexico* (Austin: University of Texas Press, 1986), and Betsy L. Link, "Spirit of Entrepreneurship: Octaviano Longoria and the Rise of Industry in Mexico" (Ph.D. dissertation,

The limits to the political solution to Mexico's problems had become all too clear by the end of the 1920s. Not only was there a continuing difficulty in achieving peaceful transition between Mexican presidents but also the U.S. politico-economic model (which had provided a resistant force to new socialistic and communistic models) seemed to have fallen along with the collapse of Wall Street in 1929. Calles ignored the climate of opinion that had so many politically aware Mexicans turning away from the U.S. model to the Soviet model of development, which would also tend to support the development of the ejido.

Although the Mexican economy entered a depression between 1929 and 1932 (Fig. 1), Calles rejected calls to adopt aspects of communalist models coming into vogue. His outlook on political economy was strengthened by his 1929 travel to Europe, which proved influential for Mexico. The trip, which effectively allowed Partes Gil to speed up land reform, spurred Calles to act against Portes Gil's important agrarian program. Upon his return from Europe in December 1929, Calles argued that land reform creates tiny parcels which cannot take advantage of mechanization and modern techniques. He called for a halt to further land reform in Mexico.⁷

With regard to Calles's past record in land reform, as president he had undertaken to encourage small farms while restoring land to the ejido or communityowned agricultural and ranching units which had lost their holdings under Diaz. But Calles preferred only one of the ejidos' two manifestations. By law, the ejido can be worked individually or collectively, and Calles favored the individual ejido wherein each head of family (ejidatario) is allotted a specific parcel (with common land set aside for common use such as meetings, sports, grazing, etc.) rather than the group ejido wherein farm and pasture land is worked by all the people. For Calles, individuals working their own ejido plots were destined to graduate to the status of peasant proprietors with their own titles.

Calles was especially critical of the ejido system for two reasons. First, in both of its forms the ejido is community owned and cannot be sold or mortgaged, thus being ineligible for private bank credit. Private banks require collateral in order to make loans, and Calles was more concerned than ever about the lack of public funds available to supply credit.

Second, on his trip to Europe Calles was impressed by French small private farmers. He saw them as the bulwark of France's stable development -the type of bulwark needed by Mexico.

University of California, Los Angeles. 1989); on the economy in the 1930s, see *La industrialización Mexicana durante la Gran Depresión* (Mexico, D.F.: El Colegio de Mexico, 1987).

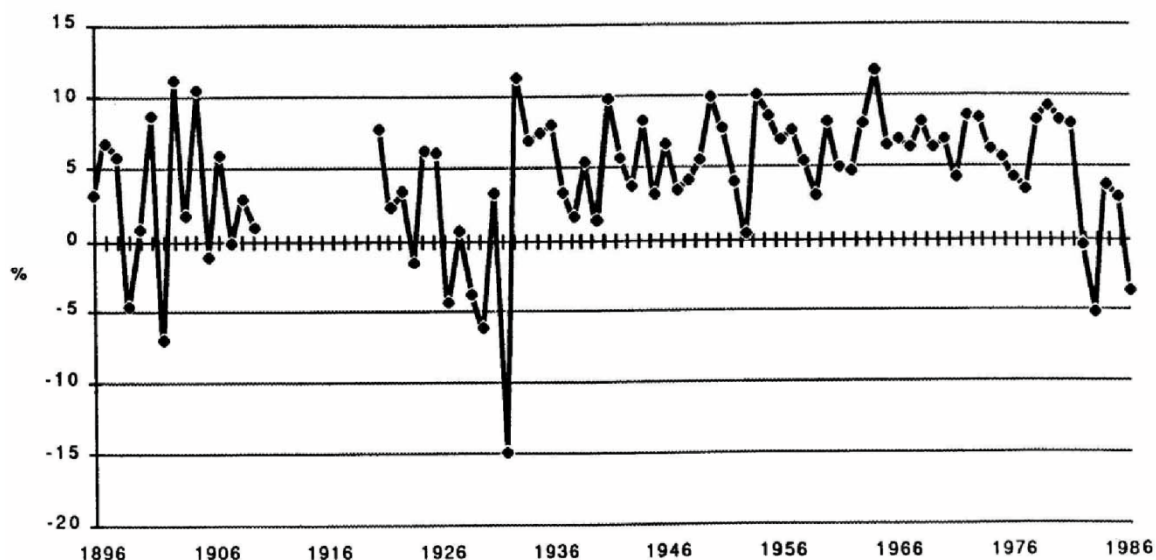
⁷ See Eyler Newton Simpson, *The Ejido, Mexico's Way Out* (Chapel Hill: University of North Carolina Press, 1937), pp. 89-90 and 113 ff. On the history of land problems, see also Clifton B. Kroeber, *Man, Land, and Water: Mexico's Farmlands Irrigation Policies, 1885-1911* (Berkeley: University of California Press, 1983); Paul L. Lamartine Yates, *Mexico's Agricultural Dilemma* (Tucson: University of Arizona Press, 1981); and Jeffery Brannon and Eric Baklanoff, *Agrarian Reform and Public Enterprise in Mexico: The Political Economy of Yucatan's Henequen Industry* (Tuscaloosa: University of Alabama Press, 1987).

Having returned to Mexico for the early 1930 inauguration of President Ortiz Rubio, Calles was determined to reassert his authority. As the Strong Man of Mexico, he imposed his will upon a compliant President Ortiz Rubio. Calles ordered land reform to be terminated within a short time, and Ortiz Rubio called for state agrarian commissions to finish their work and dissolve themselves within months.

But with economic conditions reaching a trough in Mexico by 1932, when CDP declined by nearly 15 percent (Table 3), Calles soon realized that if the Official Party were to remain in power he would have to cede to its left wing. Forcing Ortiz Rubio from office in 1932 after only 2.5 years, Calles named a temporizer as interim-president, Abelardo Rodriguez. Although Rodriguez halted strikes on the grounds that they disrupted the Revolution, he eliminated the time constraint on completing land reform. Most importantly, he facilitated the naming of Calles's choice for president from 1934 to 1940-General Lazaro Cardenas.

The Calles decision about whom to name president was somewhat constrained. Needing to appeal to the left wing of the Official Party and to choose a general with whom he could work to establish a stable political system, Calles selected Cardenas, his protege, Cardenas not only had the advantage of Calles's support but the additional advantage of being a hero of the left, which was impressed with his reforms as governor of Michoacan from 1928 to 1932. There Cardenas had organized workers and peasants to improve their conditions, and did not follow Calles's order to halt land reform.

Figure 1
YEARLY CHANGE IN MEXICO'S GDP, 1896-1986



SOURCE: Table 1.

Although Calles thought Cardenas would be a deferential president, Cardenas immediately accelerated land reform, and he allowed labor to use the strike as a political weapon to take over factories. When those policies brought Calles's wrath, in 1936 Cardenas expelled Calles and Morones from Mexico.

To solidify support, Cardenas created a giant new labor central organization under Vicente Lombardo Toledano; at the same time Cardenas won the peasants to his cause by stepping up monthly definitive actions distributing land to ejidos at a rate more than double that under Portes Gil (Table 2). Using the labor and peasant sectors to counterbalance the power of the military, he reorganized the Official Party in 1938 as a Mexican Popular Front.

Drawing from European models, Cardenas's Partido de la Revolución Mexicana (PRM) shifted from the base of regional political bosses to a corporate system with four sectors: labor, peasants, military men, and popular sector representatives. A major sector omitted was the private capital group which wielded the real economic muscle of the country. Cardenas required that this group organize into chambers representing its components (such as commerce, manufacturing, etc.) in order to consult with the government. With many interest groups to mobilize, Cardenas effectively neutralized the military as the key decision maker in Mexican politics.

Yet Cardenas did not organize monolithic political sectors. Thus, he prevented Lombardo Toledano from merging his labor sector with the peasant sector, and he sought to prevent anyone faction in each from becoming too strong. That the private capital group would not emerge in monolithic form is illustrated by the role of the manufacturers component. Within the Confederación de Camaras Industriales (CONCAMIN), a subcomponent of small manufacturers organized to form the Camara Nacional de la Industria de Transformacion (CNIT). While CONCAMIN traditionally was dominated by interests who could generate credits on their own and thus sought to restrain broad activity by government intervention in the economy, CNIT's interests tended to be those of newer firms which, concerned about competition from foreign capital, also lacked the ability to generate adequate credit, and therefore favored broad government economic intervention.⁸ These opposing views within the private capital sector gave the government much leeway to expand the role of state policy.

⁸ See Vernon, *The Dilemma of Mexico's Development*, pp. 18-19.

Table 3

DOLLAR VALUE OF THE PESO¹ AND MEXICO'S INFLATION RATE²PART I. Average Peso Market/Free Rate
Compared to Average Inflation Rate,³ 1950-88

Year	Peso ⁴		Inflation ⁵
	A. Average Pesos per Dollar	B. % Devaluation ⁶	C. Average Yearly Consumer Price Index % Increase ⁷
1950-1953	8.65 ^a	0	7.8 ^c
1954	12.50	30.8	5.2
1955-1975	12.50 ^b	0	6.4 ^d
1976	15.43	19.0	15.8
1977	22.57	31.6	29.0
1978	22.77	.9	17.5
1979	22.81	.2	18.2
1980	22.95	.6	26.4
1981	24.51	6.4	27.9
1982 ^e	56.40	56.5	58.9
1983	150.30	62.5	101.8
1984	185.19	18.8	65.5
1985	310.17	40.3	57.7
1986	637.38	51.4	86.2
1987	1,405.80	54.7	131.8
1988	2,290.00	38.1	114.2

1. For the peso, Part I gives the average market/free rate, also used for foreign trade conversion to dollars through 1981; Part II gives the controlled conversion rate for foreign trade, which was established in 1982; Part III gives the end of year free-market rate; Part IV gives rates for major devaluations on the free market.

2. For inflation since 1968, the International Monetary Fund (IMF) uses the Bank of Mexico national consumer price index; prior to 1968, the IMF uses the food price index for Mexico City; cf. Jeffrey Bortz, *Industrial Wages in Mexico City* (New York: Garland, 1987), pp. 331-332.

3. Inflation and devaluation do not involve one-to-one relationships because in the former case the percentage change is unlimited and in the latter case it is limited to 100 percent. For example, inflation of 233 percent would require a 70 percent devaluation in order to maintain parity.

4. Mexico's "market" or "free" rate has been subject to support by Mexico's Banco Central and/or to the Banco Central's manipulation by "dirty floats" wherein the rate is in reality a regulated rate. Since 1982 the free rate is used for non-foreign trade transactions. The free rate has not always meant free convertibility of pesos to dollars, e.g., for a time beginning in 1982 residents of Mexico's interior could buy no more than 1,500 dollars per person yearly and residents in the border area could purchase no more than 1,500 dollars monthly; see *IMF Survey*, November 15, 1982.

5. Inflation calculated from yearly average indexes in contrast to indexes for December to December given in Part III.

6. Devaluation is calculated by figuring percentage change from later year to prior year; for example, the average devaluation for 1983 (average peso value = 150.30) compared with 1982 (average peso value = 56.40) is calculated as follows: $(56.4/150.3) - 1 \times 100$. Alternatively, it can be calculated as follows: $(150.30 - 56.40) = 93.9/150.30 \times 100$, which yields the same result.

7. National percentage increase or change is figured from earlier year to following year; for example, from 1982 (average index number 203.3, not given in Part I) to 1983 (index 410.2) as follows: $(410.2/203.3) - 1 \times 100$.

a. Stable exchange rate for 4 years, 1950-53.

b. Stable exchange rate for 21 years, 1955-75.

c. Accumulated average percentage change of 31.2 percent divided by 4 years = 7.8 percent per year; the Bortz worker cost of living index (see note 2, above) shows 31.3 percent for the four years or 7.8 percent per year.

d. Accumulated average percentage change of 134.0 percent in index divided by 21 years yields an average 6.4 percent per year; the Bortz worker cost of living index (see note 2, above) differs slightly, showing 114.8 for the 21 years or an average of 5.5 percent per year.

e. "Free" or floating rate begins in 1982 (as does the "controlled" rate given in Part II, below), but free rate is pegged within narrow limits by the Banco de México. The Banco de México set gradual devaluation of the peso at 7 centavos daily from December 20, 1982, through September 21, 1983, then at 13 centavos into December 1984, at 13 centavos into April 1985, and at 21 centavos into August 1985. In August 1985 the rate was "freed" to allow market forces to influence higher devaluation, but still regulated by the Banco de México. (See Juan Raymundo Rocha, "Evolución del Tipo de Cambio, 1976-1987," *Comercio Exterior*, September 1987, pp. 724-729.) On December 16, 1987, the free-market peso was frozen at 2,225 until January 8 when minor slippage permitted it to slowly reach 2,295 by May 1988 (*Indicadores Económicos* 104, March 1988, pp. 30-31), the Banco de México committing its dollar reserves to provide peso stability at least until fall 1988.

SOURCE: A, International Monetary Fund, *International Financial Statistics—Yearbook*, 1980 and February 1988 (line "wf" for 1980-1982, line "xf" since 1983); and Banco Nacional de México, *Review of the Economic Situation of Mexico*, July 1989; see also Banco de México, *Indicadores Económicos*, October 1987, p. IV-9, which clarifies the data.

B. Calculated.

C. 1950-58: International Monetary Fund, *International Statistics—Yearbook*, 1980, pp. 60-61.

1959-88: *ibid.*, 1987, pp. 114-115; and *El Mercado de Valores*, January 15, 1988, June 15, 1988, and August 15, 1989.

Table 3 (Continued)

**PART II. Average Controlled (Foreign Trade)¹
Peso Rate, 1982-88**

Year	Average Pesos per Dollar
1982	57.44 ^a
1983	120.09
1984	167.83
1985	256.87
1986	611.77
1987	1,378.00 ^b
1988	2,273.00

1. The controlled rate, established in 1982, is used for most import-export transactions, and it cannot be used for private investments, debt payments, or tourist exchange transactions. For the rate of slippage against the dollar (which was the same as that of the free rate from 1982-85), see note e in Part I, above. Beginning in February 1988, the gradual slippage was increased to 3-peso "minidevaluations" each business day.

a. Nacional Financiera, *La Economía Mexicana en Cifras*, 1977 (México, D.F., 1984), p. 221.

b. The controlled peso stood at 1,705 on November 18, 1987, when the free-market peso was dramatically devalued (*Los Angeles Times*, November 19, 1987). The controlled peso had slipped to 1,801 by December 14, 1987, when it was devalued sharply to 2,200 to bring it to about the same level as the free-market peso (*Los Angeles Times*, December 18, 1987).

SOURCE: International Monetary Fund, *International Financial Statistics*, February 1988 (line "wt" since 1983); *El Mercado de Valores*, February 15, 1988; Banco de México, *Indicadores Económicos*, January 1989, pp. 146 and 147; and Banco Nacional de México, *Review of the Economic Situation of Mexico*, August 1988; see also Banco de México, *Indicadores Económicos*, February 1988, which clarifies the data.

**PART III. Year-End Peso Market/Free Rate,¹
and Year-End Inflation, 1970-88**

Year	Peso		Inflation
	A. Year-End Pesos per Dollar	B. % Devaluation December to December	C. National CPI December to December
1970	12.50	0	4.8
1971	12.50	0	5.2
1972	12.50	0	5.5
1973	12.50	0	21.3
1974	12.50	0	20.7
1975	12.50	0	11.2
1976	19.95	37.3	27.2
1977	22.74	12.3	20.7
1978	22.73	0	16.2
1979	22.80	.3	20.0
1980	23.26	2.0	29.8
1981	26.23	11.3	28.7
1982 ^a	149.25	82.4	98.8
1983	161.35	7.5	80.8
1984	209.97	23.2	59.2
1985	450.75	53.4	63.7
1986	914.50	50.7	105.7
1987	2,227.50	58.9	159.2
1988	2,295.00	2.9	51.7

1. On the limits to the concept of the "market/free" rate in Mexico, see note 3 in Part I, above.

a. The "free" rate begins in 1982 (as does the "controlled" rate in Part II, above); the free rate is in reality pegged within narrow limits by the Banco de México.

SOURCE: A, 1975-85: International Monetary Fund, *International Financial Statistics—Yearbook*, 1987 (line "ae" for 1975-1981).

1982-88: *idem*, *International Financial Statistics*, November 1987 and February 1989 (line "xe" since 1982). See also Banco de México, *Indicadores Económicos*, May 1987; and *El Mercado de Valores*, February 15, 1988.

B, Calculated.

C, National Consumer Price Index (CPI) given in Nacional Financiera, *La Economía Mexicana en Cifras*, 1986, p. 301, and (since 1980) *El Mercado de Valores*, October 26, 1987, January 15, 1988, and February 15, 1989.

(PART IV on overleaf)

Table 3 (Continued)

**PART IV. Major Devaluations of the Peso on
the Free Market,¹ 1948–87**

Year	Date	Pesos per Dollar	% Devaluation
1948	June 21	4.86	
	22	6.45	24.7
1949	June 17	8.22	
	18	8.65	5.0
1954	Apr 18	8.65	
	19	12.50	30.8
1976	Aug 31	12.50	
	Sep 1	20.00	37.5
	Oct 26	20.00	
	27	26.00	23.1
1982 ^a	Feb 17	27.00	
	18	38.00	28.9
1987	Nov 17	1,712.00 ^b	
	18	2,200.00 ^c	22.2

1. On the limits to the concept of the "free" rate in Mexico, see note 3 in Part I, above.

a. By December, the Banco Central begins open intervention in the free market to devalue the peso at a regular and gradual rate against the dollar; see note e in Part I, above.

b. The rate stood at 1,625 on October 19, 1987—Wall Street's "Black Monday."

c. In a highly volatile day of trading for some transactions, on November 18 the buying rate of the peso reached as high as 2,700 to the dollar and the selling rate as high as 3,000—according to the *New York Times*, November 24, 1987.

SOURCE: 1948–54, Nacional Financiera, *La Economía Mexicana en Cifras* (México, D.F., 1977), pp. 216–217, except 1948–49 from Ricardo Torres Gaytán, *Un Siglo de Devaluaciones del Peso Mexicano* (México, D.F.: Siglo XXI), p. 308.

1976, *Los Angeles Times*, September 9 and October 28, 1976.

1982, *ibid.*; James W. Wilkie, "Problems and Processes of Developing Research on a 'New' Area," in Stanley R. Ross, ed., *Ecology and Development of the Border Region* (México, D.F.: Asociación Nacional de Universidades e Institutos de Enseñanza Superior, 1983), p. 301.

1987, *Barron's*, November 23, 1987, p. 72.

Meanwhile, Cardenas resolved the problem of the Catholic Church's continuing challenge to the Mexican state. The Church was attempting to defeat two programs of the Ministry of Education. The first involved so-called sex education dating from the early 1930s; the second involved so-called socialist education begun by Cardenas. The very titles of the programs sparked Church enmity, but Cardenas strongly favored both as part of his plan to teach the masses about their situation in life, his goal being to enable them to make more effective demands so that Mexico could eventually become a socialist country.

By the middle of his presidency, Cardenas sacrificed these educational programs for several reasons. Because the population was still two-thirds illiterate in the 1930s, the program depended upon highly sophisticated teachers, few of which existed. Also his ability to retain power was being severely tested by multiple economic problems, including disruptions in the countryside as land reform proceeded, confusion in the cities as strikes cut off even electricity, and impending trouble with the foreign-owned oil companies.

Therefore, Cardenas was willing to develop a new Church-state relationship that would allow each to tacitly support the other. This arrangement was made possible when the bishop of Michoacan, Church moderate Luis Martinez, became archbishop of Mexico in 1937. Cardenas and Martinez had coexisted peacefully when Cardenas had been governor of Michoacan, and both laid the basis for an implicit Church-state reconciliation that has lasted to the present. Although the anticlerical provisions of the Constitution of 1917 remain, they are purely symbolic and are not enforced. Leaders of both sides have moderated their language as trust has replaced distrust in Church-state relations.⁹

Cardenas resolved problems with the Church at an opportune moment because in 1938 he had to turn his attention fully to problems with the foreignowned oil companies. In a confrontation over the amount of wages paid to workers, Cardenas nationalized the oil companies. The Church hierarchy backed that action just as it would the nationalization of the privately owned banking system in 1982.

Cardenas now faced new political problems, however, because the right wing within the Official Party did not like the socialistic direction Mexico was taking. General Almazan broke with the PRM to run for the presidency in 1940 and could count on support from such widely different groups as the Sinarquistas (far right lay Catholics who claimed Mexico was falling into anarchy) and former supporters of General Saturnino Cedillo (who in 1938 unsuccessfully led Mexico's last military rebellion reputedly instigated by the former owners of the oil companies).

By the late 1930s Cardenas realized that immediate social benefits for the masses would not solve Mexico's long-term problems. Even as he began government loan and subsidy programs to help private industry expand under government supervision, he chose a moderate to follow him in the presidency. In the bloody contest of 1940, Cardenas's candidate, moderate Manuel Avila Camacho, was elected for the term from 1940 to 1946.

Phase III. Ideology of Economic Revolution,¹⁰ 1940-60

⁹ Peter L. Reich, "Mexico's Hidden Revolution: The Catholic Church in Politics Since 1930." University of California, Los Angeles, n.d., manuscript.

¹⁰ On the 1940s and 1950s, see Frank R. Brandenburg, *The Making of Modern Mexico* (Englewood Cliffs, N.J.; Prentice-Hall, 1964), who puts these decades into a historical perspective. See also Howard F. Cline's classic work, *The United States and Mexico* (Cambridge, Mass.: Harvard University Press, 1953).

With Avila Camacho in the presidency, General Almazan, who had lost the election of 1940, did not rebel as he had promised; rather, he retired to Acapulco where he pursued his construction business by building the port city's first luxury hotel and establishing the basis for the emergence of Mexico's tourist industry. Tourism would be aided by the onset of World War II; no longer able to travel to Europe, the U.S. elite discovered Mexico by air and the middle class followed by auto in the 1950s until they too were affluent enough to travel by air beginning in the 1960s.

Mexico's industry also benefited from World War II. Mining production and industrial output were guaranteed export to the United States. Prices were pegged low as part of Mexico's contribution to the war effort, but in turn the United States bought most everything Mexico could produce. The resulting boom in the economy brought about an industrial revolution that absorbed governmental energies.

Cardenas himself, who served as Minister of War under Avila Camacho, believed that the land reform had been completed by the time he left office. Indeed over 40 percent of the agriculturally employed population had received land from the government so the country was free to turn from agriculture to industry.

The political framework for this shift was dictated by President Miguel Aleman, who in 1946 modified the concept of Revolution by reshaping the Official Party as the Partido Revolucionario Institucional (PRI). Institutionalization deemphasized party militancy by downplaying the role of labor and eliminating the military sector. Henceforth civilians, mainly lawyers, would focus on development of the economic infrastructure, conferring on private investment the task of industrializing the country. The "revolutionariness" of the Official Party now incorporated Economic Revolution.

Under presidents Aleman (1946-52) and Adolfo Ruiz Cortines (1952-58), nation building emphasized construction of dams and hydroelectric and massive irrigation projects, instead of land reform. The expanding road and rail network provided further infrastructure for the development of a heavily protected industry, which set the pace for steady growth in GDP (see Table 1).

This era of ideology stressing economic development looked for its ideas, capital, and technology in close relations with the United States. During this "Era of Good Feeling" between the two countries,¹¹ both nations were disposed to resolve problems rather than create them. With Mexico's liberal investment laws, U.S. companies rushed to Mexico where they could become co-owners with Mexican capital of factories producing for a captive market. As the Handbook for the Foreign Investor, published about 1960, put it:¹²

¹¹ See Howard F. Cline, *Mexico: Revolution to Evolution, 1940-1960* [New York: Oxford University Press, 1963], pp. 304-398 and passim.

¹² John Morris Ryan, ed., *Handbook for the Foreign Investor in Mexico*, 2d ed, (Mexico, D.F.: John Morris Ryan, n.d.), pp. 13 and 16-19.

Today ... Mexico is one of the three most stable nations, politically and economically, in the Western Hemisphere. The years of violent revolution, from 1911 to 1921, ended almost forty years ago. The subsequent period of economic unrest was over before the Second World War. ...

Individuals or countries afflicted with an "inferiority complex" are likely to behave in illogical and unpredictable ways. National confidence is an asset to the foreign investor. A feeling of insecurity makes nations very touchy about foreign influence and makes it very easy to enlist popular sentiment against foreign firms. In a nation that has gained confidence in its own destiny, this danger to foreign capital is no longer present.

In Mexico, concern about possible discrimination against foreign capital tends to be minimized by the growing number of joint foreign and Mexican enterprises. Where foreign and Mexican investors are associated in joint ventures, there is little incentive to this sort of discrimination,

Coming to Mexico, the foreigner discovers that investments which appear to meet every criterion of the conservative investor nevertheless yield high returns. They are suspicious and incredulous Actually there is no mystery and no inconsistency between low risk and high return ... Where capital is in short supply compared with demand in the form of promising investment opportunities, there is nothing illogical about a situation which offers high returns with safety.

The Handbook went on to show (p. 16) that the share of government investment in total investment (private plus government) was 39 percent in 1953 compared with 34 percent in 1958. In indicating that "the principal function of government ownership in Mexico today is not to compete with private enterprise," the Handbook reminded readers that there was "no shortage of opportunities for private initiative," investment being closed to Mexicans and foreigners only for petroleum; limited to Mexicans for inland transport, fishing, bottling, radio and cinema, and advertising and publishing; and excluding more than a 49 percent foreign investment in a few cases.¹³

The ideology of Economic Revolution involved the policy of stabilizing development, that is, economic growth that was neither too fast nor too slow. Monetary policy offered the means to this end, with the peso stable and inflation low. From 1954 to 1976 the peso was pegged at 12.50 to the dollar, with inflation averaging an amount low for Latin America about 6 percent yearly (Table 3, Part I).

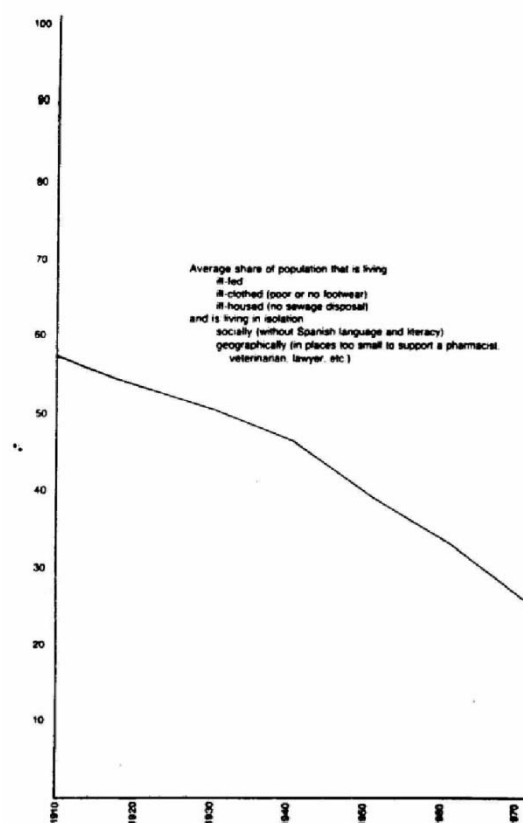
Under the policy of stabilizing development, Mexico encouraged private and foreign capital to substitute goods manufactured in Mexico for imported goods, the government imposing high tariffs to protect Mexican private industry to which it extended subsidies. When foreign capital was not willing to cooperate with Mexico's private sector in joint ventures, the government either did so or encouraged domestic and foreign industrialists to join in developing the country's manufacturing base.

¹³ Ibid., pp. 16,18-19, and 114. Revised data on public investment (see table 14, below) show 37 percent for 1953 and 32 percent for 1958.

At the same time, political stability was encouraged as the Official Party entered into implicit alliances with various socioeconomic sectors in Mexico. Tacit pacts had been developed with sectors since the Cardenas era in order to create the basis for the Official Party, and, as the economy grew, the number of pacts expanded (more fully discussed below). For example, manufacturers enjoyed the privilege of exemption from import taxes on needed equipment. The government's selection of whom to grant (or not to grant) such permits gave it leverage to gather private support of the Official Party, as did the selection of who would receive credits and subsidies to build plants and distribution networks.

Increasingly rapid population growth spurred the economic expansion of Mexico after 1940. World War II hastened the development and marketing of miracle drugs such as penicillin, which soon meant the control of many diseases and a declining death rate. The advent of modern refrigeration permitted

Figure 2
SOCIAL POVERTY INDEX FOR MEXICO, 1910-70



SOURCE: James W. Wilkie, *La Revolución Mexicana (1910-1976): Gasto Público y Cambio Social* (México, D.F.: Fondo de Cultura Económica, 1978), p. 384.

the development of the tropics, which had remained unfit for habitation until the introduction of sulpha drugs in the 1930s.

Where population had fallen during the 1910s from 15 to 14 million after a decade of civil war that either killed people or forced them to leave Mexico, by 1930 the population had regained its upward trajectory, reaching 17 million. In 1940 the total was 20 million, increasing to 26 million in 1950. By 1960 the population reached 36 million-double the 18 million figure which Cardenas believed in 1935 was too low to achieve dynamic national growth. Indeed, by 1970 when the total reached 51 million, the population was growing faster than the country's ability to supply services and create jobs. Although new population policy established plans to slow the growth rate (discussed below), Mexico's population reached 69 million in 1980 and may, perhaps, reach 84 million in 1990.

Although the benefits of Economic Revolution were supposed to slowly trickle down to the masses, the results were mixed. On the one hand, the Social Poverty Index for Mexico showed much improvement. It had stood at 56.9 percent in 1910, but improved to 46.0 percent in 1940 and to 33.1 percent in 1960 (Fig. 2). The decrease in social poverty meant that Mexico's masses were prepared to mobilize in a sustained way for the first time. On the other hand, income distribution seemed to become increasingly unfair.

By the end of the 1950s, the gap in income distribution led to a strong demand for change in government policy. The impetus for change came from the masses as well as the new generation of university graduates. The tremendous expansion in the number of university students begun under Aleman meant the rise of the first large base for articulate social criticism in Mexican history. Thus, in a 1960 book titled *La Distribucion del Ingreso y el Desarrollo Económico de México* published by the National School of Economics, Ifigenia M. de Navarrete argued that the incomes of the poor and middle class had fallen from 48 percent to 43 percent of total income between 1950 and 1957.

Demand for change in government policy coincided with events in Cuba after 1959 where Fidel Castro undertook to put the social aspect into the process of development, which for so long had been dominated by economic theory. Former president Cardenas demanded deemphasis of Economic Revolution.

Phase IV. Ideology of Balanced Revolution,¹⁴ 1960- 70

In the early 1960s Cardenas seemingly threatened to break with the Official Party as he sought to rally Mexico behind Cuba in its struggle with the United States. In reality Cardenas was merely organizing the left in Mexico to pressure the Official Party to shift away from the ideology of Economic Revolution.

¹⁴ On the 1960s, see James W. Wilkie, Michael C. Meyer, and Edna Monzón de Wilkie, eds., *Contemporary Mexico: Papers of the IV International Congress of Mexican History* (Berkeley: University of California Press, 1976), which provides important insights on all of Mexican history as well. On the passing in Mexico of Octavio Paz's important interpretation of the country's so-called inferiority complex, see James W. Wilkie, "The Historical View of Octavio Paz: A Critique of the Washington Address," *New Scholar* 9 (1984), pp. 1-11.

Reiterating his loyalty to the Revolutionary Family, Cardenas praised its "discipline" in deciding matters inside the Official Party-discipline which had long since made General Saturnino Cedillo's 1938 attempt to overthrow Cardenas the last such move. Like most Mexicans, Cardenas knew that the Cuban Revolution was not a suitable model for Mexico, which had developed a socially responsible constitution even before the Russian Revolution of 1917.

To make the transition from overt Economic Revolution, the PRI had broken with its tradition of selecting presidents from the Ministry of War (through 1940) or from the Ministry of Interior (through 1952) and had chosen as its standard bearer for the term from 1958 to 1964 the Minister of Labor, Adolfo Lopez Mateos (ALM). The choice was made with the realization that the PRJ would be hard pressed to continue to contain strike activity, which it had done so successfully after 1940.

Labor strife broke out with pent-up explosiveness in 1958. Major strikes that year and for the next several years led by railroad, telephone, and telegraph workers as well as by teachers, for example, seemed to mark the end of "Permanent Revolution." ALM's response was two-pronged. He offered new benefits to workers, including the implementation of profitsharing programs which were promised in the constitution of 1917. Workers who continued to strike rather than accept benefits were jailed.

To win over critics of the PRJ, ALM called for a shift from the economic phase of Permanent Revolution to the phase of "Balanced Revolution." He promised to balance economic factors with social and political ones. Industrial subsidies were continued by ALM, who also emphasized land reform, which he pushed to the highest monthly activity since Cardenas (Table 2, above). While stressing expansion of tourism to meet his goal of one million persons (see Table 4), ALM moved to reform the political system. He made provisions for opposition political parties to win elections without costing the PRI victories. The political answer has been simple: an opposition party is entitled to one at-large seat in the country's Chamber of Deputies for each percentage point it wins in the national vote for deputies, providing that a minimum share is reached, as discussed below. Nationalization of the foreign-owned electricity industry in 1960 helped to establish ALM in the pantheon of Revolutionary Family heroes before he turned over power to his successor.

The new president, Gustavo Dfaz Ordaz (GDO), served from 1964 to 1970. His programs emphasized continued state support of private business and an expanded parastate sector. Simultaneously, GDO continued to distribute land to ejidos at a fast pace, surpassing Cardenas's resolutions per month and approaching his definitive actions. He has the fourth best presidential record for persons benefited. However, his programs were overtaken by events in 1968

Table 4

TOURISTS VISTING MEXICO'S INTERIOR,¹ 1929–88

Year	Number	Year	Number
1929	14	1960	761
		1961	803
1930	24	1962	941
1931	42	1963 ^a	1,058
1932	37	1964	1,210
1933	40		
1934	64	1965	1,350
		1966	1,499
1935	75	1967	1,629
1936	92	1968	1,879
1937	130	1969	2,065
1938	103		
1939	128	1970	2,250
		1971	2,509
1940	126	1972	2,915
1941	166	1973	3,226
1942	90	1974	3,362
1943	127		
1944	120	1975	3,218
		1976	3,107
1945	157	1977	3,247
1946	255	1978	3,754
1947	240	1979	4,134
1948	254		
1949	306	1980	4,144
		1981	4,038
1950	384	1982	3,767
1951	425	1983	4,749
1952	443	1984	4,655
1953	420		
1954	505	1985	4,207
		1986	4,618
1955	537	1987	5,400
1956	588	1988	5,696
1957	614		
1958	640		
1959	682		

1. Excludes tourists crossing from the United States into Mexico's border region—such tourists do not need documentation for short stays within about 70 miles of the border.

a. Raymond Vernon suggested in 1963 that by the early 1960s the prospects for tourism to Mexico did not seem to offer any new continued impetus for economic growth; see Vernon, *The Dilemma of Mexico's Economic Development* (Cambridge, Mass.: Harvard University Press), pp. 116–117.

SOURCE: 1929–1980, Instituto Nacional de Estadística, Geografía e Informática, *Estadísticas Históricas de México*, II, pp. 702–703.

1981–1986, *idem*, *Cuadro de Información Oportuna*, February 1988, p. 103; and *El Mercado de Valores*, September 26, 1987.

1987–1988, Banco Nacional de México, *Review of the Economic Situation of Mexico*, March 1988 and July 1989.

when students in Berkeley, New York, Paris, and Tokyo made non-negotiable demands for a voice in national political decision making and condemned the United States for its "criminal" war in Vietnam.

Mexican students were not to be outdone. University and preparatory students added to the internationalist of nonnegotiable issues their own demands that:

1. the universities be opened to the popular sector regardless of formal entrance requirements;
2. abusive police be fired;
3. the government cease "wasting" funds on building a subway in Mexico City and divert that money instead to help solve the problems of the rural poor;
4. the government resist "U.S. imperialism";
5. the government agree to these demands or face student disruption of the Olympic Games scheduled for October 1968 in Mexico City.

Failing to realize that the essence of politics is negotiation, the students amassed several hundred thousand persons in successive protest parades through downtown Mexico City.

To stop this heretical protest against the Official Party, which claimed that the students were too immature to understand the costly gains of the violent period of the Permanent Revolution, on October 2 the government cracked down at the Plaza of the Three Cultures where thousands of students gathered in defiance of a government ban on their assemblies. Who opened fire first, skittish soldiers or student snipers seeking to create martyrs to the cause, is unclear, but the soldiers killed between 50 and 600 students and confiscated a huge student arms cache. Even as the Official Party maintained its power at the high political cost of undermining in 1968 much of the democratic political credibility that it could ostensibly claim, the economic underpinning of Balanced Revolution was in trouble. Beneath the surface of economic growth and rising urban prosperity, the Official Party's monetary policy had put the country's exports at a price disadvantage, deemphasizing exports and promoting imports by consistently overvaluing the peso. (The historical value of the peso is shown in Table 3.) The stage was set for the shift away from "stabilizing development."

Phase V. Ideology of Statist Revolution,¹⁵ 1970-82

¹⁵ Statism is the trend toward government control of economic life, especially through nationalization of industries considered to be strategic for national development. Statism involves an expanding government structure and bureaucracy to carry out state planning and the execution of plans. In my view, statist systems are achieved when the public sector (central government plus parastate sector of nationalized enterprises) controls nearly half or more of a country's GOP (see Chapter 6, below). On the role of the state in twentieth-century Mexico before and after 1982, see James W. Wilkie and Jesus Reyes Heróles González Garza, "Industria y Trabajo en México: Antecedentes y Perspectivas," UCLA Program on Mexico, manuscript, 1989. For a general view on statism, see Harold S. Sloan and Arnold J. Zurcher, *Dictionary of Economics* (New York: Barnes and Noble, 1970) p. 416; and for a specific view of the state in Mexico and in the Third World, see Judith A. Teichman, *Policy making in Mexico* (Boston: Allen and Unwin, 1988).

Political Stage,¹⁶ 1970-76

The secretary of interior who had crushed the student revolts in 1968, Luis Echeverria Alvarez (LEA), became president of Mexico for the period from 1970 to 1976. Upset at having been named as CIA contact "Litempo-14" by former CIA officer Philip Agee in his 1975 expose of CIA activities in Latin America, LEA was also determined to live down his role as chief of internal security at the time of the massacre at the Plaza of the Three Cultures. Too, he seems to have seen himself as a sympathizer of the leftist labor leader Vicente Lombardo Toledano, who had helped make the Cardenas programs successful in the 1930s. Therefore, LEA opened the government to young, recently graduated intellectuals, some of whom, like Porfirio Munoz Ledo, had studied in Europe and favored increased state power, to be used to combat imperialism and dependency relations among nations.

LEA's youthful appointees proceeded to undertake a legal revolution that attempted to "regulate" the foreign role in the economy and foreign transfer of technology. The LEA group considered private investments in Mexico, be they national or foreign, as making too great a profit {the high profit defended by the Handbook for the Foreign Investor in Mexico, above), and LEA saw those high profits as contributing to income inequalities. He believed that with a booming economy, Mexico had enough power and experience to bring the private sector under government control, expand the role of the state (which would manage investments for the good of the nation rather than for a few stockholders), and redistribute the national income more equally. In short, LEA and his group believed that it was time for Mexico to shift from "stabilizing development" to "shared development" in which the benefits of an expanding CDP would be distributed to the masses under the aegis of the state. Too, LEA felt that his government had to create jobs at a faster rate than was possible under the policies of stabilizing development.

Beyond establishing himself as a distinctive president of Mexico's Permanent Revolution, LEA assumed the ideological stance that he had lacked in order to establish himself as Mexico's first international leader. True, Cardenas had played a brief role on the world stage when he became the only leader in the Western Hemisphere to support the Spanish Republic against Franco, but LEA's group could argue that Cardenas's actions were more humanitarian than political.

In 1973 LEA took his "political and moral" concerns about development of the Third World to the Club of Rome, a private group of 85 influential intellectuals and international businessmen holding its fifth meeting to assess the limits of economic growth. LEA argued that if the Club's call for limited growth

¹⁶ On the early 1970s, see Samuel Schmidt, *El Deterioro del Presidencialismo Mexicano: Los Años de Luis Echeverria* (Mexico, D.F.: EDAMEX, 1986). For the period from the early 1970s into the early 1980s, see Alan Riding, *Distant Neighbors: A Portrait of the Mexicans* (New York: Random House, 1984), which also offers insights into the development of Mexico's oil industry and corruption in government. On Mexico's oil trade, see SALA, 26-3518; on Mexico's oil industry, see George W. Grayson, *The Politics of Mexican Oil* (Pittsburgh: University of Pittsburgh Press, 1980). On the problems of "stabilizing development" and "shared development:" see Clark W. Reynolds, "Why Mexico's 'Stabilizing Development' Was Actually Destabilizing," *World Development* 6 (1978), pp. 1005-1018. On the Sistema Economico Latinamericano (SELA). see *¿Que es el SELA?* (N.p.: SELA, 1984). On population change, see Banco Nacional de Mexico, Mexico Social, 1984: *Indicadores Seleccionados*.

were implemented without taking into account the Third World's disadvantageous position in the global economic scheme, the Third World would be frozen into an unfair distribution of international income.

LEA won support from the Club of Rome for his Charter of the Economic Rights and Duties of States, which established a framework for protecting nationalistic economic policies in the Third World and for preventing exploitation by multinational companies while assuring fair and stable prices of raw materials. Although the Charter was approved by the United Nations in 1974 with a vote of 120 in favor and 10 abstentions, it was opposed by 5 key industrial countries led by the United States.

With regard to Western Hemispheric development policy, in 1975 LEA founded (with President Carlos Andres Perez of Venezuela) the Sistema Economico Latinoamericano (SELA). The goal of SELA is to integrate Latin America economically and to counter the influence of the U.S.-dominated Organization of American States.

By turning away from the United States and by backing a series of laws drafted to control U.S. influence in Mexico, LEA argued that Mexico could overcome dependence upon U.S. foreign investment, U.S. tourism (2 to 3 million visitors yearly), and U.S. trade (two-thirds of which had been with its northern neighbor). Laws were passed, for example, to control the importation of technology and patents, register foreign investment, require Mexican majority shareholding in foreign-owned companies, and strictly control foreign residence in Mexico. To show internationally Mexico's revolutionariness, LEA opened Mexico's doors to defeated guerrillas from other Latin American countries and to the former leaders in the Salvador Allende government overthrown in 1973 by General Augusto Pinochet.

Arguing that Mexico's own economy had been too long distorted by conservative monetary policy, LEA moved to increase Mexico's external debt and the amount of money in circulation to stimulate domestic policy in favor of the masses. The resulting inflation ended the peso's stability vis-a-vis the dollar (Table 2).

Claiming that Mexico was finally strong enough economically to divert resources into income redistribution, LEA said that he would halt economic growth if that was what was necessary to finally help Mexico's financially poverty-stricken population. In any case, while LEA stopped governmental investment to develop a national plan for economic growth, the economy declined. Panicking at the result and realizing that the national plan that emerged was so general as to be useless, LEA accelerated public investment and overheated the economy. This indecisive policy of turning government investment off and on continued in alternate years and created a chaotic situation for Mexico, especially as LEA expanded the public sector by doubling the number of decentralized agencies even as he tried to bring all of them under central government control in order to double the power of the presidency.

Given the increasing economic confusion, the private sector and LEA soon confronted each other. Fearful of the results of contradictory investment and governmental organizational schemes, and to successfully block LEA's plan for tax reform, the private sector began to shift funds out of Mexico to protect itself against the inevitable devaluation of the peso. Infuriated, LEA claimed that the private

sector was engaging in un-Mexican activities in order to destabilize his government. LEA's declarations further alienated the right wing of the Official Party and the chambers of commerce and industry which advise it.

LEA's conflict with and attempts to regulate domestic and foreign capitalists, however, did not win him the support of Mexico's left inside or outside of the PRI. In spite of LEA's support of Castro and the Allende group and appeals to Mexico's left through his woeful understanding of economic theory, the left thought that LEA had not gone far enough in creating a statist system.

Further, LEA could not live down the massacre of 1968 as he now moved to defeat the students who had been forced underground and into guerrilla activity. To LEA's embarrassment, ultrarightists in the government employed paramilitary groups to seize the initiative against the "left." When students protested, justifiably, the fact that many students remained jailed or had disappeared after their arrest in 1968, the paramilitary group viciously attacked them on June 10, 1971, beating or killing without mercy. LEA's own strategy was to focus on combating guerrillas who had set up armed refuges in the countryside. To sway the peasants, LEA pumped funds into labor-intensive rural road building, but his leftist critics remarked that those roads destined to integrate the rural sector had another function-at their termination point the military was building helicopter pads to deploy troops rapidly against the guerrillas. LEA's political programs lacked support from either the far left or the far right even as they alienated the middle and upper classes which considered his policies to be erratic and leading the country toward economic disaster.

LEA's economic problems were compounded when OPEC's shocking increase of petroleum prices in 1973 cost Mexico dearly because production by the state oil company (PEMEX) had not satisfied demand since it was created in 1938. By 1947 Mexico was importing almost as much oil as it was exporting. Starved for funds because the government had kept the cost of oil and gas low for consumers in order to control inflation and assure low-cost food and transportation for the masses, PEMEX did not have the resources to explore and modernize production. Stung by the need to import oil at high cost (and by the need to import more than it exported between 1971 and 1974), LEA pushed expansion of PEMEX. With the increased value of oil, LEA decreed in 1974 an increase in domestic prices charged by PEMEX (the first in fifteen years), and development could begin in earnest.

In developing the oil industry LEA was reluctant to use Mexico's black gold as a weapon for direct export expansion that could help U.S. industry. He felt that the oil should fuel Mexico's own industrialization and indirect export expansion through manufacturers, as California gold had done for the United States. Although increased oil production did bring rich rewards from world sales, it required increasing Mexico's foreign debt to provide the investment funds needed by PEMEX. In spite of oil investment credits flowing into Mexico and Mexico's own printing of money, LEA insisted on holding the peso at 125 to the dollar, causing inflation.

Further economic problems arose in 1975 when Mexico voted in the United Nations with the Arab bloc to declare Zionism as racism. The U.S. Jewish community undertook a very effective boycott against tourism to Mexico which did not end until Mexico apologized.

With economic problems mounting in 1976, LEA desperately sought a propaganda coup to secure his place in history. To cast himself in the Cardenas mold, LEA increased the definitive rate of monthly ejidal land distribution to an amount exceeded only by Cardenas and Diaz Ordaz. (See Table 2.)

Further, LEA made a dramatic expropriation of land in northwest Mexico, which ironically backfired because large numbers of day laborers claimed that the implementation of the inefficient ejido system would cost them their jobs on the large export-oriented farms being expropriated. Many had long before abandoned their ejidos which soon became too small for the extended families which generation by generation grew larger than the fixed land size could support. Others had left ejidos because they could no longer tolerate the corruption of "elected" ejidal leaders, who used their power to entrench themselves, favor their cronies, and exploit the mass of ejidatarios who in effect became day laborers working for subsistence wages and who lived without hope for advancement. In a logical new alliance, day laborers joined with large landowners against the discredited ejidatarios who, if they won the land, would not only throw thousands of day laborers out of work but also would fail to produce the food needed for export or to feed Mexico's rapidly growing urban population (cities over 35,000), which had gone from 11.0 percent in 1910 to 40.1 percent in 1970.

If LEA hoped to keep the rural labor force in Mexico instead of seeing much of it move to the United States, his land policy in northwest Mexico was counterproductive. Although he had hoped to achieve a new temporary-labor pact with the United States to control the flow of Mexicans across the northern border (the pact of 1942 had expired in 1964), LEA did not choose to go ahead with the pact after the oil discoveries because (among several reasons) he feared that in return for fair treatment of Mexican workers he would have to bargain away Mexico's oil at low prices. In any case, in the complexities of Mexico's situation, out-migration of workers has meant that the United States has served as Mexico's escape valve for the unemployed and underemployed, a reality that would have to continue until (and perhaps beyond) the U.S. attempted to control its borders through the Immigration Reform and Control Act of 1986.

With regard to demographic issues, LEA's Law of Population Control gave the government authority to encourage smaller families and to slow Mexico's population growth rate, which had reached 3.8 percent yearly during the 1960s. The government supported family planning programs which helped to reduce the population growth rate to 2.8 percent during the 1970s. Population control came too late, however, and by the 1980s between 800,000 and one million persons were entering the job market each year.

Given such a tremendous expansion in the labor force and his own fitful investment policies, LEA did not create a Shared Revolution but Statist Revolution, which did less to benefit the nation and the nongovernmental sectors than it did to benefit the government sphere. While the latter benefited with ever higher salaries, the masses were not so lucky. Although in the short term, minimum wage levels

had outpaced the inflationary policy favored by LEA and his successor, by the 1980s the reverse would come true with a vengeance.

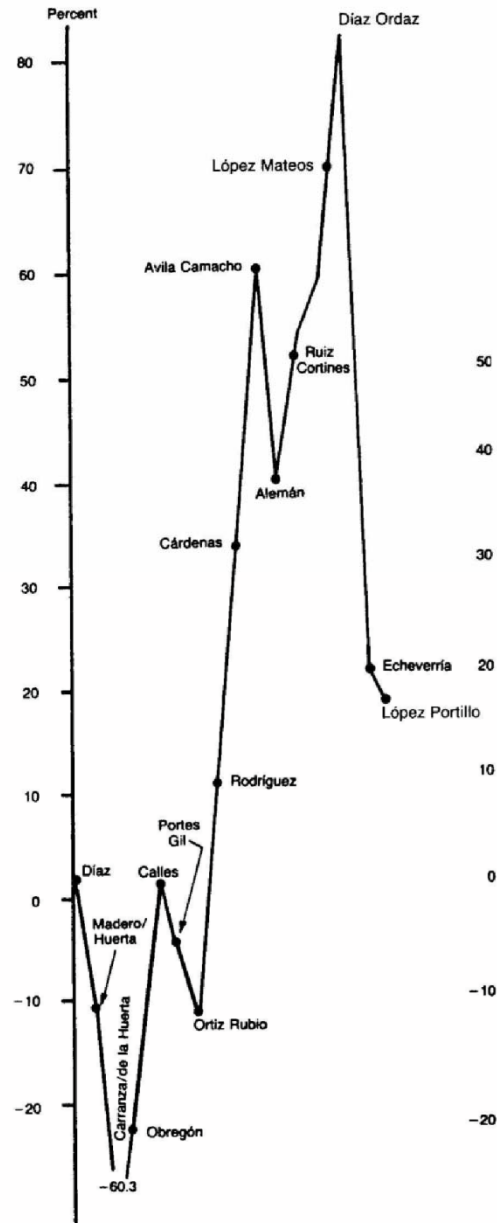
In running the state, LEA was handicapped compared with his predecessors because he could not pretend that projected expenditures were the actual expenditures, as had been possible prior to my book *The Mexican Revolution: Federal Expenditure and Social Change* (1967 and 1970).¹⁷ Whereas actual expenditures of presidents after 1940 had risen from an average of 35 to 83 percent more than projected amounts (Fig. 3), LEA reduced the difference to 22 percent. (The difference fell to 19 percent under LEA's successor.) Both LEA and his successor used the budget to continue support of private and parastate industry.

LEA's break with the policy of stabilizing development is clearest in his monetary policy, which established the trend into at least 1988. The long-term change in the M1 money supply shown in Table 5 is revealing. (M1 = currency held outside banks + demand deposits held by the private sector.) During the 21-year period of stabilizing development (1955-76), yearly growth of the money supply exceeded 14 percent only twice-1955 and 1964, when it reached 19.8 percent. After 1972 LEA stepped up monetary emissions to a growth rate of almost 22 percent during his last four years in office. His successor was even less restrained, accelerating the growth in M1 by 27 percent in 1977 and to the thirtieth percentile until 1982, when the rate of increase went up to nearly 44 percent.

¹⁷ (Berkeley: University of California Press). This book could not be published in Mexico and updated through 1976 until the government reformed its budgetary system for 1972 to reduce the discrepancy between projected and actual expenditures. See *La Revolución Mexicana (1910-1976): Gasto Federal y Cambio Social* (Mexico, D.F.: Fondo de Cultura Económica, (1978), pp. 343-349.

Figure 3

ACTUAL GROSS EXPENDITURE COMPARED TO
PROJECTED GROSS EXPENDITURE IN MEXICO,
BY PRESIDENT, 1900-82
(PC)



SOURCE: SALA, 24-3403.

Table 5
CHANGE IN MEXICO M₁ MONEY SUPPLY,¹ 1926-88

Year	PC	Year	PC
1926	16.2	1960	12.1
1927	- 8.9	1961	6.0
1928	28.4	1962	8.3
1929	4.5	1963	14.0
		1964	19.8
1930	4.3		
1931	- 60.2	1965	9.0
1932	31.3	1966	8.4
1933	15.4	1967	10.1
1934	13.8	1968	12.3
		1969	12.6
1935	7.9		
1936	23.9	1970	11.3
1937	5.9	1971	8.1
1938	10.8	1972	13.5
1939	19.8	1973	22.8
		1974	19.2
1940	20.2		
1941	19.8	1975	21.5
1942	37.8	1976	22.3
1943	52.7	1977	26.6
1944	23.8	1978	37.2
		1979	31.4
1945	6.9		
1946	- 2.2	1980	31.1
1947	- 6	1981	36.8
1948	13.8	1982	43.5
1949	11.2	1983	44.1
		1984	53.2
1950	38.4 ^a		
1951	11.7	1985	53.7
1952	4.2	1986	51.3
1953	10.9	1987	106.5 ^b
1954	11.9	1988	106.0
1955	19.6		
1956	11.2		
1957	6.7		
1958	6.6		
1959	13.1		

1. M₁ = currency, coin, and checking accounts held by the public. For absolute data on M₁ and expansion of definition to M₂, see SALA, 22-2.

a. Shift from Banco de México calculations to International Monetary Fund calculations (Banco de México datum for 1950 is 37.6 percent). The International Monetary Fund converts end of period stock series to averages from which it then calculates indexes and percentage changes.

b. With regard to single-month rates, International Monetary Fund calculations show that November 1987 reached at least 141.0 percent—the highest such rate in decades.

SOURCE: SALA, 26-3500; and International Monetary Fund, *International Financial Statistics*, June 1988 and July 1989.

During the last four years of LEA's term, accumulated statist activity had resulted in consumer price inflation averaging 20 percent for December. This meant that in 1976 LEA had to devalue the peso from 12.50 to 20 per dollar (Table 3, Part III). LEA's legacy of increased money supply, inflation, and devaluation was to be expanded upon in the following presidential term. He and his successor denied that this legacy would harm the economy.

The Economic Stage of Statism,¹⁸ 1976-82

Jose Lopez Portillo (JLP), who served as president from December 1, 1976, through November 30, 1982, took Mexico to its apogee in statism. As part of that trajectory, he increased MI by an average of 34.4 percent (Table 5), setting off a six-year average inflation rate for December of nearly 36 percent. Ironically, JLP was at first welcomed by Mexico's private sector to enter into an Alliance for Production with the government.

As a corollary to the Alliance, in 1981 JLP signed a new land reform law that legalized cooperation between private and communal farmers-the first law aimed at helping ejidos obtain the private capital needed to help them become productive. Given the credit needs of Mexico, the government has never been able to supply the credit needed by the ejidal sector, which is prohibited from mortgaging its lands and hence ineligible to receive private loans. Cooperative farming using private capital and ejidal workers provides a way to circumvent the bottleneck in ejidal credit.

To stimulate the economy, JLP adopted some of LEA's policies. On the one hand, he rejected LEA's concern about exporting oil to the United States and expanded sales rapidly in order to stimulate the economy and create jobs. On the other hand, he followed LEA's lead in using the prospect of Mexico's seemingly inexhaustible supply of petroleum to attract foreign loans needed to expand oil production and public and private industry.

JLP also followed LEA's policies of developing tourist growth poles, continuing to invest in Cancun, Cabo San Lucas, and Puerto Vallarta. Interested in modernizing facilities in Acapulco, Mazatlan, and Zihuatenejo, JLP opened Ixtapa as a twin resort to enhance development of the Zihuatenejo area.

JLP's contribution to the development of economic growth poles for Mexico originated in his plan to gain the confidence of the private sector. JLP invested in seventeen regional growth poles based in twenty new industrial cities: three in Baja California; two in Guanajuato; and one each in Aguascalientes, Coahuila, Durango, Guerrero, Jalisco, Hidalgo, Michoacan, Nayarit, Nuevo Leon, Queretaro, Tabasco, Tamaulipas, Tlaxcala, Yucatan, and Veracruz. Growth did not come easily, however, and the plan to make such places into industrial growth was hampered by the lack of such basic infrastructure as a commercial airport; many important cities in Mexico lack a commercial airport (such as Puebla) or acquired one only recently (such as Zacatecas, 1983).

The real external debt of Mexico (public sector plus private sector debt) has not been easy to analyze because every few months the government seems to revise the series upward, as can be seen by comparing data in parts I and II of Table 6. The latest revision (upon which I base my calculations in part II) shows that the total in 1971 stood at 16.8 billion in standard dollars of 1980, and reached 37.1 billion under LEA by the end of 1976, an unprecedented 121 percent increase, which the Official Party had

¹⁸ See Roberto Newell Garcia and Luis Rubio F., *Mexico's Dilemma: The Political Origins of Economic Crisis* (Boulder, Colo.: Westview Press, 1984); Riding, *Distant Neighbors*; Teichman, *Policymaking in Mexico*; and Chapter 6. below.

difficulty justifying. By 1982, under JLP, Mexico's external debt increased to 79.3 billion or 114 percent (Table 6).

While the real foreign debt was expanding 4.7 times under LEA and JLP, their publicists continued to deceive most Mexicans and foreigners alike (as had presidents since the 1960s) into believing that the country's biggest source of revenue was income taxes. The truth was, however, that Mexico had come to look upon foreign loans as a form of normal revenue; loans became far more important in the Mexican budgetary scheme than income taxes.¹⁹

If oil prices had continued to increase from 35 dollars to 50 dollars a barrel as expected, given the Iran-Iraq War (1980-88), Mexico would have been able to service its foreign debt. But OPEC's 1979 increase in oil prices (which compounded the problematic increase of 1973) meant that the world had to absorb that arbitrary rise in energy costs, causing the subsequent weakening of oil prices that continues to plague Mexico into the present.

With the recession in world economic output beginning in 1980 and the impact in 1982 of a long-term shift by industrialized countries from import of raw materials to development of synthetic materials, Mexico suffered a concomitant decline in prices for most of its export commodities. Mexico's export price index, which had reached at least a twenty-year high in 1981, experienced dramatic decline (Table 7). The export price index fell almost 26 percent in 1982 and another 37 percent by 1988.

In the meantime, the government's policy of shared development (with which JLP had associated himself as Secretary of Treasury under LEA) would follow two equally disastrous economic tracks. First, public sector employment exploded by 82 percent in the eight years from 1975 to 1983 (Table 8). From the time of LEA through JLP and into the first year of Miguel de la Madrid Hurtado, positions for central government and parastate workers increased from 2.2 million jobs in 1975 to 4.0 million in 1983. Whereas 14 percent of the positions were located in the public sector in 1975, that total was 20 percent by 1983. While the public sector's total contribution to GDP rose from 15 percent in 1975 to 26 percent in 1983, its share in Mexico's total salaries rose from 30 percent to 40 percent.

Second, the government ignored the need to drastically devalue the peso in order to discourage Mexican shopping trips to the United States and to encourage Mexican exports. Rather, the government only gradually devalued the peso, thus giving cause for Mexico's middle class (about 31 percent of the work force by 1980) and upper class (about 6 percent in 1980) to live on the dollar standard. Even the lower class (some 64 percent by 1980) knew that it was safer to save dollars than pesos amid the heady inflation and exploding economy under JLP. Mexicans paid less for electronic goods and manufactures with dollars in the United States than with pesos in Mexico, where import tariffs further complicated purchase prices. The growing Mexican middle class was able to take several foreign vacations a year for buying sprees. Domestically, Mexicans took advantage of nominal interest rates which lagged behind inflation, allowing them to purchase real estate at a negative or low real interest rate.

¹⁹ See Chapter 5, below.

As a consequence of such distorted monetary policies, Mexican industrial output had a declining consumer base even as the CDP shown in Table 1 averaged 8.4 percent in real growth between 1978 and 1981. This was one of the highest growth rates in the world, Japan averaging 4.4 percent and the United States and West Germany only 2.5 percent during those four years. By 1982, Mexico could no longer service its debt and declared an internal emergency which involved freezing dollar bank accounts and converting them into peso accounts as well as devaluing the peso to 150 to the dollar. Trying to avoid leaving office in total disgrace, finally JLP nationalized Mexico's commercial banking system and restricted payments on Mexico's private and public debt. Although the private sector was furious about the nationalization of the banks and the loss of easy peso convertibility into dollars, JLP's program saved it from bankruptcy-the private sector could not have paid its debts.

Table 6
MEXICO PUBLIC AND PRIVATE FOREIGN DEBT, 1970-88
(Year-End, Billions of Dollars)

PART I. Unrevised Data, 1971-86

Year	A. Total	B. Public	C. Private	D. B/A	E. U.S. Export Price Index (1980 = 100)	F. Real Total Debt ¹ A/E
1971	6.6	4.6	2.1	69.7	39.4	16.8
1972	7.7	5.1	2.6	66.2	40.7	18.9
1973	10.3	7.1	3.2	68.9	47.4	21.7
1974	14.5	10.0	4.5	69.0	60.5	24.0
1975	20.1	14.4	5.6	71.6	67.6	29.7
1976	25.9	19.6	6.3	75.7	69.9	37.1
1977	29.3	22.9	6.4	78.2	72.4	40.5
1978	33.4	26.3	7.2	78.7	77.4	43.2
1979	40.3	29.8	10.5	73.9	88.1	45.7
1980	50.7	33.8	16.9	66.7	100.0	50.7
1981	74.9	53.0	21.9	70.8	109.2	68.6
1982	87.6	58.9	28.7	67.2	110.4	79.3
1983	93.8	65.6	28.2	69.9	111.6	84.1
1984	96.7	69.4	27.3	71.8	113.1	85.5
1985	98.7	72.1	26.6	73.0	113.3	89.1
1986	100.5	75.4	25.1	75.0	113.3	89.7

1. Billions of dollars of 1980; may exclude short-term loans under 90 days.

SOURCE: A-D, 1971-79: Roberto Gutiérrez R., "El Endeudamiento Externo del Sector Privado de México," *Comercio Exterior*, April 1986, p. 338.

1980-87: *El Mercado de Valores*, October 26, 1987, p. 1131.

E, SALA, 26-3231; and International Monetary Fund, *International Financial Statistics*, June 1988.

F, Calculated.

(PARTS II and III on overleaf)

Table 6 (Continued)

PART II. Revised Data, 1971-88

Year	A. Total	B. Public	C. Private	D. B/A	E. U.S. Export Price Index (1980 = 100)	F. Real Total Debt ¹ A/E	G. Total Debt as Share of GDP (A/GDP)
1971	6.4	4.6	1.8	71.9	39.4	16.8	16.3
1972	6.2	5.1	1.1	82.3	40.7	18.9	13.5
1973	9.1	7.0	2.1	76.9	47.4	21.7	16.5
1974	12.2	10.0	2.2	82.0	60.5	24.0	16.9
1975	19.9	15.4	4.5	77.4	67.6	29.7	21.5
1976	26.1	19.6	6.5	75.1	69.9	37.1	29.4
1977 ^a	30.9	24.1	6.8	80.0	72.4	40.5	37.7
1978	34.7	27.5	7.2	79.3	77.4	43.2	33.8
1979	40.3	29.8	10.5	73.9	88.1	45.7	29.9
1980	50.7	33.8	16.9	66.7	100.0	50.7	26.0
1981	74.9	53.0	21.9	70.8	109.2	68.6	29.9
1982	92.4 ^b	68.5	23.9	74.1	110.4	79.3	54.2
1983	93.8	74.7	19.1	79.6	111.6	84.1	63.8
1984	96.7	78.2	18.5	80.9	113.1	85.5	55.0
1985	96.6	79.9	16.7	82.7	112.2	86.1	52.4
1986	101.0	84.9	16.1	84.1	113.3	89.1	77.8
1987	107.5	92.4	15.1	86.0	115.3	93.2	75.4
1988	100.4	93.3	7.2	92.9	123.3	81.4	56.8

1. Billions of dollars of 1980; may exclude short-term loans under 90 days.
For a view of real public sector debt, see SALA, 26-3504.

a. Beginning in 1977 explicitly includes International Monetary Fund loans.
b. Since 1982 includes nationalized banking system, data on which are often not included in government presentations.

SOURCE: A-D, G 1982-88: *El Mercado de Valores*, May 1, 1989.

E, SALA, 26-3231; and International Monetary Fund, *International Financial Statistics*, June 1988 and July 1989.

F, Calculated.

PART III. Sectors Owning the Foreign Debt, 1988
(Estimated Year-End)

Sector	Millions of Dollars		Percent	
	Subtotal	Total	Subtotal	Total
Total		100,384		100.0
Public Sector				
Government	81,003		80.7	
Banking System	7,481		7.4	
Central Bank	4,786		4.8	
Subtotal	93,270		92.9	
Private Sector	7,114		7.1	

SOURCE: *El Mercado de Valores*, May 1, 1989.

Table 7

**BANCO DE MEXICO EXPORT PRICE INDEX, 1960-88
(1970 = 100)**

Year	Unadjusted	Adjusted ¹
1960	87.8	87.2
1961	89.6	88.3
1962	83.9	82.0
1963	89.1	87.3
1964	85.7	84.8
1965	84.1	83.5
1966	85.2	85.1
1967	83.9	84.1
1968	89.0	90.4
1969	88.0	91.2
1970	96.7	100.0
1971	100.0	100.0
1972	103.3	100.7
1973	115.2	121.2
1974	110.1	118.9
1975	97.8	95.8
1976	113.0	119.3
1977	113.0	121.9
1978	104.1	115.7
1979	113.1	111.7
1980	127.6	125.6
1981	124.3	127.5
1982	108.2	94.7
1983	99.0	77.9
1984	97.1	66.0
1985	91.9	70.5
1986	66.2	54.4
1987	73.1	66.4
1988	66.1	59.7

1. Adjusted to take into account international interest rates.

SOURCE: *El Mercado de Valores*, May 15, 1989. Cf. SALA, 26, Chapter 34.

CUADRO 7-6

PARTICIPACION DEL SECTOR PUBLICO EN EL TOTAL DE LAS REMUNERACIONES Y DEL PERSONAL OCUPADA, 1975-1983

Año	% de Total de Remuneraciones	% de Total Empleados ¹
1975	29.8	14.0
1976	30.7	15.1
1977	31.5	15.3
1978	31.9	16.8
1979	32.1	16.4
1980	33.6	17.0
1981	35.5	17.5
1982	37.6	18.7
1983	39.6	20.4

1. Un empleado puede tener más de un puesto; excluye asesores “especiales” (especialmente “aviadores” que llegan al lugar de trabajo solo a cobrar su cheque).

Fuente: Instituto Nacional de Estadística, Geografía e Informática, Participación del Sector Publico en el Producto Interno Bruto de México, 1975-1983. (México, D.F, 1984), p.5

Phase VI. Restructured Revolution,²⁰ 1982-

Economic Stage, 1982-88

Taking office for the period 1982-88 as the newest savior of Mexico was Miguel de la Madrid Hurtado (MMH), JLP's Secretary of Planning and Budget. When MMH was sworn into office December 1, 1982, he was more aware than most of where the Permanent Revolution stood in positive as well as negative terms.

Positively, during the 1970s real GDP had doubled, just as it had in the 1960s. Per capital GDP had quadrupled between the presidencies of Diaz and JLP. With the world's seventh largest world oil reserves, Mexico may rise above fourth place in world petroleum production-especially if the Middle East dissolves into all-out war, which seems inevitable to some observers.

Negatively, however, when oil and other commodity prices declined in the early 1980s, MMH increased the supply of money at a tremendous rate even compared with JLP- Under MMH, growth of M1 went from 43.5 when JLP left office in 1982 to 50 percent through 1986 and then shot up to more than 108 percent in 1987.²¹ In 1982 consumer-price inflation reached a 12-month average of 59 percent, causing

²⁰ For a sophisticated start in measuring the status of the Mexican economy before and after Mexico's economic crisis in 1982 as well as in 1976, see Newell Garcia and Rubio, *Mexico's Dilemma*, especially Part III.

²¹ On M1 and export prices, see fables 5 and 7, respectively below.

the devaluation of the peso by 56 percent (Table 3, Part I). Between December 1981 and December 1982, consumer prices rose nearly 99 percent, with the peso devalued by 82 percent (Table 3, Part III). At the same time, during 1982 Mexico suffered a private capital flight of perhaps 8.4 billion dollars.²² The resulting crash of Mexico's economy in 1982 provoked an economic crisis which has yet to be fully measured or resolved. MMH knew that he would face a loss of jobs in the Mexican economy, which would hurt all of Mexico's socioeconomic classes, at least in absolute terms.

With regard to the post-1982 effect of the crisis, the labor force has suffered a severe jolt. The masses saw the real general minimum salary (direct plus indirect social services) decline by 42.1 percent between 1981 and 1986, with a 9 percent decline in 1982.²³

Also, the middle and upper classes have found it more feasible to travel within Mexico using pesos than outside using dollars; with the devaluation of November 1987 the peso's value fell from 26 to the dollar at the end of 1981 to 2,200 (a 98.8 percent decline).

The depth of Mexico's current economic crisis can be appreciated by examining the yearly percentage change of real GDP (Table 1). Whereas from 1970 to 1981 real GDP increased by a yearly average of 6.8 percent, from 1982 to 1988 the average changed by zero percent, with the years 1983 and 1986 posting changes of about - 4.0 percent.

Although in popular lore Mexico's current economic crisis is often considered to be the worst since the Mexican Revolution of 1910-20, in reality the impact of the present crisis has not yet exceeded that of the Great Depression. Between 1927 and 1932 Mexican GDP averaged - 4.3 percent yearly, with serious declines of - 4.4, - 3.9, - 6.3, and - 14.9 percent in 1927, 1929, 1930, and 1932, respectively (Table 1).

Between the Great Depression and the Crisis of the 1980s, Mexico's real GDP made gains every year. From 1933 through 1981 no negative rate was reported, the lowest gains being 1.6 percent in 1938, 1.4 percent in 1940, and .3 percent in 1953 (Fig. 1). Indeed GDP gains of 8 percent or more were frequent: 1936, 1941, 1944, 1950, 1954-55, 1960, 1963-64, 1968, 1972-73,] 1978-81. During this long period from

²² As measured by the errors and omissions category in Mexico's balance of payments. Although this 8.4 billion loss was partially offset by the entry of new long-term capital to Mexico, the reserves of the Bank of Mexico declined in 1982 by 4.7 billion dollars. Also, during 1981 Mexico also lost 8.4 billion dollars in the flight of private capital compared to a 4 billion loss in 1981, according to data in Nacional Financiera, *La Economía Mexicana en Cifras* 1986, p. 315.

²³ For an innovative index developed to show Mexico's real general minimum salary directly paid as well as the benefits indirectly paid to workers through social expenditures (education, housing, health, and public service outlays divided by the economically active population), see Albert Dogart and Rafael Sanchez, "De Tal Tijera, Tal Salario," *El Cotidiano* 14 (1986), pp. 54-57. (*El Cotidiano* is published by the Universidad Autónoma Metropolitana, Azcapotzalco.) For direct data which show a 9.7 percent decline of Mexico City's real minimum wage in 1982, see Nacional Financiera, *La Economía Mexicana en Cifras*, 1986, p. 53. On cost of living indexes for Mexico, see my "From Economic Growth to Economic Stagnation in Mexico: Statistical Series for Understanding Pre- and Post-1982 Change," *SALA*, 26, pp. 922-926.

the early 1930s to the early 1980s, GDP gained on the average 6.3 percent yearly, which made Mexico's achievement the envy of most of the developing world.

Forty-nine years of growth from 1933 through 1981 had provided funds to benefit certain sectors of society, benefits typified in government generosity toward higher education. The government built in the early 1950s a modern new campus for the Universidad Nacional Autónoma de México (UNAM) and in the 1960s and 1970s began to pay its professoriate the highest salaries in Mexican history. The country was proud to establish university positions on a full-time basis, so that professors for the first time could dedicate themselves to teaching and research.

The university case exemplifies how, since the post-1982 economic crisis, Mexico's social affairs have been forced into a restructuring process, albeit often implicit rather than explicit. Through real budgetary reductions for the university system in the face of rapid inflation, the ability of Mexico's professoriate to educate future generations of experts needed for the country's development has been severely compromised.²⁴ In 1982 devaluation reduced the top monthly professor's salary from 2,450 dollars of 1982 to 1,243 dollars for a loss of 43.9 percent. (Pesos are converted into dollars figuratively if not literally by Mexican citizens who seek to measure and protect the value of their income.) Top salaries declined to the 500-dollar level in 1983, 1984, and 1985. Then they fell drastically into the 300-dollar range in 1986 and 1987, when they hit a low of 321 dollars. By 1989, the top monthly salary regained somewhat, reaching 597 dollars. Although this amount has stabilized, the relative decline in the top salary was 76 percent between early 1982 and early 1989 (Table 9).

The incredible decline in the top salary level at UNAM has meant that many professors have had to leave the university or take on several "full-time jobs," in addition to their university post. To overcome this problem and preserve the integrity of Mexican university education, UNAM now needs to pay professors enough to conduct research and teach on a "full-time, exclusive" basis.

With regard to cuts in UNAM's budgets, in 1986 the university received from the government half the subsidy it was allocated in 1978, after taking into account inflation. UNAM, which conducts 30 percent of the country's scientific research, saw its real budget for 1988 fall by 60 percent compared with 1987 when scientific salaries were 80 percent less than in 1981. UNAM estimates that scientists in the United States average 15 times more in salaries than in Mexico, attracting Mexican faculty to positions out of the country.²⁵

²⁴ Data in nominal terms on the top scale of UNAM salaries between 1982 and 1988 for "Titular C, Tiempo Completo, Profesores/Investigadores" were supplied by Dr. Samuel Schmidt, Jefe de la División de Estudios Profesionales e Investigación, Facultad de Ciencias Políticas y Sociales.

²⁵ According to a letter from Ronald B. Nigh of UNAM, s Coordinación de Investigación Científica, January 26, 1988. On the departure of UNAM scholars, see also Debra Beachy, "Serious 'Brain Drain' Said to Afflict Top Mexican University," *Chronicle of Higher Education*, December 5, 1984.

In the meantime, students at UNAM have rejected a 1986 reform proposal to explicitly restructure the university by raising academic standards.²⁶

Sector Público

Personal Ocupado por Sectores Institucionales 1975-1983

Cuadro 6

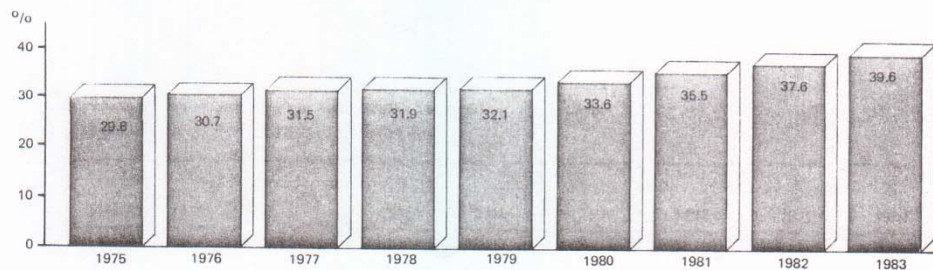
Número de Ocupaciones Remuneradas. Promedio Anual

DENOMINACION	1975	1976	1977	1978	1979	1980	1981	1982	1983
Total del Sector Público	2 151 890	2 347 300	2 477 144	2 657 063	2 900 644	3 203 744	3 502 413	3 709 065	3 990 702
Gobierno General	1 622 948	1 783 143	1 885 172	2 025 959	2 225 823	2 465 267	2 700 898	2 843 501	2 991 799
Gobierno Central	1 160 458	1 267 835	1 326 431	1 444 827	1 584 021	1 704 261	1 881 330	1 958 072	2 076 758
Gobierno Local	320 266	362 191	396 438	411 638	455 931	556 000	593 016	626 757	651 096
Seguridad Social	142 224	153 117	162 303	169 494	185 871	205 006	226 552	258 672	263 945
Empresas Públicas	528 942	564 157	591 972	631 104	674 821	738 477	801 515	865 564	998 903
De Control Directo	291 765	311 179	309 346	320 975	333 342	357 904	381 230	390 053	399 939
De Control Indirecto	237 177	252 978	282 626	310 129	341 479	380 573	420 285	475 511	598 964
No Financieras	209 638	219 615	245 965	270 125	296 883	329 068	356 870	369 011	372 488
Financieras	27 539	33 363	36 661	40 004	44 596	51 505	63 415	106 500	226 476
Participación del Sector Público en el Total de Personal Ocupado (°/o)	14.0	15.1	15.3	15.8	16.4	17.0	17.5	18.7	20.4

Participación del Sector Público en el Total de las Remuneraciones 1975-1983

Gráfica 4

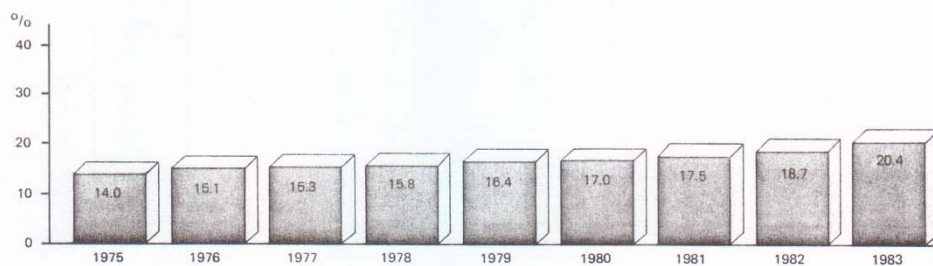
En Porcentaje de Total



Participación de Sector Público en el Total del Personal Ocupado 1975-1983

Gráfica 5

En Porcentaje del Total



Nota: Los datos de este cuadro no presentan, en estricto sentido, el número de personas ocupadas en cada actividad, sino el número promedio de puestos remunerados que se estima fueron requeridos para la producción. En consecuencia, una misma persona puede ocupar dos o más puestos dentro de una o varias actividades económicas, tal es el caso del personal del magisterio. Asimismo, los incrementos en el número promedio de ocupaciones no representan necesariamente un aumento neto en plazas, sino la regularización de personal contratado por honorarios.

5

²⁶ On the UNAM reform proposals, see Debra Beachy, "Sweeping Reforms at Mexico's Autonomous U. Approved by Its Governing Board for 1986-87," *Chronicle of Higher Education*, October 1, 1986; and Pablo Gonzalez Casanova, "Towards a University of the Future," *Voices of Mexico* (Mexico City) 4 (1987), pp. 12-26.

For many students, the university is not a place of learning so much as the door to the middle or upper classes—a door that those students want kept open regardless of questions about the value of degrees received under questionable standards. That in 1987 the students could prevent implementation of a major reform proposed in 1986 had much to do, no doubt, with the fact that Mexico's Official Party desires a period of calm among the student body during 1987-88, as the government prepares for the transition to a new president for the 1988-94 term.

Although the Mexican government has faced mild disturbance on the part of university students during the current economic crisis, to date it has managed to avoid serious worker unrest. The government seems to have won worker acceptance of its claim that, because the crisis is due in the main more to the world collapse of prices for raw materials than to mismanagement by Mexican political leaders, wages must be sacrificed to help right the economy.²⁷

MMH did not sit idly by watching implicit restructuring in Mexico, but rather he and his Secretary of Planning and Budget, Carlos Salinas de Gortari (CSC), utilized the concept to shift Mexico away from the Statist period of the LEA and JLP presidencies. The problem MMH and CSC have faced is how to reject the policies of statism without destabilizing the power of the Official Party, which has depended greatly on the patronage of an ever increasing pool of government employees.

Calling for Mexico's restructuring not only to escape from the present crisis but also to compete in the modern world, MMH has sought to rationalize the roles of the state and the private sectors. To deflect criticism away from the government's past management muddles, he has focused on the "failures" of Mexico's private sector.

Insisting since 1983 that many of Mexico's economic problems can be traced to the private sector's inability to compete in the world export market for manufactured goods, in 1986 MMH made Mexico a member of the General Agreement on Trade and Tariffs (GATT). Under GATT, Mexico has reduced its tariff subsidies which had protected the country's private industry. Indeed, industrial plants had come since the 1940s to depend heavily on capital goods imports yet had little capacity or incentive to export, contributing (along with overvaluation of the peso and the fall in oil prices, for example) to the shortfall in the balance of payments that left the country with no foreign exchange reserves by 1982.²⁸

Putting an end to national debate about how to establish Mexico's ability to compete in world markets, Mexico agreed under GATT to reduce its pre-GAIT maximum tariff from 100 percent to a 1988 low of 30 percent. (Mexico's state-owned industries such as PEMEX are exempt from GATT rules.)²⁹ Prior to joining GATT, the government had protected the economy—in 1977 it controlled 77 percent of import categories and charged duties on 90 percent of all imports. Although by 1981 those totals had fallen to 26 percent

²⁷ On reasons for lack of worker protest against the decline of its real wages since 1982, see Jeffrey Bortz, "The Dilemma of Mexican Labor," *Current History*, March 1987, pp. 105 ff

²⁸ See Wilkie, "On Mexico's 'New' Financial Crisis." "Mexico: Out of the Sun," *The Economist*, September 5-11, 1987, pp. 3-22, especially p. 8.

²⁹ "Mexico: Out of the Sun," *The Economist*, September 5-11, 1987, pp. 3-22, especially p. 8.

and 85 percent, respectively, that antiprotectionist trend was reversed by the economic crisis of 1982, when those totals reached 100 percent as Mexico tried to prevent its dollars from being used to purchase goods abroad. Not until 1987, after Mexico joined GATT, did the share of protected import categories fall to 8 percent, with duties being collected on 31 percent of imports.³⁰

Although the Mexican government itself has had to take some of the blame for the economic crisis of the 1980s, MMH attempted to distinguish between the central government (which is under his direct control) and the parastate sector (which is only under his indirect control). In admitting implicitly that the central government had lost control over parastate expenditures, he blamed the problem on the lack of an effective legal framework to exercise control over the sector.

The parastate entities (decentralized agencies, mixed public and private companies, and trust funds) had been established ostensibly to remove from the sphere of central government politics national activities that required long-term, private business-like decisions and investments going beyond anyone presidential term. But since the 1950s the parastate entities had begun to increase in number throughout Latin America and to become powers unto themselves.³¹ In 1930 Mexico had 16 parastate entities and in 1976 the number was 760, after which the number skyrocketed.³²

When MMH took office, the Mexican central government did not know how many parastate entities existed. The *Diario Oficial* for November 15, 1982, listed 849 entities,³³ but MMH's IV State of the Union Address in 1986 retrospectively listed the total for 1982 as 1,155 (table 10), with more being created.

That the president did not know in 1982 the size of the parastate sector is understandable given the fact that without an appropriate legal framework the central government could not effectively register, supervise, audit, and evaluate the parastate entities. Although a number of laws had been enacted by the Congress since 1947 (when the first legislation was passed to offer legal rationale for and controls on the expanding number of parastate entities), those laws of 1966, 1970, 1975, and 1981 tried to improve matters to little avail.³⁴

With the frequent changes in the laws governing the parastate sector, the legislation mainly managed to confuse the regulators as well as the regulated entities. The first attempt to register the entities came in 1970, and in 1976 they were assigned to subsectors, each subsector being placed under the "control" of an appropriate ministry or administrative department of the central government. But because each

³⁰ José Antonio Salinas Chavez, "Aspectos de la Apertura Comercial," *Comerico Exterior*, October 1987, pp. 808-809.

³¹ See my study "Recentralization: The Budgetary Dilemma in the Economic Development of Mexico, Bolivia, and Costa Rica," in James W. Wilkie, *Statistics and National Policy* (Los Angeles: UCLA Latin American Center. University of California), pp. 101-131; and my "Bolivia: Ironies in the National Revolutionary Process, 1952-1986," in SALA, 25, pp. 912-928.

³² Rosario Martinez, "El Origen de la Ley de Entidades Paraestatales," *El Cotidiano* 14 (1986), pp. 12 ff.

³³ For an incomplete 1980s listing in a more accessible source, see "Registro de la Administración Pública Federal Paraestatal, [December, 1980]," *El Mercado de Valores*, April 13, 1981, which included only 780 agencies.

³⁴ The nature of these laws is outlined in Martinez, "El Origen," pp. 17-19.

entity collected and expended its own revenues and did so without a common accounting system, the central government soon realized that it had only nominal control over the parastate sector.

Therefore, some new legal approaches to the parastate sector have emerged. In 1982 legislation was enacted which represented the first attempt to bring the parastate sector into the central government's process of planning, in the Secretariat of Planning and Budget (SPB), and into the process of audit, in the newly established Secretariat of the Controller General (SCC). Indeed, overall supervision and evaluation of the parastate sector have always been legally problematic. In 1947 the Secretariat of the Treasury (ST) was assigned those responsibilities; in 1970 the Secretariat of National Patrimony took over but was abolished in 1976. In 1986 the law gave the coordinating task jointly to the ST, SPB, and SCC; but in the same year the SCC was given control along with the first regulatory legislation to enable compliance.

Table 10
ESTIMATE OF MEXICO'S PARASTATE ENTITIES, 1982

Category	Total	Decentralized Agencies	Companies with Majority State Ownership	Companies with Minority State Ownership	Trust Funds
Existing	1,155	107	750	65	233
In Process ¹	75	3	46	8	18

1. Some were in the process of being formed, others dissolved, and at least 27 cases represented entities the projects for which had been cancelled or never began operation.

SOURCE: Miguel Angel Romero and Francisco Robles Berlanga, "La Reestructuración de las Paraestatales," *El Cotidiano* 14 (1986), p. 29.

Table 11
DE LA MADRID PLAN FOR LIQUIDATION, SALE, OR FUSION OF 458 PARASTATE ENTITIES¹ (December 1982–October 1986)

Category	Liquidation	Sale ²	Transfer to States	Fusion	Total
Decentralized Agencies	2				
Companies, State Share:					
Majority-Owned	60	46			
Minority-Owned	3	19			
Trust Funds	34				
Unknown	170	36	30	58	
Total	269	101	30	58	458

1. For which plans are either completed or in process.

2. Includes companies eligible for debt-equity swaps.

SOURCE: Miguel Angel Romero and Francisco Robles Berlanga, "La Reestructuración de las Paraestatales," *El Cotidiano* 14 (1986), p. 26.

MMH's recognition of problems in the parastate sector gave him at least three advantages. He could justify the need for new legislation to bring the sector under central government control, thus recentralizing power. He could justify terminating central government subsidy of inefficient parastate enterprises, thus necessitating the liquidation, sale, transfer to state governments, or fusion of many entities. He could repay part of the foreign debt through debtequity swap arrangements where foreign capital is used to purchase Mexican dollar loans at a discount and exchange them for pesos at the Banco de Mexico, provided the pesos so exchanged are invested in a Mexican subsidiary (such as the U.S. Chrysler Corporation,³⁵) or eligible enterprises among parastate entities being sold (Table 11).

Although some 40 percent of the parastate sector entities have been or are being liquidated, sold, transferred, or fused (458 out of 1,155), critics have questioned the meaning of this contraction in relation to the value of sales. Of the 500 largest enterprises in Mexico in 1986, 49.4 percent of the sales were by 44 parastate agencies, among which only sixteen have been put up for sale. These sixteen entities constituted only 6.5 percent of the total sales of those 500 largest companies. Workers in the sixteen enterprises losing their affiliation with the public sector numbered only 83,799, or 14 percent of the 500 largest concerns.³⁶

Yet the contraction of the public sector will take time, and it may be more comprehensive than the above figures suggest. During the last several years, MMH has sold or is selling to the private sector the impressive list of companies shown in Table 12. In addition, the government has announced that it plans to end its participation in 44 of the 49 mining properties in which it is now involved. According to this plan, the mining of minerals considered strategic (coal, iron, sulphur, potassium, and phosphorite) will remain under state control, but all other mining and refining will be opened to private enterprise or to ownership by individual state governments. Further, once the DINA automotive complex is sold, it is estimated that with regard to Mexico's total non-petroleum industrial activities, the state will have transferred to the private sector 35 percent of the work force and 30 percent of the value of production.³⁷

In addition to reducing the size of the parastate sector, MMH has moved to constrict the role of Mexico City in national affairs by transferring some 70,000 central government workers to the regions of Mexico

³⁵ Thus in 1986 Chrysler bought 100 million dollars of Mexico's dollar debt to foreigners for about 65 million dollars, including fees. Then Chrysler exchanged that debt at the Banco de Mexico for pesos worth the full 100 million dollars. Finally Chrysler invested the pesos in Mexico as required. By investing in its Mexican plants, Chrysler received capital improvements at a 35 percent discount compared with what it would have had to make the investment in U.S. currency. Mexico benefited by repaying its foreign debt in pesos, not dollars. See Edwin A. Finn, Jr., "There Goes the Neighborhood," *Forbes Magazine*, June 29, 1987, p. 37.

³⁶ Miguel Angel Romero and Francisco Robles Berlanga, "La Reestructuración de las Paraestatales," *E/ Cotidiano* 14 (1986), p. 27 and table 8.

³⁷ On MMH's plans for investment strategy for the mining industry, see Lloyds Mexican Economic Report, July 1988. On the share of work force and production left to the government, see Marla Amparo Casar, "La Reestructuración de la Participación del Estado en la Industria Nacional," *E/ Cotidiano* 23 (1988), pp. 28-38, especially pp. 37-38.

which their agencies serve.³⁸ In 1986 nearly 12,000 workers in the Ministry of Agriculture and Hydraulic Resources were transferred out of Mexico City, as were 15,000 employees of the ministries of Education and Health and 5,000 workers in other agencies. MMH's plan calls for another 38,000 to be relocated by the end of 1988. We await the results of that plan, which is scheduled to move nearly one-third of all basic education and teacher training and health personnel to the provinces.

Admirable as the goal may be to relocate some of the central government out of Mexico City, MMH has hampered economic and social planning and evaluation by moving to Aguascalientes a key agency in Mexican development and the one agency upon which all others are dependent for basic data-the Mexican statistical agency. With the agency exiled from the locus of power (although safer from destructive earthquakes), perhaps recentralization will not be possible, information being the key to power.

Given the attempt since MMH to deconcentrate the central government and to reduce the role of the parastate sector, we do not yet know the extent to which the following irony will ensue: deconcentration will be offset by the new importance of the central government owing to the contraction of the parastate sector. Indeed, recentralization of power in the central government is not contradicted by deconcentration of the central government bureaucracy to the provinces.

With the restructuring of the state's role, by mid1987 observers were adopting a more positive view about Mexico, especially because foreign reserves had increased fivefold compared with 1986. Reserves reached some 15 billion dollars owing to:³⁹

1. increased earnings from higher oil prices, up from \$10 to \$20 per barrel;
2. a boom in tourism, owing to the undervalued peso;
3. the release of 7.7 billion dollars in new foreign bank loans promised in 1986 after Mexico's successful renegotiation of nearly 43 billion dollars of its foreign debt, which in 1987 stood at only 17.5 percent more than in 1982 (Table 6);
4. the return of some dollars held abroad by Mexicans.

In this context of relative economic euphoria, the Official Party named Carlos Salinas de Cortari (CSC) as its presidential candidate in early October 1987 for the July 1988 election. The naming of CSC, Secretary of Planning and Budget and main architect of MMH's economic policies, implied that Mexico would continue the restructuring under way; and Salinas's nomination was welcomed by international bankers who were worried that Mexico might default on its foreign debt.

³⁸ *El Mercado de Valores*, May 25, 1987.

³⁹ For example, see Dan Williams, "\$15 Billion Windfall Presents Mexico with New Fiscal Headaches," *Los Angeles Times*, August 17, 1987; and *Lloyd's Mexican Economic Report*, October 1987.

The circumstances of "euphoria" about the economy were conjunctural, however, and were being offset by an inflation rate of 132 percent during 1987, a public sector deficit expected to reach the pre-1982 levels, and an inordinately high increase in Mexico's money supply. MMH had taken the yearly increases in money supply to about 53 percent from 1984 through 1986, and then seemed to lose restraint as the rates for 1987 and 1988 reached 106 percent (Table 5), the annualized figure for November 1987 increasing to 141 percent!

Not to be left out of the continuing real economic crisis, the commercial banking system has, since its nationalization in September 1982, presented serious problems to the government because real deposits declined drastically by 1986 to 65 percent of the pre-nationalization deposits (Table 13).

Thus pressure mounted on MMH to denationalize the banks as part of his process of opening the Mexican economy.

Although MMH has redefined drastically the strategic areas reserved for state ownership, the important factor concerns the state share, an issue in banking. MMH generally limited exclusive state control to petroleum, basic petrochemicals, electricity, nuclear energy, and certain (especially radioactive) minerals. In spite of the failure of the nationalized banks to attract deposits, however, MMH refused to jettison the banks, as urgently demanded by the private sector so critical of the decline in loans, efficiency, and availability of credit.

Table 12

**SAMPLE OF PARASTATE COMPANIES SOLD,
FOR SALE, OR RUMORED TO BE SOLD¹ BY
DE LA MADRID ADMINISTRATION TO PRIVATE SECTOR
(As of June 1988)**

Category/Branch	Company
Sold	
Hotels	Nacional Hotelera (including El Presidente hotels)
Chemicals	Cloro de Tehuantepec
Papermaking	Grupo Atenquique
General	48 companies owned by Nacional Financiera
	42 companies owned by Fomento Industrial Somex
Bicycles	Bicicletas Cóndor
Automotive	Renault de México
For Sale	
Automotive	Vehículos Automotores de México
	8 companies of Diesel Nacional (DINA)
Cotton	Algodonera Comercial Mexicana
Fishing	12 companies on west coast and Gulf
Petrochemicals	Petroquímica de México
Shipbuilding	Astilleros Unidos de Ensenada
Shipping	Compañía Naviera Minera del Golfo
Mining	Compañía Minera Cananea
	Barita de Sonora
	Gráfica de México
	Hierro y Acero del Norte
Steel	Siderúrgica Nacional (Michoacán)
	Aceros Rossini
Sugar Mills	11 companies
Tractors	Fábrica de Tractores Agrícolas
Tobacco	Cigarrera La Tabacalera Mexicana
Rumored to be for Sale	
Fertilizer	Fertimex
Mining	Real del Monte
Steel	Altos Hornos de México
Sugar	Government sugar mills
Communications	Teléfonos de México
Airlines ²	Mexicana de Aviación
Telephones	Teléfonos de México
Food	Industrias Conasupo

1. The government may retain a minority interest in some companies.

2. The government had offered to sell Aeroméxico, but there were no buyers and MMH precipitated its bankruptcy in April 1988. By year's end it was operating as a private company.

SOURCE: *Lloyd's Mexican Economic Report*, June and July, 1988; *El Cotidiano*, 14 (1986) and 23 (1988); and interviews.

Table 13

**INDEX OF MEXICO'S REAL COMMERCIAL
BANKING DEPOSITS, 1982-89
(January and August of 1982 = 100)¹**

Dec. Year	All Commercial Index ²	Traditional Commercial Subindex ²
1982 ^a	100	100
1983	79	79
1984	85	83
1985	75	75
1986	73	65
1987	70	63
1988	61	29
1989 ^b	50	20

1. Calculated from pesos of 1978.

2. Data are graphed in Figure 4, above. Nominal data for this subindex are given in Banco Nacional de México, *Review of the Economic Situation in Mexico*, line 50; real percentage change data are given in line 52. For full discussion of the subtotal of traditional commercial deposits, see SALA, 27, Ch. 37, "The Mexican Financial Imbroglia since 1982: Debt, Public Expenditure, and Nationalized Banking."

a. January and August.

b. April.

SOURCE: for 1982, data from Banco Nacional de México given in SALA, 26-3502; since 1983, Banco Nacional de México, unpublished computer series of banking data.

To try to reestablish some public confidence in the commercial banking system, therefore, in early 1987 MMH permitted the private sector to repurchase 34 percent of the banks' stock. This sale of bank stock did not change the fact that the banks do not operate autonomously but under rigid control of the Ministry of Treasury and the Banco de Mexico; and even esc in his campaign supported the bank officials' complaints that any attempts to resolve problems in operation are caught up in overregulation by nonbank bureaucrats.⁴⁰ Theoretically, tight government controls assure all sectors access to credit; in reality, excessive controls defeat the all important timing of loans, as well as the making of loans, especially in the venture capital markets. In any case, assertions are widespread that the banks have tended to favor public sector, rather than giving the private sector access to credit.

That the prerequisite for return to Mexico of the bulk of the capital which fled beginning in 1970 may be related to denationalization of the banking system is perhaps best illustrated in the following story which I heard in Tijuana, Baja California, while observing the CSC campaign in April 1988. It was rumored that esc had met with the former owner of BANCOMER, Manuel Espinosa Yglesias, to ask him what it would take to encourage the return of the billions of dollars that had fled the country under LEA, JLP, and MMH-dollars needed to make domestic credit available to the private sector as well as to pay the foreign debt. Supposedly Espinosa Yglesias responded by saying:

⁴⁰ On bank overregulation, see "Salinas Se Suma a la Critica de Banqueros Oficiales al Banco de Mexico," *Proceso*, February 22, 1988. On the sale of bank stock, see Banco Nacional de Mexico, *Review of the Economic Situation of Mexico*, March 1987, p. 43.

Give us back our banks, and we will repatriate the billions of dollars that Red and that otherwise will never return. Give us back our banks and your economic problems are over.

In this story, Espinosa Yglesias is said to have reminded CSC that the real impediment to Mexico's economic recovery is not the foreign debt payment schedule, but the flight of capital that occurred especially with the nationalization of the banks.

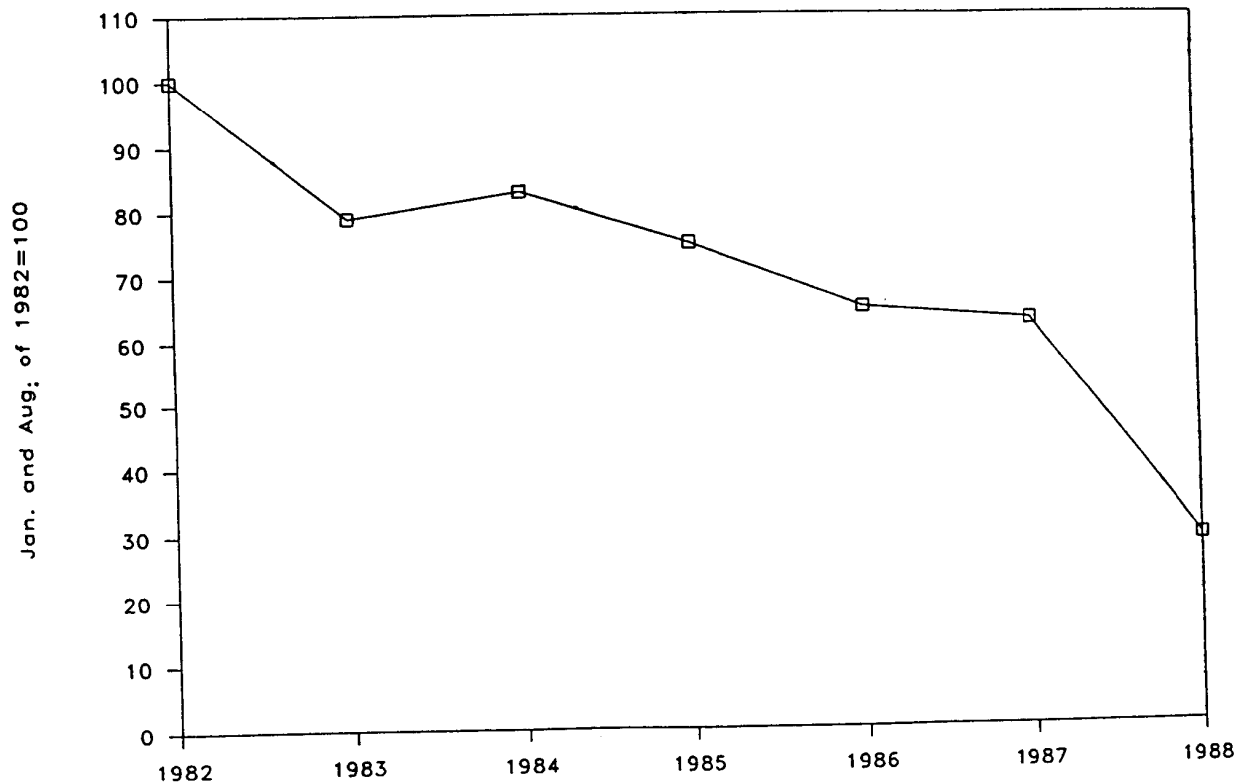
Whether or not this story about Espinosa Yglesias is true, it is certain that would-be bank depositors lack confidence in Mexico's government-dominated banks, which have lived through difficult times of great increase in M) and inflation related to the flight of dollars. The traditional commercial banking system has continued to wither in spite of the sale of bank stock, real deposits having fallen in 1988 to 29 percent of the pre-nationalization balance (Fig. 4).

Although some funds have returned to Mexico for deposit in treasury bonds (CETES) or for investment in the Mexican stock market-both of which lack much liquidity-resolution of the bank issues is but one important part of a more complex policy question. How can liquidity be restored to the entire economic system?

With confidence in the peso dwindling, and declining deposits in the nationalized banks (where in any case deposits earned several percentage points less in interest than the rate of inflation), many of the limited dollars returning to Mexico were doing so only to take advantage of the dramatic rise in stock values on the Mexican stock exchange.⁴¹ Mexico's

⁴¹ On the dramatic decline in bank deposits, see my "From Economic Growth to Economic Stagnation in Mexico," pp. 916no; and Gustavo Lomelin and Enrique Quintana, "Reestructuración de la Banca, Es Necesario por la Baja Captación y Fuerte Descenso de Utilidades," *El Financiero*, April 18, 1988. On the Mexican stock market, see Dan Williams, "Mexico Moves to Prop Up Falling Market," *Los Angeles Times*, November 11, 1987, part IV, p. 1.

Figure 4
INDEX OF MEXICO TRADITIONAL
COMMERCIAL BANKING DEPOSITS,
1982-88



SOURCE: Table 13.

stock exchange was especially attractive to investors speculating in quick profits, and it became the fastest rising bull market in the world during the first nine months of 1987. As the value of stocks on Mexico's exchange ridiculously outpaced inflation, to reach 6 billion dollars in value by early October, the exchange found itself even more overvalued than Wall Street.

As long as Mexico's stock market held up, the government could continue to slowly devalue the peso. Following Wall Street's crash (and the crash of markets internationally) on October 19, 1987, however, Mexico's stock exchange went into a dramatic 70 percent decline. By November 18 the Mexican stock market's value fell to 2 billion dollars. The crash caused a rush to change pesos into dollars, and the rush soon became a panic.

To protect its reserves, the Mexican government withdrew its support of the peso by stopping the sale of dollars. With free convertibility effectively ended, the peso fell from 1,712 on November 17 to 2,200 on November 18—a devaluation of 22.2 percent (Table 3, Part IV).

In this context of obviously renewed economic crisis, CSG faced serious problems in his campaign for the presidency. At the beginning of the campaign, he had capitalized on the pre-crash financial optimism of

summer and early fall 1987, and thus he generally ignored economic problems in order to stress pressing political issues. In calling for vague political restructuring, CSG seemed to be addressing opposition demands that the Official Party stop rigging elections. In briefly stating publicly that the era was over when the PRI could continue to win elections with a *carro completo* (or "full car" loaded with victories and leaving nothing for the opposition), CSG gave belated recognition to the split that his candidacy had caused within the Official Party. In calling himself a "progressive centrist," CSG positioned himself between the PRI right wing (led by labor chief Fidel Velázquez, who is angry about the contraction of the public sector) and the PRI left wing (much of which calls for cancellation of the foreign debt and cessation of oil shipments to the U.S. strategic reserve).

During the PRI's internal maneuvering to select its presidential candidate in late 1986 and 1987, the left wing, led by Cuauhternoc Cardenas (son of the former president of Mexico) and Porfirio Munoz Ledo (former president of the PRJ), had organized a "Democratic Current" intended to end the Official Party's tradition of allowing the president of Mexico to name his successor. Ostracized within the PRJ for their heresy, these two dynamic leaders immediately established the Frente Democrático Nacional (FDN), or Democratic Front, to compete in the 1988 elections; Cardenas would run for the presidency and Munoz Ledo for the senate.

Upon resigning from the PRI on December 15, 1987, and flying to Los Angeles to tape-record his Oral History Memoirs with me, Porfirio Munoz Ledo (PML) wrote an open letter to the Mexican people stating:

I consider the PRI to have abdicated its historical task and given up the vanguard role required to solve the crisis. Hidden behind its acronym is a plan to concede the national patrimony to foreign investors against the wishes of the people The PRI, subdued by the counterrevolutionary group [of monetarists] in power and imprisoned by the failure of leadership, has lost the genuine loyalty of its followers as well as the confidence of the citizenry, and as a consequence the PRI has lost the rationale for its existence.⁴²

In his Oral History Memoirs, PML argues that even in the epoch of antimonetarist LEA, the monetarists, traditionally centered in the Banco de Mexico and the Ministry of Treasury, had begun to reaccumulate the influence they had enjoyed within the PRI under a policy of stabilizing development, hence challenging him in his capacity within the PRJ and combating him in his role as LEA's ideologist. PML attempted to sidestep this group by developing national plans from his Ministry of Labor and seeking to influence policy by keeping monetarists in the minority. According to PML, the antistatist monetarists gained more momentum when he was named ambassador of Mexico to the United Nations, ending his influence in Mexico as the leader of the antimonetarists. Under JLP, MMH created the Ministry of Planning and Budget, wherein the monetarists strengthened their position.

⁴² Letter is reprinted in *Unomasuno* (Mexico City), December 16, 1987.

In PML's view, the monetarists could not have assumed complete power within the PRI, which remained a pluralist organization representing the interests of diverse groups ranging from the statist to the antistatist, but JLP named MMH to the presidency. That action gave exclusive power to the monetarists, led by CSC who in 1982 became Minister of Planning and Budget. With CSG in charge of antistate policy, the broad gamut of thinking within the PRI was frozen out of planning. This had never happened in Official Party history, even when Antonio Ortiz Mena dominated Mexican economic policy as Minister of Treasury (1958-70).

Given this situation of the closed PRI, PML says that he and Cuauhtemoc Cardenas had no choice but to abandon the Official Party and to create a new national consensus about the need for a strong state. According to PML, the Democratic Front will enjoy strong support from the broad base of PRI groups now excluded from policy decisions. Although PML has high expectations of winning many seats in the Chamber of Deputies and several seats in the Senate (including one for himself), he does not foresee the Democratic Front winning the presidency until 1994. He expects the six years of misguided CSC policies to provide the coup de grace to the PRI's power.

In the meantime, CSG's campaign goes on, with little mention of the economic crisis. By adopting the slogan "Let the People Speak!" CSC effectively became a listener rather than a speaker. Ironically, the last president to listen was Lazaro Cardenas. By implication, then, CSG hoped to dilute the importance of having as his main opponent Lazaro's son Cuauhtemoc, the name alone constituting a historical conscience for many voters.

Although serious thought by CSG presumably has taken place behind the scenes, it has not been evident in most of his presidential campaign rhetoric, which at least at the outset closely resembled that of MMH's campaign six years earlier. Examples of the MMH/CSG rhetoric are given in Figure 5.

Not until over half way through his campaign did CSG focus on the problem of inflation. In March 1988 in Yucatan he called for a general mobilization against inflation. Because this anti-inflation stance was the first campaign issue to strike a cord with the electorate, CSG stated that "Now we have a banner, and we won't let go."⁴³ CSG proceeded to fully extol the virtues of MMH's Pact of Economic Solidarity, which had been announced December 15, 1987.

The Pact of Economic Solidarity, linking the government, labor, and farm and business organizations, called for limiting wage demands and price increases beginning in March 1988 in return for government moderation and even freezing of prices for essentials such as gasoline and tortillas. Beginning in March, the government would raise wages ahead of inflation rather than behind it. In the meantime, the government immediately raised minimum and contractual wages by 38 percent, but also authorized official price increases, the largest increases being about 85 percent (for gasoline, telephone service, and sugar) and 79 percent (for fertilizer).

⁴³ Quoted by Carlos Acosta and Fernando Ortega Pizarro, in "Del Pacta Saco Salinas Par Fin, Una Bandera: Combatir la Carestia," *Proceso*, March 7, 1988, p. 7.

Figure 5

POLITICAL CAMPAIGN QUOTES OF DE LA MADRID AND SALINAS DE GORTARI

Miguel de la Madrid Hurtado
1981–1982 Campaign

It is told in some episode in mythology that when the Greek gods wanted to gain strength, they would come to Earth. I have come to touch the Earth in [my home State of] Colima.

We need women to modernize the country, to make a more just nation, to have a more full life from the human point of view.

Carlos Salinas de Gortari
1987–1988 Campaign

[I will begin my campaign in the State of Nuevo León because], like the classic myths point out, one has to tread the earth of one's origins in order to renew vigor and strength.

The participation of women is required to modernize the country, to make the nation more just, to enrich democracy, and to obtain a more full life from the human point of view.

SOURCE: Dan Williams, "Voter Apathy Troubles Mexico's Ruling Party," *Los Angeles Times*, November 22, 1987.

Under the Pact, the government then announced that the "free-market" peso would be held at about 2,250 to the dollar, a rate that was to be maintained through the end of MMH's term. The Banco de Mexico guaranteed that it would use the country's 15 billion in reserves to maintain the peso, thus providing the stability that could woo some dollars back to Mexico.

By early 1988 it was clear that the government's attempt to anticipate inflation by raising prices and wages beforehand would itself cause inflation; therefore the government abandoned that aspect of the Pact and relied mainly upon preserving the value of the peso. Although the peso soon became overvalued, hurting Mexico's tourism and export industries, the government hoped to avoid devaluation, which would infuriate the middle and lower classes.

Having served MMH as his close advisor since the 1970s,⁴⁴ CSG has not been in a position to criticize the policies for which he and MMH have directly shared responsibility since 1982, when CSG became head of planning for the government. Although CSG has hinted in his campaign that the Official Party cannot continue to insist on winning most fixed-seats in the 1988 elections, he has done so only obliquely. Given the severe economic realities of post-crash Mexico in late 1987 (including a post-1910s high in the increase of money supply and a consequent rise in inflation projected for the last years of the 1980s), it appears that Mexico's economic problems cannot be ignored and will finally have political ramifications.

⁴⁴ CSG was serving during the LEA administration as advisor to the Undersecretary of Public Finances in the Ministry of Treasury when in 1972 MMH became Treasury's Director General of Credit. As MMH made the transition to the ILP administration as Undersecretary of Treasury and Credit (1975-79), CSC held increasingly important posts in the Secretariat, including Chief of the Department of Economic Studies in the General Direction of Treasury Studies and International Affairs (1974-76), Deputy Director of Economic Studies in the same General Direction (1976-78), and Director General of Treasury Planning (1978-79). When MMH became Secretary of Planning and Budget under ILP, CSG became his Director General of Economic and Social Policy (1979-81), and when MMH became President of Mexico, CSC became his Secretary of Planning and Budget (1982-87). See *Quien Es Quien en la Administración Pública de México* (Mexico, D.F.: Secretaría de la Presidencia, 1982), pp. 15 and 131. It is also important to note that CSC is part of the Ortiz Mena group, which explains his stance on the debt while serving as Minister of Planning and Budget.

Although the Official Party's current ideology of Restructured Revolution calls for continued reduction of the public sector's influence in the economy, such reduction is not easily accomplished amid severe financial crisis. Private funds deposited in the nationalized banks have tended to be used to pay the nationalized foreign debt and not recycled to the private sector.

With the decline of funds available to the private sector since 1982, the public sector's share in national investment has risen rather than declined (Table 14). From 1951 through 1960 the public sector's share of investment held in the 30 percents (except for 1956 when it declined into the 20s); from 1961 through 1964 it rose into the 40 percents; from 1965 through 1974 it fell back to the 30 percents (except 1965 when it was 29 percent); since 1975 it has risen into the 40 percents (except for 1976 and 1984). Whereas in 1976 it was 39 percent, in 1984 it reached 51 percent, the high since 1950.

The most promising opportunity for Mexico to obtain productive private funding involves foreign investment in tourism and the in-bond (maquila) industry. Under MMH, tourists to Mexico exceeded 5 million in 1987 (Table 4).

Under the maquila system, non-Mexicans import and export equipment and materials duty free into and out of Mexico merely by posting a bond to assure that the imports are only temporary-hence the name "in-bond" industry. The maquila industry is also called the twin-plant or production-sharing industry, owing to the fact that U.S. firms (and now Japanese) move goods between their U.S. and Mexican plants. Dating from Mexican legislation of 1966, Mexico has sought to capitalize on the Far East's experience of attracting U.S.-owned plants to assemble goods for the U.S. market. The operation of U.S. assembly plants abroad had become possible through U.S. tariff schedules 806.30 and 807 of 1930 (as amended in 1956), which require payment of U.S. taxes only on the foreign value added (labor, overhead, and profits) to U.S.-made components assembled outside the United States.

Although the original idea had been to require foreign companies to operate within a border zone twelve miles wide, this restriction was eliminated by 1967 as the in-bond industry demonstrated immediate prospects for providing new jobs. Employment opportunities in the in-bond industry grew from 20,000 positions in 1970 to 173,000 in 1983 (Table 15). Although this new industry pays minimal Mexican taxes, it stimulates the entire economy. In 1983 Mexico allowed in-bond companies to sell between 10 and 40 percent of their goods in Mexico, provided that the goods have at least 15 percent Mexican content. By 1987 Mexico had 323,000 workers employed in 1,259 in-bond factories, a development that seems to promise a new boom for the country.⁴⁵

Transition to the Political Stage of the Restructured Revolution, 1988-

⁴⁵ On the in-bond industry, see Ellwyn R. Stoddard, *Maquila: Assembly Plants in Northern Mexico* (El Paso: Texas Western University Press, 1987); and on the history of the term and how the industry developed on the U.S.-Mexican border, see my "From Economic Growth to Economic Stagnation in Mexico," pp. 930-931.

Looking back at the six ideological phases during which the Mexican government has sought to guide social and economic change, we see that in the Official Party view the violent revolution after 1910 was only the beginning of a long process of implementing goals set forth in the Constitution of 1917. Although the constitution provided for private property rights, the role of government grew steadily until 1982, when Mexico found itself financially bankrupt.

As we have seen, however, the 1982 crisis was not the first one but rather one of many. The management style of the Official Party has been to capitalize on crises in order to justify its continued leadership.

Table 14

**PUBLIC SECTOR INVESTMENT AS SHARE OF TOTAL
INVESTMENT,¹ 1950-88^a**

Year	%	Year	%	Year	%
1950	51	1965	29	1975	42
1951	36	1966	31	1976	39
1952	36	1967	36	1977	40
1953	37	1968	36	1978	45
1954	39	1969	36	1979	44
1955	34	1970	33	1980	45
1956	28	1971	26	1981	46
1957	30	1972	32	1982	46
1958	32	1973	39	1983	44
1959	32	1974	38	1984	51
1960	35			1985	47
1961	43			1986	45
1962	43			1987	31
1963	45			1988	29
1964	45				

1. Investment is defined as funding for production machinery and equipment as well as for the buildings, construction, infrastructure, and transport equipment needed to produce new goods.

a. The series is constructed from three sources, the methodology for which may vary.

SOURCE: 1950-64, Nacional Financiera, *La Economía Mexicana en Cifras*, 1977, p. 90.

1965-83, *ibid.*, 1986, pp. 68-70.

1984-86, *El Mercado de Valores*, October 23, 1987.

1987-88, Calculated from data in Banco Nacional de México, *Review of the Economic Situation of Mexico*, July 1989, p. 269.

Table 15

MEXICO IN-BOND INDUSTRY, 1970-88

Year	Number of Factories	Thousands of Employees
1970	120 ^a	20 ^a
1974	455	76
1975	454	67
1976	448	74
1977	443	78
1978	457	91
1979	540	111
1980	620	124
1981	605	130
1982	585	123
1983	600	173
1984	672	202
1985	760	218
1986	900	255
1987	1,259	323
1988	1,480	398

a. Excludes factories and employees not in the border states; for discussion of the maquila industry, see source.

SOURCE: SALA, 26, pp. 930-931 and table 3519; and *El Mercado de Valores*, May 15, 1989.

Since 1982 the PRI has defended its continuation in political power by citing the need to dismantle money-losing state operations. As in the past, the blame for the present crisis has been shifted away from the Official Party. Moreover, the Official Party has been able to remain in power by adapting to take advantage of new circumstances, such as developing tourism as a renewable resource since World War II or meeting the world need for oil during the 1970s.

In its effort to restructure the "Permanent Revolution," since 1982 the Official Party has sought to create a dynamic new role for the private sector by forcing it to redirect production from domestic sales to the international market. The booming in-bond industry seems to offer the latest opportunity for Mexico to develop a comparative economic advantage that will earn it the dollars needed for continued development.

The context of change faced by Mexico in its internal and external affairs is seemingly multifaceted. Although the stereotype of a socially timeless Mexico has been countered somewhat by accounts in the world press about the internal migration to Mexico City and the capital's emergence as one of the largest cities in the world, the idea persists that Mexico has undergone little change.

Much social change has indeed taken place, as my Poverty Index for Mexico shows. This index measures the share of Mexico's population living in social poverty from 1910 through 1970 (Fig. 3). The level improved from 56.9 percent in 1910, to 46.0 in 1940, and to 24.8 in 1970.

A complementary index developed by Stephen Haber—the Social Modernization Index (SMI)—expands upon the Poverty Index. The SMI goes below the state level to examine the extent of change in 103 sample municipios (counties), selected from among 2,367 rural, semiurban, and urban municipios between 1930 and 1970. The SMI data show a shift from a nonmodern condition of society everywhere to a modern condition, with only a minor exception in 1960 for the urban category (see Fig. 6).

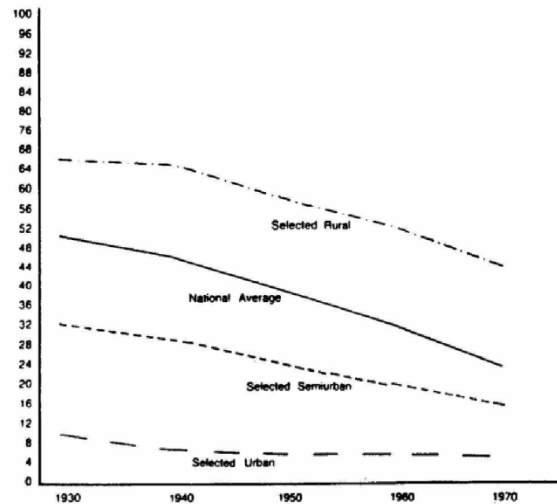
The extent to which pre-1982 social gains have been compromised by events in the 1980s has yet to be measured. Owing to JLP's stupendous failure to reorganize the Mexican statistical agency and create a giant data bank as he had hoped, the government lost control of its statistical base.⁴⁶ In suppressing Mexico's longest statistical series on inflation (and the one that showed the most change in the cost of living), for example, JLP no longer had the information base to assess what was happening to prices in the

⁴⁶ See my "The Management and Mismanagement of National and International Statistics," in SALA, ZZ. Chapter 41.

Figure 6

MEXICO SOCIAL MODERNIZATION¹ INDEX,² 1930-70

Category ³	1930 ⁶	1940	1950	1960	1970
Selected Rural ^a	69.1	67.7	61.1	54.6	46.2
Selected Semiurban ^b	34.0	30.8	25.6	20.7	16.5
Selected Urban ^c	10.5	7.2	5.9	6.1	5.2
National Average ^d	52.6	48.6	40.7	33.5	24.1



1. Zero indicates complete modernization. The Social Modernization Index (SMI) divides the total of seven components by five values instead of seven because non-Spanish speakers and bilingual persons are both part of a larger category of Indian speakers, and barefoot persons and sandal-wearers are subcategories of the larger category of shoeless persons.
2. Nonmodern persons live in social isolation (that is, are [1] illiterate, [2] speak Indian and Spanish, or [3] do not speak Spanish) and geographic isolation (defined as [4] living in localities of less than 2,500 persons), eat a nonmodern diet (measured by [5] share of persons who habitually consume tortillas instead of wheat bread), and have traditional dress patterns (those who [6] go barefoot or who [7] wear sandals instead of shoes). These seven items in the SMI are averaged with equal weight because there is no theoretical reason to assume that any one component is more important than the others as a measure of modernization.
3. Represents 103 sample municipios from the 2,367 Mexican municipios including the municipio in each state which had the highest percentage of illiterates in 1940, the capital of each of the 32 Mexican states, and 40 municipios represented in the community-study literature.
- a. Municipios which in 1930 had more than 50 percent of the population living in localities of less than 2,500 persons.
- b. Municipios not included in "Rural" or "Urban."
- c. Mexico City, Guadalajara, and Monterrey.
- d. Includes all of Mexico's population in 2,367 municipios.
- e. Variance between seven-item average (seven items, five values) and four-item average (four items, three values) in 1940 is used to link the 1930 index to make it comparable to the post-1940 index.

SOURCE: Stephen Haber, "Modernization and Change in Mexican Communities, 1930-1970," SALA, 22, Chapter 40.

Mexican economy. Too, by disrupting basic data series JLP made it impossible to carry the Poverty Index and the SMI forward to 1980.

Could JLP have meant to break deliberately so many links of measurement over time or were he and his lieutenants simply incompetent and unable to gather the basic data needed for making decisions? Or

was the JLP government so sure of its ability to start afresh that it believed that plans can be formulated without knowledge of real trajectories? Certainly JLP disliked statistics that challenged his propagandistic image of Mexico. Ironically, after having hampered our ability to understand contemporary Mexico, JLP prides himself on his writings which he sees as offering insights into Mexico's bygone history.

Regardless of the view of Mexico constructed consciously and unconsciously by the government, Mexico's image abroad has developed from two geographic perspectives. Measured by U.S. political, economic, and social standards, Mexico does not seem to have compared favorably with the United States to which it has been likened because of geographic proximity. Such comparisons, however, are unfair. In spite of their common border, in contrast to the United States, Mexican development has been impeded by difficult geographic and topographic conditions. Further, Mexico's colonial period did not prepare it for independence, as did the U.S. experience. Unlike the United States, Mexico has made a long and sincere attempt to assimilate the Indian population.

Viewed from South and Central America, Mexico seems to have created order for progress under the model of one-party democracy, which several other countries to its south have tried to emulate. Whatever the disadvantages of long-term rule under one-party democracy, Mexico's growing importance in the world is indisputable.

Taking advantage of Mexico's favorable image in Central and South America, LEA and JLP attempted to move the country onto center stage in international affairs and into a leadership role among Third World nations. They reminded one and all that Mexico could boast a peso that was more stable than the dollar and one that had not changed in value for over two decades. LEA even attempted in 1976 to position himself to become Secretary General of the United Nations, a plan that was to fail for many reasons.

LEA's campaign for the U.N. post deteriorated in the face of internal and external problems. Not only did Mexican inflation hit a post-1950 high that eroded the value of the peso, but also LEA had to overcome the consequences of the 1975 Jewish tourism boycott against Mexico. Further, he had become embroiled in the internal affairs of Spain when he called for worldwide sanctions against Franco to penalize him for having executed political prisoners. LEA's ploy backfired because Franco claimed to be executing terrorists who had killed police, winning the sympathy of dictators throughout the world-all of whom fear international sanctions against their brutality.

JLP continued LEA's attempt to establish Mexico's role as a leader of the Third World, hosting at Cancun in 1981 the North-South Conference. In Western Hemispheric affairs, Mexico undertook diplomatic initiatives to negotiate an end to the Central American crisis caused, on the one hand, by the intervention of Cuban and Nicaraguan forces in El Salvador, and, on the other hand, by U.S. intervention in Nicaragua, El Salvador, and Honduras. By the late 1980s, however, Mexico was frustrated in many of its international initiatives, the government of MMH having had limited impact on resolving the Central American imbroglio.

For the government of Mexico, Mexico's main contribution to hemispheric politics may involve finding a way to reduce the Third World foreign debt burden. For example, it could take the lead in convincing the U.S., European, and Japanese debt-holders that the debtor nations should pay interest not on the book value of loans but rather on the value of the loans on the world's secondary markets, where the loans are sold at 50-60 percent discount. In any case, Mexico must establish a means for reducing the payments on its foreign debt, which by the end of 1987 reached 92.4 billion real dollars of 1980 (Table 6, part II).

With the Mexican government turning its attention to world affairs, MMH did not share the same interest in land reform as many of his predecessors had. Perhaps he felt that the question of land ownership was too entangled to resolve food production problems. Too, it could be argued that if Mexico wishes to expand its export market in manufactures it might best hold its reciprocal imports to low-cost foodstuffs, resulting in a balance of payments surplus for Mexico.

With regard to land reform, MMH could argue, as have several of his predecessors including Cardenas, that land reform measures can never keep pace with population growth, and that major landholdings must be set aside for commercial agriculture and ranching to feed the country's growing urban population as well as to export high-profit food supplies for dollars. Thus MMH reduced the monthly rate of presidential resolutions and definitive actions distributing land to a rate that had not been seen since Rodriguez in the early 1930s (Table 2, Part I).

Consistent with his philosophy of downplaying land reform and following Cardenas's lead in protecting certain lands from distribution to ejidos, MMH emphasized the granting of certificates of inalienability to protect large commercial agricultural producers against being divided through land reform. Such certificates, emphasized after 1936 by Cardenas, assured that productive commercial farming, needed to provide a stable food supply for the domestic and foreign markets, would not be disrupted. Aleman added certificates to protect livestock ranching, some permanently and some for only 25 years. Whereas 190,235 certificates had been granted from 1936 through 1982, by 1987 MMH had granted 222,816, more than the combined total of his eight predecessors (Table 2, Part III). In terms of land protected, MMH reached the highest recorded (Table 2, Parts IV and V).

Despite land reform, and often because land reform has resulted in tiny fragmented ejidal holdings incapable of supporting the numerous heads of families, many peasants and their offspring have migrated to the United States to remain at least part time. Meanwhile, the U.S. attempt in 1986 to control immigration threatens the safety valve that has existed since the 1940s for Mexican laborers, for whom employment opportunities in rural Mexico have become scarce as population has grown.

The rural scene has become more complicated because the course of land reform law has become somewhat confused since 1970. LEA's legislation in 1971 outlawed the subdivision of lands among members of any extended family which sought to seemingly create legal small farms that in reality constituted one large agricultural enterprise. JLP abandoned the attack on such extended family farms

and in 1980 legalized the common practice of cooperation between private farmers and the ejidos, the former needing land and workers and the latter needing credit. Having the legal right to rent land and labor from ejidos, the ejidatarios were perceived by critics as day laborers on their own lands, not borrowers of capital investing in their own future.

While the uncertainty over the direction of land reform legislation continued to befuddle the farm sector, many ejidatarios had for years rented their lands to or worked as day laborers for private farmers. The shortage of government credit for ejidatarios and the fixed size of ejidal plots "pulverized" by the growing population have meant that since the 1960s the ejido has been increasingly unable to produce either for market or subsistence.

Given such complexities in the cumulative results of socioeconomic change since 1910 and the financial problems facing Mexico since 1982, readers may ask two important questions: How has the Official Party managed to remain in power for six decades? Can the Official Party continue to dominate politics as it has?

Implicit Pacts between the Official Party and Sectors of Society

The Official Party, administered by successive Mexican presidents, was able to become strong enough to endure after 1929 because it developed implicit pacts with at least nineteen sectors of Mexican society (shown in Fig. 7). In return for benefits (often overlapping among these groups) that were granted with relative consistency by the government, the sectors (none of which are monolithic) pledged their loyalty to the Official Party. Together, members of these groups (including their extended families and in many cases their dutiful employees) represented well over half of the Mexican population, including the most influential sectors. Such backing assured the Official Party a broad base of self-interested support. (These implicit pacts should not be confused with the Official Party's 1987 explicit formulation of the Pact of Economic Solidarity intended to stabilize prices and wages, discussed above.)

Given the restructuring of the economy and contraction of the public sector since 1982, however, all the pacts have been threatened as money and patronage have been progressively restricted by the MMH-CSG "monetarist policy," which restricts credit. In the rural economy, for example, ejidatarios, who benefited from land reform and stable agricultural prices for their products, have seen their credit (which was never enough) decline along with the value of their products bought at guaranteed prices by the government. Farmers have lost much of their incentive to produce for the domestic market because of price controls that do not provide sufficient profit margin; and peasants have seen their hopes for land wither as JLP and MMH lost interest in land redistribution to ejidos. The intended rejuvenation of agriculture under the now legal alliance of ejidatarios and private producers remains to be assessed.

In the urban areas, the middle sectors have suffered an erosion in their purchasing power in dollars; organized laborers have lost their purchasing power in pesos; slum dwellers and contractors have seen the number of jobs decline as the public sector has reduced its investments in the country's infrastructure; the financial groups have seen their dollar loans become increasingly expensive to repay

with devalued Mexican currency; and private manufacturers have lost most government credits to and investments in their industries.

Loss of purchasing power by such sectors as the bureaucracy and educators (where even university salaries entered into a state of collapse) has meant decline in demand for domestically manufactured goods, which by the late 1980s must compete with a flood of foreign imports. Where formerly Mexican manufacturers could not sell much abroad owing to the government's overvaluing of the peso, now manufacturers face a problem in selling domestically.

Perhaps the most influential group threatened by the Official Party's decision to join GATT are the manufacturers who gave private sector support to the government in return for a favored position in the economy of Mexico wherein foreign investment in any firm is limited to 49 percent or less. These industrialists benefited from high tariff protection for 45 years. Moreover, they received exemptions from the tariff code in order to import equipment and materials needed to develop the country's industrial base. Because of this close industry-government relationship (which also involved government subsidies, loans, and investments), Mexico's industry was not encouraged to operate efficiently and competitively in world markets, stunting both the domestic and export markets for Mexican goods.

Having accepted GATT-required elimination of preferential tariffs and dramatic reduction of import controls, the Mexican government cannot now use trade controls as major bargaining chips to assure private support for the Official Party, as it did so successfully in the past. Although losing important support from traditional manufacturers, the Official Party gains support from the new export-oriented manufacturers.

The country's potentially influential university graduates may present the most important long-term problem for the Official Party. The economic crisis since 1982 has reduced the supply of jobs for university graduates, who previously could count on government employment if they were not qualified for or interested in the private sector. Without jobs to offer this growing group seeking to enter the consumption-oriented middle class, the government will be confronted by an expanding pool of discontented and politically astute persons. Further, disillusionment has spread increasingly as students from humble backgrounds realize that the university no longer provides wide access to social mobility.⁴⁷

Some sectors have not fared so badly. Mexico's export-oriented industrialists and farmers have benefited from legislation and loans but find their earnings down in dollars. Groups such as the military and the Church have not seen their privileges limited directly but have suffered a loss in buying power. Of the nineteen sectors listed in Figure 7, only foreign investors have benefited significantly since 1982, being especially attracted into the in-bond industry and activities related to foreign tourism to Mexico.

⁴⁷ See David E. Lorey, "The University and Economic Development in Mexico since 1929" (PhD. dissertation, University of California, Los Angeles, 1990), chapter 8.

All sectors, however, have felt the government's drastic reduction in gasoline and electricity subsidies, the basis for all of the pacts, thus causing many supporters to question the extent of their support for the Official Party. Without these subsidies for energy, the cost of all Mexican goods and services has increased, from food to transport, from manufacturers to housing.

To capitalize on the weakening of the tacit pacts between the government and its once loyal allies, the Cuauhternoc Cardenas-Porfirio Munoz Ledo team seeks to establish a social democratic party under a united center-left, the goal being to restore statist policies abandoned by the monetarists.⁴⁸ Drawing upon the experience of Cuauhternoc Cardenas, who served as governor of Michoacan, 1980-86 (as had Lazaro Cardenas, 1928-32), and Munoz Ledo, who as president of the Official Party in 1976 oversaw the transition from LEA to JLP, the Democratic Front will move to constitute itself as the Partido de la Revolucion Democratica (PRO). Cuauhternoc had established himself as a popular leader and Porfirio had won fame in 1976 for trying to extend the vote to Mexicans living outside the country.

In the Cardenas-Munoz Ledo view, as the Official Party pursues its monetarist policies to the detriment of sectors that have supported it, the pacts will rupture completely, benefiting the planned PRD, which will attract groups alienated from the PRI even as the PRO strengthens its own network for the 1994 presidential campaign. In the meantime, the Democratic Front seeks to win important representation permitted by the 1986 electoral reforms in which the PRI has foreseen its loss of majority status in the national Chamber of Deputies.

Most analysts have missed the real significance of Mexico's 1988 election campaign. Although observers agree that the PRI will win, they confine analysis to the highly visible presidential and gubernatorial elections-considered the "key" indicators. In discussing the disaffection facing the PRI, commentators speculate about corruption in vote counting under an electoral process dominated by bureaucrats affiliated with the Official Party.

Realizing that the PRI will win its twelfth consecutive presidential election by sweeping all supposedly key positions (including most senator seats) is not as important as understanding that beginning in

⁴⁸ Drawn from James W. Wilkie et al., "Oral History Interviews with Porfirio Muñoz Ledo," Los Angeles, December 17-23, 1987.

Figure 7

**IMPLICIT PACTS BETWEEN THE OFFICIAL PARTY
AND NINETEEN SECTORS OF MEXICAN SOCIETY,¹ TO 1982**

Sector ²	Benefit
Ejidatarios	Land redistribution, some credit, and stable agricultural prices for products
Commercial farmers	Credit and (beginning with Cárdenas) exemption from the land reform laws; benefits wherein the government tacitly allows (except under Cárdenas and Echeverría) the creation of productive estates and plantations by farmers through pooling, renting, or seizing adjacent lands
Commercial cattle ranchers	Credit and (beginning with Alemán) exemption from the land reform laws; government tacitly permits growth in size as for commercial farmers
Small farmers	Exemption from land reform law; government benefits from agricultural extension
Organized laborers	Protection under the labor laws, including social security and access to housing, medical clinics, minimum salary, and the right to strike
Organized slum dwellers	Access to piped water, electricity, telephones, construction materials, paved streets, and subsidized stores (selling food, clothing, and medicine)
Middle sectors	Low inflation, subsidized food prices, and a favorable peso/dollar exchange rate permitting purchase of foreign goods and travel abroad with relative ease
Financial groups	Stable peso convertible to dollars for investment abroad with relative ease (including protection against devaluations that make dollars more costly, protection against increasing the peso cost to amortize foreign debt, and protection against foreign investors assuming more than 49 percent control in Mexican firms)
Manufacturers	Government subsidies and credits as well as benefits from tariff protection and exemption from import taxes
Official Party leaders (including governors, mayors, legislators)	Power to write and selectively enforce legislation, regulations, and tax laws as well as the position to invest with foresight in areas scheduled for public development at national, regional, and local levels (thus furthering "bossism" and patron-client relationships)
Public sector officials and advisors	Authority to develop and administer Mexico's laws, funds, permissions, and properties
Bureaucrats (including judiciary and police)	Growing supply of jobs (many permitting the collection of "tips" or bribes to supplement low wages) in the ever expanding central and decentralized governments as well as benefits from social security, housing, commissary and credit schemes
Contractors	Hired as private companies to construct public works
Teachers	Ever expanding educational system that creates teaching jobs
Students	Low admission and grading standards and fellowships as well as benefits from mobilizing to support political parties
University graduates	For graduates not going into the private sector, ever expanding pool of job opportunities in the centralized and decentralized agencies as well as opportunity to advance into politics and to become government consultants
Military	Expanding budgetary importance vis-à-vis other government priorities (at least in absolute terms), social security, housing, and a nonviolent political atmosphere
Roman Catholic Clergy	After 1938, tacit truce in the Church-state struggle
Foreign investors	Especially after 1940, political stability, joint ventures with Mexican interests (private and/or government, thereby protecting against expropriation), and free convertibility of peso to dollars

1. None of the nineteen sectors has been monolithic and benefits among them often overlap. There has been frequent tension between the government (which represents the Official Party) and one or more of the sectors, for example, organized labor in 1958 and students in 1968. Tension also has existed between the sectors, for example, organized labor and manufacturers. These implicit pacts should not be confused with the Pact of Economic Solidarity subscribed to for at least 2 years (December 1987 to December 1989) by leaders of government, labor, farm, and business organizations in order to bring inflation under control. Regardless of the explicit pact, the implicit pacts have begun to disintegrate.

2. For an alternative to my view developed here, see Frank Brandenburg, *The Making of Modern Mexico* (Englewood Cliffs, N.J.: Prentice-Hall, 1964), pp. 83-90, who delineates nine interest groups: Trade unionists, ejidatarios, civil servants, teachers, bank employees, small independent farmers, cooperativists, businessmen in commerce, and businessmen in industry. He also defines (pp. 119-140) nine political groups in three broad categories: Radical left (anarchists, communists, Trotskyites), independent left, revolutionary publics (left, center, and right within the Official Party), and conservatives (traditional and reactionary).

1988 the PR1 is opening in a limited way the political system to unprecedented representation at four levels: the national Chamber of Deputies, the newly established Assembly of Representatives for the Federal District (to be elected for the first time), the state chambers of deputies, and municipal councils throughout the country.

Political Reform: The PRI as Unquestioned Power

The limited opening of the Mexican political system has been a long process involving political reform through which the PRI has sought to create an image of political fairness. Political reform was clearly necessary to overcome the negative image of voting generated by the 1946 party-registration law which limited the ability of opposition groups to gain eligibility to participate in elections. To enhance the image of democracy, presidents began to take much needed actions; for example, Adolfo Ruiz Cortines gave women the right to vote in 1954 and Luis Echeverría Álvarez gave eighteen-year-olds the same privilege in 1973.⁴⁹

One of Mexico's most important political reforms came in 1963 when President Adolfo López Mateos (ALM) had legislation passed to allow opposition political parties to enter the national Chamber of Deputies without necessarily winning the relative majority of votes in any electoral district. ALM retained the traditional way in which candidates for the national Chamber of Deputies won their three-year terms by receiving the relative majority of votes in electoral districts (as in the U.S. process), but he supplemented that method by allowing opposition candidates to represent their party in the 210-seat Chamber of Deputies provided their legally registered party gained at least 2.5 percent of the total nationwide vote for deputies.⁵⁰

Thus, ALM developed a "mixed system" which has existed, with revisions, to the present: "majority deputies" represent "electoral-district seats"; and "proportional-representation deputies" or "party deputies" represent "at-large seats." Each has the same rights to participate in the Chamber's debates and votes. ALM's legislation allowed only parties winning fewer than twenty electoral-district seats to win at-large seats, as follows: five seats for 2.5 percent of the total vote and one seat for each .5 percent thereafter up to a maximum of twenty seats for each minority party.

Because only the conservative Partido de Acción Nacional (PAN) surpassed the 2.5 percent floor in the 1964 election (and also won its maximum of twenty at-large seats), ironically the Official Party bent the law to abide by the "spirit of the legislation," assigning at-large seats to weak parties which gained as little as .7 percent of the vote.⁵¹ To legalize the spirit of the 1964 law, in 1972 the electoral code was modified to reduce the floor for proportional deputies to 1.5 percent of the total votes. (This modification also raised the maximum number of at-large deputies for each party to twenty-five.)

Political reform to open the Chamber of Deputies has continued apace as opposition to the PRI has risen. In 1977 parties were permitted temporarily to apply for conditional registration, which became permanent for each party gaining 1.5 percent of the vote and continuing to win that amount. (Since 1986, initial registration of new parties requires 65,000 members nationwide, with 3,000 in at least half

⁴⁹ Daniel Levy and Gabriel Szekely, *Mexico: Paradoxes of Stability and Change* (Boulder, Colo.: Westview Press, 1983), pp. 66-67.

⁵⁰ Mario Moya Palencia, *La Reforma Electoral* (México, D.F.: Ediciones Plataforma, 1964), pp. 116-118.

⁵¹ *Ibid.*, and Wilkie, *La Revolución Mexicana (1910-1976): Casto Federal y Cambio Social*, p. 394.

of the states or 300 in at least half of the electoral district; continued registration requires winning 1.5 percent of the vote.)

Regardless of the opening of the system to opposition, the PRI's critics could argue persuasively that the political reforms were merely cosmetic. In allowing opposition parties to win at-large seats, ironically the PRI no longer needed to lose many (or any) electoral-district seats. Further, by giving at-large seats to weak parties, the PRI could dilute the strength of the PAN, which since its establishment in 1939 had become the main opposition to the growing statism of the Mexican politico-economic system.

Assessing results of Mexico's political reform has grown complex since the mid-1970s. On the one hand, where opposition parties had held only 3-6 percent of the seats in the national Chamber of Deputies between 1949 and 1958, the share increased to the 16-20 percent range between 1964 and 1976 (Table 16). On the other hand, the opposition's gains in the Chamber of Deputies have won it little more than the possibility of turning that body into a national forum for debate, and it can be argued that until now even this "victory" has been severely compromised. Not only has the Chamber been a highly controlled forum for debate within the PRI, but the opposition parties have been limited as to the number of members so that they have stood no chance of winning any serious vote.

Further, by accepting entry into the Chamber of Deputies, the opposition parties gave up any immediate hope of winning many senatorial or gubernatorial positions, let alone the presidency. Opposition to the

Table 16

SEATS IN MEXICO'S CHAMBER OF DEPUTIES, 1949-85
(Electoral-District Seats plus At-Large Seats Beginning in 1964)

A.													B.	C.
	Total	Opposition Seats²												
Year	Seats	PRI¹	PAN	PPS	PARM	PST	PDM	PCM	PSUM	PMT	PRT	Other³	Opposition	%
1949	147	142	4	1									5	3
1952	162	152	5	2								3	10	6
1955	162	155	6	1									7	4
1958	162	153	6	1	1							1	9	6
1961	178	172	5	1									6	3
1964	210	175	22	11	5								38	18
1967	212	177	21	10	5								36	17
1970	213	178	20	10	5								35	16
1973	231	189	29	10	8								47	20
1976	237	195	20	12	10								42	18
1979	399	296	42	12	12	11	9	18					104	26
1982	400	299	51	10		11	12		17				101	25
1985	400	292	38	11	11	12	12		12	6	6		108	27

1. Partido Revolucionario Institucional.

2. Opposition acronym and name:

PAN Partido de Acción Nacional

PARM Partido Auténtico de la Revolución Mexicana

PCM Partido Comunista Mexicano

PDM Partido Demócrata Mexicano

PMT Partido Mexicano de los Trabajadores

PPS Partido Popular Socialista

PRT Partido Revolucionario de Trabajadores

PST Partido Socialista de los Trabajadores

PSUM Partido Socialista Unido de México

3. Federación de Partidos Populares Mexicanos and Partido Nacionalista Mexicano.

SOURCE: Calculated for 1949-1973, from Donald J. Mabry, "Mexico's Party Deputy System: The First Decade," *Journal of Interamerican Studies and World Affairs* 16:2 (1974), p. 228.

Calculated for 1976-1979, from Samuel Schmidt, "Democracia Mexicana: La Reforma Política de López Portillo; ¿Un Nuevo Discurso?" *Serie Avances de Investigación, Cuaderno 46* (México, D.F.: Centro de Estudios Latinoamericanos, Facultad de Ciencias Políticas y Sociales, UNAM), p. 24.

For 1982, from Kevin J. Middlebrook, "Political Liberalization in an

Authoritarian Regime: The Case of Mexico," in Paul W. Drake and Eduardo Silva, *Elections and Democratization in Latin America, 1980-1985* (San Diego: Center for Iberian and Latin American Studies, University of California, 1986), p. 195.

For 1985, from M. Delal Baer, *The Mexican Midterm Elections, Report No. 3*, CSIS Latin American Election Studies Series (Washington, D.C.: Georgetown University, Center for Strategic and International Studies, July 31, 1985), Appendix.

Official Party has been confined to the Chamber of Deputies, where total membership rose from 147 in 1949 to 237 by 1976.

With regard to the size of Mexico's Chamber of Deputies, to satisfy the demands of an increasing number of PRI aspirants to power as well as the need to give the opposition a voice, in 1977 the Official Party increased the size of the Chamber to 400 members. President José López Portillo adopted the ALM system to allocate 25 percent or 100 of the seats to proportional representation among the opposition parties.

Under the complicated 1977 law designed to protect the PRI, all parties that won fewer than 60 electoral-district seats (called "uninominal seats") and that ran candidates in at least one-third of the country's electoral districts were entitled to share in the 100 at-large seats (called "plurinominal seats")

or "proportional-representation seats").⁵² For the proportionally allocated seats, the law divided the country into regions and voters cast their ballots for a party when they vote for a candidate. Each party is entitled to two proportional-representation deputies for each region in which it wins 1.5 percent of the vote, with the remainder of seats distributed according to the proportional strength of the contending parties.⁵³

This 1977 system of representation was also instituted (with varying proportions) in state legislatures (giving 169 opposition seats throughout Mexico) and in major city councils, with all city councils affected beginning in 1982 (yielding 1,416 opposition seats).⁵⁴

Political Reforms of 1986 and 1987: The PRI Foresees Its Loss of Majority Status

Although the share of opposition seats in the Chamber of Deputies (which had not exceeded 20 percent prior to 1976) reached 26 percent in 1979, 25 percent in 1982, and 27 percent in 1985 (Table 16), and in spite of the gains made by the opposition to become part of the public debating process, the 1980s brought a new international context for Mexico's internal politics. The emergence of democratic regimes in South America and the extension of U.S. media coverage of Mexico-United States border issues cast into ill repute the PRI's standard operating procedures for rigging elections outside of the limited sphere of the officially approved opposition seats discussed above. Indeed, in 1985 the PRI's political repression of the opposition became more blatant than usual, regional PRI bosses ruthlessly sweeping aside rising opposition in the north.⁵⁵ Ironically, the central government may have desired to control the excesses of its party militants but could not do so without upsetting one of its most important PRI regional support bases.

Because of the rising number of complaints against the PRI's heavy-handed control of gubernatorial elections, in 1986 President Miguel de la Madrid Hurtado took additional steps to respond to criticisms about democracy in Mexico and to protect the PRI. He made major reforms in the electoral law.

First, MMH enlarged the Chamber of Deputies from 400 to 500 seats. In the new 500-seat Chamber to be elected [July 6, 1988, 300 seats represent electoral districts to be decided by relative majority vote

⁵² Technically any party, including the PRI, could win at-large seats through proportional voting, but because the PRI won more than 60 electoral district seats, it was not eligible to win at-large seats.

⁵³ M. Delal Baer, "The Mexican Midterm Elections, Report No. 2," CSIS Latin American Election Studies Series, Georgetown University Center for Strategic and International Studies, Washington, D.C., [June 26, 1985, p. 18.

⁵⁴ Partido Revolucionario Institucional, Comité Ejecutivo Nacional, *Código Federal Electoral* (México, D.F.: n.p., [1987]), p. 25.

⁵⁵ On PRI election fraud in the north, see Juan Molinar, "[Regreso a Chihuahua]: Una Pequeña Historia," *Nexos* 111 (1987), pp. 19-32; and Samuel Schmidt, "Votación en la Frontera México Estados Unidos, 1961-1982," in Samuel Schmidt, James W. Wilkie, Manuel Esparza, eds., *Estudios Cuantitativos sobre la Historia de México* (México, D.F.: Universidad Nacional Autónoma de México, 1988), pp. 23-39. See also two articles by Chandler Thompson: "How to Rig a Mexican Election: PAN Says PRI Put Out Manual," *El Paso Times*, May 20, 1988; and "PRI's Dilemma: Election Manual: Debunking Book Could Mean Admitting Fraud," *El Paso Times*, May 22, 1988.

(the "uninominal seats") and 200 represent regional seats elected by proportional vote and reserved for parties winning at least 1.5 percent of the total votes cast (the "plurinominal seats"). Of the 500 total seats, MMH guaranteed that the opposition would have at least 30 percent or 150. Further the majority party is limited to 70 percent or 350 of the 500 total seats⁵⁶

Second, and most important, however, MMH's 1986 legislation anticipated that in the 1988 elections the Official Party would not win enough electoral district seats to hold a 51 percent majority in the national Chamber of Deputies. To counter this problem, the 1986 legislation provided that the party winning at least 51 percent of the national votes for deputies, or at least the most seats for federal deputy (that is, the PRI), can win up to 50 of the 200 proportional seats in order to assure that its share of seats is at least 51 percent of the total seats,⁵⁷ thus assuring continuance of the one-party system.

MMH has justified the 1986 legislation by arguing that Mexico requires a stable, efficient system dominated by one political party. In his view, Mexico's political system must avoid being overcome by the fragmentation of power that would result without strong leadership by the majority party.⁵⁸

To offset its bad image in the north and to give representation for the first time to the millions of persons living in the Federal District, the PRI authored legislation in 1987 to inaugurate in 1988 the Assembly of Representatives of the Federal District, to be reelected at three-year intervals beginning in July 1988. The population there, more than 13 percent of all Mexicans, has been denied representation in the same way as has the population of the District of Columbia (which constitutes only about .3 percent of the D.S. population).

Establishment of the Federal District Assembly has contradictory meanings. It has 66 seats, of which 40 are relative majority seats and 26 are proportional seats.⁵⁹ Should the PRI win all of the fixed seats, the opposition could win up to 39 percent of the seats in an elected body. But because in the 1988 election the PRI expects to lose relative majority seats, it will lay claim to some proportional seats in order to protect its majority role. The Official Party no longer seeks to win all the majority seats but to make up the difference with proportional votes previously reserved for the opposition, as it will do in the Chamber of Deputies.

Inauguration of this new Assembly stems the call for converting the Federal District into a state replete with full legislature and an elected governor. (The mayor of the Federal District is a PRI leader appointed by the president of Mexico.) Although the Assembly will oversee the administration of the District's budget and be able to call public officials to inform them about the development of government activities and services, it does not have the powers of a state. It has a limited role allowing it to promote, regulate, and supervise land use, housing, health, education, transport, and the food supply system.

⁵⁶ Partido Revolucionario Institucional, *Código Federal Electoral*, p. 32.

⁵⁷ Ibid., pp. 40 and 136; *Proceso*, July 18, 1988, pp. 24-25.

⁵⁸ Ibid., p. 34.

⁵⁹ *Comercio Exterior*, September 1987, p. 729; *Proceso*, January 11, 1988, pp. 28-29.

To assure that the Assembly will remain under the control of the PRI, MMH provided that the majority party names the Assembly's seven-member Governing Commission, which controls procedures and makes all appointments to positions.

A Political Scenario for the Future

Although some observers foresee the PRI losing power through violent overthrow (which also could trigger a military coup, as could continued economic malaise), in light of the political reforms discussed above, we should examine a scenario in which the PRI must concede ever more positions to the political opposition. This conforms to the established precedent and could be expanded outside the Chamber of Deputies in order to offer positions of influence to the PRI's opposition.

One test of the PRI's willingness to open the political system further will be the results of the 1988 voting for senators, especially in the Federal District. The opposition candidate who hopes to break the PRI's stranglehold on the Senate is Porfirio Muñoz Ledo. The only other time an opposition member won a Senate seat came in 1976 in an arrangement made by Muñoz Ledo when he was president of the PRI. In that arrangement, the PRI ceded to the Partido Popular Socialista (PPS) a Senate seat from Oaxaca to end dispute over the PPS claim that it had won the governorship of Nayarit.

Regardless of the extent to which the Senate is opened to the opposition, and regardless of the fact that the opposition will not win any governorships in the 1988 elections, the opposition parties will have gained representative forums throughout Mexico from which they can pressure the PRI on many fronts. For the first time opposition parties have a real chance to build a credible image of leadership by participating in local, state, and federal assemblies, forums increasingly more open to them. Opposition parties implicitly have been given an opportunity to demonstrate their stability, maturity, statesmanship, and ability to build networks of support throughout Mexico, the requisites for offering viable political alternatives to groups traditionally committed to the PRI. The real test of the opposition will be to create permanent and cohesive networks throughout the republic—no easy task without bureaucratic patronage to dispense. If they effectively organize, they will be in a position to more fully test the PRI's power in the mid-term elections of 1991 and the presidential election of 1994. In 1989 only the gubernatorial election in Baja California will offer a real challenge to the PRI's domination of the state level,

In the mean time, both the opposition and the PRI are trapped in this system of voting which offers limited access to elected positions. The opposition may cry fraud or demand civil disobedience to protest manipulation of the election results, but it can do neither too loudly without compromising its real gains in seats within the sphere of representation to which it has acceded.

The new political equation has complicated the affairs for three major parties. Within the PRI, Salinas faces serious dilemmas because the old guard feels that the power of the Official Party has been compromised. Indeed, Fidel Velásquez, the octogenarian leader who has controlled the official labor

movement for half of his life, is furious at De la Madrid, whom he believes has yielded power unnecessarily in the 1986 electoral code.

Within the Frente Democrático Nacional, the challenge will be to convert the movement into the planned social democratic party. Six groups make up the FDN (Corriente Democrático, Movimiento al Socialismo, Partido Popular Socialista, Partido Auténtico de la Revolución Mexicana, Partido Frente Cardenista de Reconstrucción Nacional, Partido Mexicano Socialista), few of which have similar goals and tactics. It is doubtful that the Partido Popular Socialista (PPS) and the Partido Frente Cardenista (PFCRN) would be willing to join the new social democratic party to unite the left, the latter merely exploiting Cuauhtémoc Cárdenas's name without his membership.

Within the PAN, views are also contradictory. Some members see the FDN as a PRI front-group intended to detract from the PAN's role as the only credible opposition (thus costing the PAN votes against the PRI if not for the PAN). Other PAN members see the Frente as a ploy to siphon support from PAN groups who favor state protection of industry.

An irony in the new equation is that as the statist-oriented FDN tries to organize a successful long-term movement, the PRI and the PAN may be forced into an implicit alliance against the Frente-the PRI of MMH and CSG is privatist oriented, as is the core of PAN.

Conclusions

In tracing the outlines of Mexican twentieth century history through six ideological periods, we have seen the complexity of affairs. Few problems have been "solved"; rather, problems are half-resolved before new ones take priority. Mexico's experience since 1910 has involved a series of crises which are reacted to and partially resolved in ways that interact with new historical events. The ironies that one can find in this process are numerous.

The Official Party of the Revolution justifies its maintenance of power by the need to resolve crises in development, but that desire itself generated opposition which led the PRI in 1986 to foresee its eventual loss of majority status. The electoral code of that year provides the complicated mechanisms by which the PRI will try to preserve the "benefits" of majority party rule, and the opposition will now need to seek revision of that code and to obtain ever greater representation at all electoral levels. If the opposition can defeat the PRI's policy of attempting to confine electoral challenge to the Chamber of Deputies, then Mexico can move forward gradually from "one-party democracy" to a multiparty system.

Although many positive developments have taken place in the six periods, some accumulated "non-political" problems bode ill for Mexico's development. As the Official Party attempts to privatize the economy, for example, it does so without a private banking system and with little financial liquidity. Real deposits in the government-owned banks have fallen to 53 percent of the pre-nationalization level of 1982, for example, but the PRI seemingly has difficulty giving up majority control; until it does so, it cannot generate the confidence needed to encourage the return to Mexico of the majority amount of

funds which fled. CSG will have to ponder this problem and resolve it by preventing a revolt from the left wing of the PRI dominated by JLP and LEA, who would strongly protest denationalization of the banks as would the newly powerful Democratic Front.

Yet Mexico's present crisis since 1982 can be seen as a healthy one, which has provided the first real incentive to overcome the statism that could only prevail at a high cost. As long as the money flowed, implicit pacts would keep interested parties working to support the Official Party in ways that did not make economic sense. But the state structure should be dismantled in a way that would not harm Mexico's economic base and that would cushion the blow to Mexico's workers as the country shifts from an inefficient base to one that can compete in the modern world. How to manage this shift is the issue that CSG will face when inaugurated in December 1988. Ironically, the PRI may lose the Mexico City vote and win the election by relying on its compliant peasant base in the poor southern states.

The ironies of Mexico's "Permanent Revolution" are compounded by the traditional classification of presidents as being of the left or right. For example, Gustavo Díaz Ordaz (GDO) is seen as a rightist mainly for his attacks on the students in 1968, but, as the data given here on land reform show, he published more resolutions to distribute land to ejidatarios than any other president and he actually distributed almost as much as did Lázaro Cárdenas, the hero of the left.

Although since 1976 presidents have lost interest in land reform as they focus on industrialization and converting Mexico to an export-oriented country, the historical problem of land will linger. The expanding population will never fit on the land, but the land reform cannot easily be undone. A major test of the "Revolutionariness" of the PRI is its continued distribution of land to the peasants, its strongest supporters. Future presidents must rationalize the need for large-scale commercial agriculture to supply the majority urban population who want inexpensive food, yet must find nontraditional ways to help the peasants who live in increasingly impoverished economic conditions.

This interpretation of the six ideological phases governing Mexican history since 1910 has drawn on long-term quantitative data to suggest the nature of the contradictions and problems faced by Mexico's leaders. The themes considered here exemplify the broad range of social and economic issues that interact with political matters. It is hoped that this overarching view of the meaning of Mexico's past provides a basis for thinking about the country's alternative futures.

Postscript, October 1988, Puerto Vallarta, Jalisco

Since spring 1988 when this volume was prepared for publication, Mexico has undergone unprecedented political change while socioeconomic problems continue to multiply. Though consistent with the threat to the PRI's power as analyzed above, the far-reaching results of the July elections have been a surprise to most participants, including the PRI, PAN, FDN, and voters.

Although only one-third of the 1988 pre-election polls predicted that Salinas would win the presidential election, three-quarters showed him winning only a relative majority, not the coveted absolute one. Whereas most opinion polls put CSG's victory in the

37 to 47 percent range, El Colegio de México and the UNAM Faculty of Political and Social Sciences workshop each forecast that CSG would win with 61.4 percent of the ballots.⁶⁰

However, depth of discontent with the Official Party was so great and monitoring of voting places by the PRI's opposition so effective that when the first electoral results became known after the polls closed on July 6, the FDN realized that it could claim victory. The government, which had banned the Gallup organization from conducting exit polls on July 6 and which delayed releasing the vote results, soon had to admit not only that it won by bare relative majorities for the presidency and for the Chamber of Deputies, but also that it had to cede four seats in the 64-seat senate and recognize that it won only 39.4 percent of the vote for the Assembly of Representatives of the Federal District. As the contested vote count continued, both the FDN and the PAN rejected the PRI's claim to victory.

Four views of the presidential election results are given in Table 17. According to the opposition FDN, it won the election with 39.4 percent of the vote to 35.8 for the PRI. This view is buttressed by "military" data on the election leaked to the PMS, an ally of the FDN. (It seems that the military, in charge of transporting and guarding the votes, was privy to this "real" vote count and subsequent manipulation by the PRI.) But the Comisión Federal Electoral reported that the PRI had won 50.4 percent. When the Chamber of Deputies met in September to certify the results, the PRI majority raised the amount by .3 percent, thus giving it the 51 percent required to claim a "mandate." The PAN, which like the FDN had monitored polling places throughout Mexico, also promised to release its independent view of the results, but it did not do so. Some observers have suggested that the PAN may have won even fewer votes than the 17 percent indicated by the official results. Yet the FDN view suggests that the PAN won 4 to 5 percent more votes than the government would admit. Oddly, some PANistas continued to argue that the FDN had been created by the government in order to discredit the PAN and its role as the traditional opposition to the PRI.

With regard to the vote count, the government legally is obligated after the election to open all voting records for verification by the parties involved, but records were opened for only 55 percent of the polling places. The government promised that the records for the remaining 45 percent would be made

⁶⁰ For a survey of the 1988 opinion polls leading up to the Mexican election, see "Del Impacto Político de los Sondeos de Opinión," *El Cotidiano* 25 (1988), p. 29. On the UNAM poll (conducted by only three professors for a nonexistent "workshop") and on Call up poll results claimed to be for May 1988 but which actually may have been March (which gave CSG 56 percent, Cárdenas 23 percent, and Clouthier 19 percent), see Dan Williams, "Polls Becoming an Issue in Mexico's Campaign," *Los Angeles Times*, June 28, 1988. See also, Dan Williams, "México Bans Exit Polls for Today's Election," *Los Angeles Times*, July 6, 1988, who notes that the PRI officials expected CSG to win 55 to 60 percent of the vote, with Cárdenas and Clouthier sharing 20 percent each.

available for inspection, but in the end did not do so because the records apparently showed that the PRI had been defeated. Thus the Official Party deputies voted in a bloc to declare Salinas president-elect of Mexico, an act which led the FDN to announce that the PRI had consummated a "technical coup d'état,"⁶¹ not through a military coup but through an "illegitimate" action which required popular resistance. Although the PAN voted against Salinas, within two months it announced recognition of the PRI candidate as president-elect.

The basis for concluding that the PRI was defeated in the 1988 presidential election is found in Table 18 which shows that according to the verified vote Cárdenas won the election with 39 percent, the amount claimed by the FDN. Given that Salinas won only 34 percent of the verified vote, he would have had to win 67 percent of the unverified vote in 24,642 places to overcome Cárdenas's advantage. Cárdenas's verified percentage would have to be cut nearly in half in the unverified vote, an unlikely event in light of the strong trend in the verified 55 percent. The PRI claims that the unverified vote came from distant rural areas, mainly in the south, which traditionally vote for the Official Party. Although this trend may have been strong in the past, the decline in land reform (depicted in Table 2, above) means that such support must have weakened. It is doubtful that the PRI won 89.9 percent of the vote in Chiapas (Table 19), as certified by the Comisión Federal Electoral.

While the PRI won a relative majority of votes among ballots cast, other ratios were not so favorable. The share of registered voters who backed the PRI was only 25 percent. The PRI's share of voting-age population (registered or not) was perhaps as low as 18.5 percent (Table 20).

The decline in the legitimacy of the Official Party is revealed in Table 21. The percentage of registered voters favoring the current political system, since it was established implicitly in 1917 and explicitly in 1929, was over 86 percent through 1976, except in 1946 and 1952 when the share fell into the 70 percent range. The PRI vote fell to 71 percent in 1982 when the present economic crisis began, and its fortunes again declined in 1988.

⁶¹ Marjorie Miller, "Salinas Okd as Mexico's Next President," *Los Angeles Times*, September 11, 1988.

Table 17

**COMPETING VIEWS OF 1988 PRESIDENTIAL ELECTION RESULTS
(100.0 Percent = Legal Vote)¹**

View	Salinas	Cárdenas	Manuel J. Clouthier	Other ⁶
Comisión Federal Electoral ²	50.4	31.1	17.1	1.4 ^a
Chamber of Deputies ³	50.7	31.1	16.8	1.4
Democratic Front ⁴	35.8	39.4	21.4	3.4
"Military" ⁵	30.4	32.1	35.4	2.1 ^b
PAN	... ^c	... ^c	... ^c	... ^c

1. Excludes nullified votes and votes for nonregistered candidates.

2. PRI-dominated official body, results of July 13, 1988, given in *El Cotidiano* 25 (1988), p. 16; see Table 19 below for complete data.

3. *Los Angeles Times*, September 11, 1988.

4. Frente Democrático Nacional, results of monitoring election polling places, dated July 12, 1988, supplied by Ricardo Pascoe Pierce.

5. Figures reported as leaked to PMS deputy Eduardo Valle, "'probablemente' provenientes del ejército" (*Proceso*, August 8, 1988, p. 19), here recalculated to total 19,037,793 (omitting a reported 584,929 nullified votes and 18,000 votes for nonregistered candidates).

6. PDM's Gumerindo Magaña Negrete (GMN) and PRT's Rosario Ibarra de Piedra (RIP).

a. The Comisión Federal Electoral credited GMN with 1.0 percent and RIP with .4 percent.

b. Reputedly 1.1 percent for GMN and 1.0 percent for RIP.

c. The PAN promised to release its own monitoring of election polling places but never did so.

Table 18

**PERCENTAGE OF "UNVERIFIED VOTES" NEEDED BY
SALINAS TO GAIN 50.4 PERCENT AND OVERCOME
"VERIFIED VOTES" WON BY CARDENAS FOR
THE PRESIDENCY IN 1988**

Category	Verified	Unverified	Total
Total ¹	100 ^a	100 ^b	100.0 ^c
Salinas	34	67	50.4
Cárdenas	39	20	31.1
Clouthier	22	12	17.1
Other	5	1	2.5

1. Total polling places: 54,641 at which 19,099,157 votes were cast.

a. Verification by political parties² for 29,999 polling places at which 10,313,544 votes were cast.

b. Unverified vote for 24,642 polling places at which 8,785,613 votes were cast.

c. See note 1.

SOURCE: Pablo González Casanova, "La Democracia Transparente," *La Jornada*, August 3, 1988, p. 11.

It is not uncommon for some Mexican intellectuals to argue that the Official Party is now rejected by more than 80 percent of the voting-age population. Such views are based, however, on the questionable assumption that all persons who do not register or who vote for opposition parties or who cast invalid ballots are rejecting the whole Mexican political system. To make this argument, one adds the number of nonregistered voters (14.1 million) to the number of those registered who did not vote (18.9 million) to reach a figure of 33.0 million alienated persons among the 52.2 million of voting age, or 63.2 percent.

To the 33.0 million, one then adds 9.4 million who did not vote for Salinas, reaching 42.4 million or 81.2 percent.⁶²

The argument that more than 80 percent of potential voters have rejected the PRI does not account for the long-term trend which shows that the share of the age-eligible population which votes has never exceeded 57 percent (1940). Even between 1941 and 1976, when the Official Party enjoyed steady economic growth with only two periods of serious political protest (1958-60 and 1968), the share of voters in the voting-age population averaged about 47 percent (Table 21). That figure fell to 22 percent in 1982 but increased to 36 percent in 1988, not far below the 39 percent of 1970. To buttress the argument that the PRI is not necessarily on an automatic downward spiral, its share of voters among persons registered doubled between 1982 and 1988. The decline from 1982 to 1988 of the PRI's share of the vote from 47 to 19 percent of the voting-age population (Table 20) can be attributed in part to the Official Party's need to share percentages of the vote with the opposition parties that it had stimulated following the 1976 campaign, when the PAN did not (or could not) name a candidate.

Regardless of speculation about the presidential trend in Official Party legitimacy, the 1988 election results for federal deputies proved to be disastrous for the PRI. Opposition parties won 233 fixed seats or only 47 percent. Because the PRI won 51.9 percent

⁶² These calculations are based on Comisión Federal Electoral data given in *El Cotidiano* 25 (1988), p. 12. Calculations will vary depending upon the estimate used for population of voting age and even for the actual number of persons registered. If data on registration were used from MMH's *Sexto Informe de Gobierno* (p. 17), they would increase by 860,000 for 1982 and decrease 495,000 for 1988.

Table 19
VOTING FOR MEXICAN PRESIDENTIAL CANDIDATES, BY STATE, 1988
(Percent)

Totals = 100.0 Percent								
State	MJC ¹	CSG ²	CCS ³	GMN ⁴	RIP ⁵	Total	Registered	Percent Voting ⁶
Total	17.07	50.36	31.12	1.04	.42	19,145,012	38,074,926	50.28
Aguascalientes	28.42	50.21	18.67	2.41	.29	168,899	334,920	50.43
Baja California	24.39	36.66	37.19	.81	.95	413,953	817,466	50.64
Baja California Sur	19.00	54.02	25.87	.48	.63	85,643	150,348	56.96
Campeche	12.37	70.88	16.30	.32	.14	116,107	229,954	50.49
Coahuila	15.34	54.27	29.95	.29	.14	328,239	866,211	37.89
Colima	14.80	47.83	35.74	1.05	.58	97,316	218,028	44.63
Chiapas	3.39	89.91	6.45	.14	.11	658,195	1,189,034	55.36
Chihuahua	38.19	54.58	6.77	.27	.20	521,995	1,295,067	40.31
Distrito Federal	22.01	27.25	49.22	.79	.74	2,904,169	5,095,462	57.00
Durango	16.99	63.63	18.82	.23	.33	356,446	682,290	52.24
Guanajuato	29.93	44.03	22.01	3.80	.23	726,312	1,572,760	46.18
Guerrero	2.44	60.53	35.80	.86	.37	510,797	1,200,804	42.54
Hidalgo	5.84	64.72	28.26	.91	.28	421,893	812,252	51.94
Jalisco	30.76	42.57	23.87	2.50	.30	1,194,247	2,514,777	47.49
México	16.33	29.79	51.58	1.55	.75	2,331,479	4,190,232	55.64
Michoacán	10.28	23.21	64.16	2.11	.24	614,899	1,530,443	40.18
Morelos	7.44	33.74	57.65	.67	.51	278,208	583,597	47.67
Nayarit	5.72	56.56	36.80	.71	.20	205,214	405,300	50.63
Nuevo León	23.70	72.08	3.83	.21	.18	704,156	1,509,564	46.65
Oaxaca	4.63	63.81	30.25	.47	.83	628,155	1,364,539	46.03
Puebla	9.87	71.55	17.69	.56	.33	1,091,658	1,695,380	64.39
Querétaro	19.43	63.34	15.81	1.16	.27	238,058	409,408	58.15
Quintana Roo	9.69	65.70	24.14	.32	.15	94,322	188,191	50.12
San Luis Potosí	21.15	68.25	8.81	1.61	.18	380,418	868,279	43.81
Sinaloa	32.07	50.81	16.75	.20	.16	623,904	1,113,969	56.01
Sonora	20.85	68.59	9.98	.27	.31	410,386	899,250	45.64
Tabasco	5.25	74.30	19.94	.42	.09	268,071	634,687	42.24
Tamaulipas	9.91	59.33	30.15	.44	.18	470,309	1,120,265	41.98
Tlaxcala	5.88	60.21	31.00	2.53	.39	184,000	331,907	55.44
Veracruz	5.21	62.59	31.05	.88	.28	1,516,257	3,045,721	49.78
Yucatán	31.19	67.08	1.61	.06	.06	307,657	602,041	51.10
Zacatecas	10.77	66.17	22.31	.62	.14	293,650	602,780	48.72

1. MJC = Manuel J. Clouthier.

2. CSG = Carlos Salinas de Gortari.

3. CCS = Cuauhtémoc Cárdenas Solórzano.

4. GMN = Gumersindo Magaña Negrete.

5. RIP = Rosario Ibarra de Piedra.

6. Voters as share of registered voters.

SOURCE: Comisión Federal Electoral data, quoted in *El Cotidiano* 25 (1988), p. 16.

of the votes cast nationally for deputies.⁶³ however, under the 1986 election law it became eligible to receive the 27 proportional representation seats needed to maintain an absolute majority, in this case 52 percent of the seats. Of the newly won 240 opposition seats in the Chamber of Deputies, the FDN won 28 percent and the PAN 20 percent. Thus in one blow the opposition increased its number of seats in the Chamber by 78 percent (compare Tables 16 and 22).

⁶³ Absolute data on the number of votes for deputies (16,116,818) yield the following percentages supplied by the Chamber of Deputies: PRI, 51.93; PAN, 18.34; PPS 9.37; PMS, 4.53; PFCRN, 9.54.

Beyond the Chamber of Deputies, the FDN broke into the Senate, where it captured four seats. Porfirio Muñoz Ledo was elected senator from the Federal District, which now hails him as a hero as he moves about Mexico City. He is credited with having used the political experience that he developed within the PRI to out-campaign the PRI in its seat of power.

In the new Assembly of Representatives of the Federal District, inaugurated in October 1988, the PRI won only 26 of the 66-seat total, or 39.4 percent. This relative majority made it eligible to win the 8 proportional seats needed to give it the absolute majority, as required by law according to MMH's 1987 statement that one-party leadership must be maintained in Mexico.

Table 20
PRI LEGITIMACY, 1982 AND 1988

Category	1982	1988
	Millions	
Votes for the PRI ¹	16.75	9.64
Voting-Age Population	35.72	52.21
Registered Voters	31.53	38.07
Voters	23.59	19.15
	Percent	
PRI Vote/Voting-Age Population	46.9	23.0
PRI Vote/Registered Voters	53.1	25.3
PRI Vote/Voters	71.0	50.4

1. In 1982 includes PPS and PARM.

SOURCE: Adapted from *El Cotidiano* 25 (1988), p. 15, and *Geografía de las Elecciones Presidenciales de México, 1988* (México, D.F.: Fundación Arturo Rosenblueth, 1988), p. 6.

The opposition in the Assembly won 48 percent of the seats. But where the FDN won the major opposition role in the Chamber of Deputies and Senate, in the Assembly that role went to the PAN, causing many observers to question the vote count. The FDN victory in the Federal District (where 49 percent voted for Cárdenas, 27 percent for Salinas, and 22 percent for Clouthier) dictated odds that the FDN would be the major opposition party in the Assembly. Yet the FDN won only 21 percent of the seats in the Assembly compared with 27 percent for the PAN (Table 23).

Major PRI reactions to the rise of the FDN were at least five. First, PRI Secretary General Manuel Camacho Solís admitted that since July 6 for the first time in history the Official Party can no longer count on the necessary majority to change the constitution.⁶⁴ He has proposed to "modernize Mexican politics," and for the Salinas campaign plan to bury the idea of pure "revolutionary nationalism" which PRI reformers see as having been used by old-line party bosses to irrationally centralize political power. Further, in advancing the cause of rational decision-making by "técnicos" (as opposed to "políticos," who

⁶⁴ Quoted in *El Día*, October 5, 1988.

govern by intrigue for personal gain),⁶⁵ Camacho Solís calls for the PRI to now open a "democratic dialogue with the opposition parties," thus developing understandings and "even alliances."⁶⁶

⁶⁵ See José Martínez, "Cambiar las Reglas del Juego, Meta de la Política Moderna," *El Financiero*, October 3, 1988.

⁶⁶ Quoted in "Los Neoideólogos del PRI Proponen Hasta la Renovación Sindical Que Fidel Pretende Parar," *Proceso*, September 12, 1988, pp. 22-23.

Table 21

**MEXICO PRESIDENTIAL ELECTIONS:
VOTING-AGE POPULATION,¹ REGISTRATION, AND VOTING,
1917-88**

Year	A. Voting Age (Millions)	B. Percent of Voting Age Population Voting ^{2,3}	Registered Citizens	
			C. Percent Voting ²	D. Percent Voting for Official Party ⁴
1917	3.2	25		97.1
1920	3.4	35		95.8
1924	3.6	44		84.1
1928	3.9	43		100.0
1929	3.9	53		93.6
1934	4.2	54		98.2
1940	4.6	57		93.9
1946	5.2	56	92 ^c	77.9
1952	6.4	44	73	74.3
1958 ^a	14.5	51	68	90.4
1964	18.6	50	69	89.0
1970	22.8	39	65	86.0
1976 ^b	29.7	40	69	92.3
1982	35.7	22	25	71.0
1988	52.2	36	50	50.7 ^d

1. Through 1973 the voting-age population is calculated as age 20 or over (according to the law only married men over 18 and single men over 21 could vote until the electoral reform of 1954 when women of the same ages as men were allowed to vote). Since 1973 the pool of eligible voters includes all persons age 18 or over. Registration and voting have been obligatory under the Constitution of 1917, but this provision has not been enforced.

2. The total votes in any year given may be only for "legal votes," that is, votes for legally registered candidates and votes not nullified because of protest markings or suspected vote fraud.

3. The percent of the citizenry voting (participation rate of voting-age population) is susceptible to change depending upon differing calculations of the number of persons eligible to vote and upon the varying inclusion of nullified votes and votes for candidates not legally registered. The average participation rate for the ten Mexican presidential elections between 1934 and 1988 is 45 percent (calculated from Col. B), which is 12 percent less than the average participation rate of 57 percent for the United States (based upon valid votes cast and counted as defined by each state) for the fourteen elections between 1932 and 1984 (calculated from data in *World Almanac, 1987*, p. 305), the U.S. high being 63 percent in 1960 and the low being 51 percent in 1948.

4. Usually for legal (i.e., valid) vote.

a. First presidential election in which women voted.

b. First presidential election in which minimum voting age became 18.

c. Prior data not available.

d. The Comisión Federal Electoral certified the total as 50.4 percent, but the Chamber of Deputies raised the total to 50.7 percent when it declared Salinas president of Mexico on September 10, 1988, thus giving him a mandate of 51 percent.

SOURCE: Cols. A-C, 1917-40, Pablo González Casanova, *Democracy in Mexico* (New York: Oxford University Press, 1970), p. 221;
1946-76, Banco Nacional de México, *México Social, 1984*, p. 399;
1982-88, *El Cotidiano* 25 (1988), p. 12.
Col. D, 1917-70, Wilkie, *Statistics and National Policy*, p. 28;
1976, Banco Nacional de México, *México Social, 1984*, p. 399;
1982-88, *El Cotidiano* 25 (1988), p. 12.

For the historical view, see Wilkie, *La Revolución Mexicana (1910-1976)*, *Gasto Federal y Cambio Social*, p. 398; and for 1988, see *Excelsior's* view of July 21, "Election Results According to Economic and Social Structure," translated (with maps and graphs) in *U.S.-Mexico Report* (PROFMEX, Nason House, New Mexico State University), August 1988, pp. 13-20.

Table 22

**SEATS IN MEXICO'S CHAMBER OF DEPUTIES, 1988
(Number)**

Type of Seat	Total	PRI	PAN	Frente Democrático Nacional ¹			
				PPS	PARM	PMS ²	PRCRN ³
Number of Electoral-District Seats	300 ^a	233	38	1	6	0	22
Number of At-Large Seats	200 ^b	27	63	32	25	19	34
Total Seats	500	260	101 ^c	33 ^c	31 ^c	19 ^c	56 ^c
Percent	100	52	20	7	6	4	11

1. The FDN (see Table 23) also includes Corriente Democrática and Movimiento al Socialismo, groups not registered as political parties; each group retains its identity, with PMS as ally.

2. Partido Mexicano Socialista, registered in June 1987.

3. Partido Frente Cardenista de Reconstrucción Nacional, registered in September 1987.

a. Three hundred seats elected by relative majority vote.

b. Two hundred seats elected by proportional share of votes received by each party winning 1.5 percent of the votes cast for deputies.

c. Total opposition seats = 240 (48 percent): 139 for FDN (28 percent) and 101 for PAN (20 percent).

SOURCE: México, Cámara de Diputados, "Relación de Diputados Electos de Mayoría Relativa y de Representación Proporcional Integrantes de la 'LIV Legislatura,' " Mexico City, n.d.

Table 23

**SEATS IN FEDERAL DISTRICT ASSEMBLY OF
REPRESENTATIVES,¹ 1988
(Includes Majority and Proportional Seats)**

Party	Seats	Percent
PRI	34 ^a	51.5
PAN	18	27.3
FDN ²	14	21.2 ^b
PARM ³	2	3.0
PFCRN ⁴	3	4.5
PPS ⁵	3	4.5
FDN-coalition	3	4.5
PMS ⁶ (FDN ally)	3	4.5

1. Ostensible seats, not yet confirmed by the Assembly, which has control over its 66-seat membership.
 2. Frente Democrático Nacional, led by Cuauhtémoc Cárdenas and Porfirio Muñoz Ledo of the Corriente Democrática and Ricardo Pascoe Pierce and Adolfo Gilly of the Movimiento al Socialismo.
 3. Partido Auténtico de la Revolución Mexicana, led by Carlos Cantú Rosas.
 4. Partido Frente Cardenista de Reconstrucción Nacional, led by Rafael Aguilar Talamantes to capitalize on Cárdenas's name. Cárdenas is not a member.
 5. Partido Popular Socialista, led by Jorge Cruickshank García.
 6. Partido Mexicano Socialista, led by Heberto Castillo, Pablo Gómez, and Gilberto Rincón Gallardo.
- a. The PRI won only 26 majority seats; with this relative majority, it was awarded 8 proportional seats to gain the absolute majority required by law.
- b. Total does not add to 21.2 owing to rounding of the five subtotals.

SOURCE: *El Día*, October 3, 1988.

Second, presidential confidant Enrique González Pedrero stated:

Since July 6 the transition toward full political democracy has begun.... The PRI has ceased being the only agglutinating force holding together all political parties.⁶⁷

Third, an unnamed old-line PRIista was quoted as criticizing the whole concept of the PRI having granted proportional representation seats in the Chamber of Deputies since 1964:⁶⁸

In all countries of the world which engage in electoral voting, those who obtain the majority of votes win and do not go about giving consolation prizes to those who lose, in our case gift seats.

⁶⁷ Quoted in *ibid*.

⁶⁸ Quoted by Hesiquio Aguilar, "Con la Reforma Política al PRI le Salió el Tiro por la Culata," *Impacto*, September 22, 1988, p.9.

Let us suppose that for the same congressional post Juan, Alberto, and Pedro enter into competition. Only one wins and the votes for the other two are lost, as in the lottery. Their votes are not transferred later to others in the losing party in order to make a deputy.

This unnamed PRIista concluded by noting that the "popular will is indivisible" and cannot be apportioned to reward losers, "in many cases even including persons who did not take part in the election."

Fourth, Fidel Velázquez, effective head of the PRI's Confederación de Trabajadores de México (CTM) since 1941, said:⁶⁹

instead of fighting the opposition, the PRI has ceded power step-by-step, each negotiation leading to the opposition's benefit; members of the PRI have been uselessly sacrificed [in the elections], among them some members of the CTM in order to give more power to the opposition. The labor movement is not in accord with these tactics because they lead to defeat and failure.

Further, in reacting to the FDN's unprecedented September 1 demonstration that interrupted MMH during his sixth presidential address, Fidel publicly called demonstration leader Porfirio Muñoz Ledo an uncivilized leader and, specifically, an "hijo de puta."⁷⁰

Fifth, PRI president Jorge de la Vega, noted for his caution and blandness, startled the nation in a speech September 16 when he made thinly veiled threats against the FDN, which, ironically, he labeled with the following adjectives: foul-mouthed, calumnious, peurile, immoral, perverse, lying, fascist, simplistic, disruptive, destabilizing, intransigent, dogmatic, degrading, offensive, insolent, insensible, strident, provocative, reactionary, and utopian.⁷¹

Confronted by this harsh reaction in the PRI, Salinas faces at least three wings. Emerging at the center, Salinas and Camacho Solís had to convince the PRI right wing, led by spokesmen such as Fidel Velázquez, to allow PML to be seated in the Senate; and they have to take into account the PRI's left wing, now called the Corriente Crítica, made up of former collaborators of the Corriente Democrática who did not leave the Official Party to join the FDN and its proposed new Partido de la Revolución Democrática (PRD).

The task of Salinas will be to mediate among the wings of the PRI and to end the monopoly of his own monetarist group which governed with exclusivity under MMH, who brought him to power. One of Salinas's proposed plans for "modernizing the PRI" is to end the party's corporate basis and institute geographic representation. PRI leaders would be chosen to represent states, cities, towns, and places rather than organizations such as the National Confederation of Peasants and the CTM. Clearly this

⁶⁹ Quoted in *Tiempo*, September 20, 1988, p. 19.

⁷⁰ Quoted in *Mexico Journal*, September 19, 1988, p. 11.

⁷¹ Quoted in Fernando Heftey, "La Franciscana Actitud de De la Vega Se Toma Violenta," *Impacto*, September 22, 1988, p. 55.

would make the PRI more accountable to the various regions of Mexico. The 88-year old Fidel Velázquez will present a problem to the PRI if it tries to eliminate the CTM as one of the pillars of the Official Party; indeed his followers have threatened to break with the PRI to form a party of the proletariat,⁷² should Salinas further weaken the role of the state or further damage the Official Party by "surrendering" to the opposition such major posts as governorships.

In light of these problems, and the Official Party's historical justification of its one-party rule as required to manage successive crises in the six ideological stages of Mexico's national development, I have joked that perhaps the most to which Salinas can aspire politically is to reconstitute the PRI with a new title such as Partido de la Crisis Permanente (PCP). A PCP could attempt to resolve the crises within the Official Party as well as in the nation.

The big opposition parties have also been affected by the July 6 election results. The PAN must reconcile itself to the fact that it is no longer the major opposition party, which can benefit from votes by citizens who merely want to vote against the PRI.

To challenge the PRI and to maintain its position vis-a-vis the PAN, the FDN must establish itself under one banner as the PRD; otherwise it will lose state elections. (By late 1988 the FDN was still not able to follow up its July 6 triumph, for example, losing the struggle to win governorships in Tabasco and Veracruz.) The PPS and PFCRN have now stated that they will not join the PRD, making state victories problematic even if the FDN were not opposed vehemently by Fidel Velázquez and other old guard PRIistas. To complicate matters for the Cárdenas-led PRD, the PFCRN will confuse voters by appearing to be the Cárdenas party.

To win federal elections, the opposition parties will have to unite to wrest control from the Federal Election Commission. The Official Party-government bloc has dominated the Commission for 33 of its 43 years of existence, as is shown in Table 24. Although the PRI theoretically played a minority role for eight years from 1979 to 1987, the PRI was always easily able to retain control by winning the support of a divided opposition. With MMH's realization in 1987 that its days were numbered as the unquestioned power, the PRI-government bloc was given a strong majority position.

Although the 1987 election code attempted to modernize electoral practices by providing public funds to all political parties, the code did not live up to the myth created about the benefits to opposition parties. According to the myth propagated by MMH, under the code

⁷² Salvador Corro, "La Estructura Infiltrada por Reacciones: Si Desvía el Rumbo, la CTM hará Otro Partido: [Arturo Romo] Gutiérrez," *Proceso*, October 24, 1988, pp. 20-21.

Table 24
MEMBERSHIP OF MEXICO'S COMISION FEDERAL ELECTORAL,
SINCE 1946

Category	1946-50	1951-72	1973-78	1979-82	1982-84	1985-87	1987-
Government Members	4 ^a	3 ^d	3 ^d	4 ^g	4 ^g	4 ^g	3 ^h
PRI Members	1 ^b	1 ^b	1 ^b	1 ^b	1 ^b	1 ^b	16 ⁱ
Total PRI-Government	5	4	4	5	5	5	19
Opposition Members	1 ^c	2 ^e	3 ^f	6 ^f	6 ^f	8 ^f	12 ⁱ

- a. Secretary of Interior, one other cabinet member, one senator, and one deputy.
- b. Named by the PRI.
- c. Named by one opposition party.
- d. Secretary of Interior, one senator, one deputy.
- e. Named by two opposition parties.
- f. All definitively registered parties given representation.
- g. Notary, presumably voting with PRI.
- h. Notary eliminated.
- i. Each party entitled to one member for each 1.5 percent of the vote received in previous presidential election, up to a maximum of 16 representatives.

SOURCE: Juan Molinar, "La Asfixia Electoral," *Nexos* 123 (1988), p. 40.

each party, regardless of size, was given an equal amount of free air time on all radio and television stations in the nation-this year more than 51 hours per party. Each party also received federal funds in proportion to its electoral support in previous elections.⁷³

The reality of the electoral code for the 1988 elections is quite different.⁷⁴ True, opposition parties were given access to radio and television but only in officially approved time slots, usually at undesirable hours. The parties received the right to use the mail and telegraph without charge, but not the expensive phone and telex services required to run an effective campaign. The funds provided to each party depend on the average cost of electing a federal deputy, but in the last election (1985) did not take into account inflation (over 600 percent). Thus the PPS and PFCRN each received about 15,000 dollars monthly in public funds, the PARM about 9,000 dollars. (The PAN refused any cash subsidy, but used its tax-free right to raffle an auto.) Such small amounts of funds could not have provided prime-time television even if the opposition were permitted access.

Mexico City television, which has only seven full-service channels, gave complete coverage only to the PRI. Two of the channels are run outright by the government and five are run by Televisa, a private company which is closely identified with government policy. (The Instituto Politécnico Nacional runs a limited educational channel.) The government channels and Televisa gave the PRI complete, live campaign coverage but covered the opposition parties by interviewing only their leaders, thus avoiding the projection of any crowd scenes not supporting the PRI.

⁷³ The myth was developed for U.S. consumption by Mark Edward Moran, a Washington lobbyist representing the office of the president of Mexico, in an Op-Ed article, "Rise of Opposition Doesn't Spell the End of Mexico's No. 1 Party," *Los Angeles Times*, September 23, 1988.

⁷⁴ On the reality of public funding of elections in Mexico, see Miguel Cabildo, Gerardo Galarza, and Rodrigo Vera, "La Oposición o el Arte de Hacer Política sin Recursos Económicos," *Proceso*, October 31, 1988, pp. 6-11.

Televisa's support of the PRI became so one sided that its programming ethics were the subject of public censure. For example, immediately after the election Televisa politically edited its serial "Senda de Gloria" (a historical drama on the Revolution from 1917 to 1938), censoring it to omit mention of Lázaro Cárdenas. According to the historian who coauthored the serial, the omission of references to Cárdenas cost the entire serial not only the resolution of the historical themes taken up from the outset, but also its dramatic conclusion.⁷⁵

To protest Televisa's openly biased news program "24 Horas," the PAN not only called for a national viewers' boycott, but was also instrumental in the launching by the Comisión Federal Electoral of an investigation of Televisa's news programming.⁷⁶

The PRI's use of television in the presidential campaign was unprecedented and took advantage of the fact that the country has an estimated 20 million television sets that now reach two-thirds of the population. Televisa not only gave 90 percent of its news coverage to CSG, but it donated time for more than thirty CSG "dialogues" with citizens who phoned in to discuss issues or make complaints.⁷⁷ Speaking by telephone in a controlled setting, CSG exuded warmth and genuine concern in his conversations with callers; perhaps selected for their nonpartisan tone, many of them openly criticized the government. In my view, CSG was at his best in these television dialogues, which presented him from a low camera angle which enlarged his presence on the screen. Certainly CSG's small stature did not help him on the campaign trail.

CSG's preference for using television during the campaign can be understood in light of the difficulties of traveling among the people, which he tried to confine to lightning-like visits. Too often for comfort he was greeted by either small crowds or open hostility. For example, in Coahuila picket sticks were hurled at him by angry peasants and in Yucatán water balloons were dropped on him from a movie theater. In Morelos sugarcane workers beat angrily on his bus.⁷⁸ Such incidents had never happened in the previous ten presidential campaign tours managed by the Official Party, dating back to 1934 when Lázaro Cárdenas initiated travel to every corner of the republic. Television did not show CSG's problems en route, but rather focused on places where he was well received.

Newspaper treatment of the 1988 election campaign was somewhat more fair than television coverage, especially in reporting the size of Cuauhtémoc's crowds, but it had grave limits stemming from the PRI's tradition of buying newspaper coverage. According to one keen V.S. observer:

⁷⁵ See historian Fausto Zerón Medina's letters of complaint directed to Miguel Alemán Velasco, president of Televisa, and the sponsors of "Senda de Gloria" for whom he coauthored the teleplay (*Proceso*, August 8, 1988, p. 24). See also Carlos Marín, "Los Autores de 'Senda de Gloria' Repudian la Mutilación de Su Obra," *ibid.*, pp.20-27.

⁷⁶ On unfair television coverage, see Pascual Salanueva Camargo, "Denuncia de la Comisión Federal Contra... Televisa por Difamación y Calumnia," *La Jornada*, July 13, 1988.

⁷⁷ On CSG's use of television, see John Ross, "México: PRI Candidate Salinas Plays Populist, Proves Media Mastery," *Latinamerica Press* (Lima), June 30, 1988.

⁷⁸ *Ibid.*

Reporters receive free room and board on the campaign trail; telephone service is gratis. Traditionally in Mexico, reporters are paid extra money by the government ministries that they cover, and the same holds true for the PRI campaign.... Over the course of the eight-month campaign, the sum of such payments runs into thousands of dollars, reporters say.

Opposition campaigns receive front-page coverage in most newspapers, although the placement of stories on the page reflects a clear bias toward the PRI. First, all opposition parties are treated as equally inferior. The miniscule campaign of the right-wing Mexican Democratic Party is often given the same weight as Cárdenas's surprisingly strong campaign.

Moreover, exceptional displays of support for the opposition are often belittled in the press. A recent unprecedented turnout of supporters of Clouthier ... along 10 miles of Insurgents Avenue in Mexico City was generally scorned by the capital's newspapers.⁷⁹

Beyond propaganda, the Official Party has an advantage over the opposition parties that no electoral code can offset. Government welfare programs are routinely carried out under the PRI's red, white, and green emblem, making it difficult to tell where the government ends and the PRI begins. For example, tortiobonos (government coupons permitting Consumers to buy two pounds of tortillas at about one-seventh their regular price) are distributed by PRI membership recruiters, as are cards enabling parents to obtain free milk for their children.⁸⁰

The election on July 6 was itself uneventful, much to the surprise of V.S. observers who flocked to Mexico to watch the proceedings. What the observers saw was citizens voting peacefully in secret balloting. They did not realize that the real action takes place after the election when the vote totals are released and public comment begins in the press.

The one event that jarred the campaign process was the murder of two FDN campaign functionaries. Because the murders remain unsolved, three theories, in the form of questions, have emerged in the FDN about the cause of the deaths. Did PRI rightwing thugs commit the murders to create an incident (perhaps involving a warning)? Were the murders nonpolitical revenge killings resulting from local hatreds in Michoacán? Or, in light of the crime wave sweeping Mexico since 1982, were the killings part of an ordinary robbery that was aborted?⁸¹

Indeed the problem of street crime had become so apparent during the MMH presidency that it was an issue in the presidential campaign. To overcome police inability to cope with crime and the rise of gangs, President-elect CSG is contemplating the creation of a federalized national police force made up of

⁷⁹ Dan Williams, "Mexicans Fear 'Alchery' May Mar Presidential Vote," *Los Angeles Times*, June 26, 1988.

⁸⁰ Dan Williams, "Campaign Tactics Under Fire in Mexico: Ruling Party Uses Government Resources, Cut-Rate Tortillas," *Los Angeles Times*, September 28, 1987.

⁸¹ On the murders of Francisco Xavier Ovando and Román Gil Hernández, see *Processo*, July 11, 1988, pp. 24-26.

45,000 agents, 15,000 from police groups to be abolished and 30,000 from the Mexican army.⁸² In recognizing that many of the currently employed police are simply criminals with badges who rob and kill each other as well as innocent citizens, the new government seems to realize that it must find new ways to protect the personal safety of the population,⁸³ a problem that has grown as the economy has faltered in the 1980s.

As president, Salinas must confront the continued decline in real minimum wages, depicted in Figure 8, which suggests the collapse in the standard of living for so many Mexicans. Through 1981 the minimum wage was fixed in January after which it declined throughout the year. To overcome the consequent problem of decline in worker purchasing power by mid-year, beginning in 1983 the government began to adjust the wage twice yearly, but inflation since 1986 has required readjustments from three to five times yearly. Despite five adjustments in 1987, the real wage still lost 14 percent in value between January and December (Table 25).

MMH attempted without much success to overcome a parallel collapse in capacity for economic production which is portrayed for Latin America in the data on investment of funds per worker (Table 26). Between 1981 and 1986, Mexico's capacity for economic production fell by 55.5 percent, the fifth worst case in Latin America after Chile, Bolivia, Argentina, and Costa Rica. Although Chile suffered the worst decline, 67.5 percent, it did so over three years and subsequently has begun to recover; Venezuela suffered the worst decline in one year (1983), 52.8 percent; and, like Mexico, it has failed to begin real recovery. In Latin America investment per worker had been rising for two decades prior to the foreign debt crisis of the 1980s; however, since 1981 the region's role has evolved from recipient of net financial transfers from abroad to sender of financial resources.

⁸² On the idea for a new national security corps, see *El Financiero*, October 4, 1988, p. 6. The problem of creating such a corps, of course, is that it could foster a police-state mentality; see Hesiquio Aguilar, "Mejorar la Seguridad sin Caer en un Estado-Policía: Ignacio Morales Lechua," *Impacto*, October 6, 1988, p. 9. Meanwhile the government of MMH is organizing citizens' security committees to intervene directly by working with police to plan for patrols, crime prevention, and elimination of prostitution, according to the *Mexico City News*, October 10, 1988.

⁸³ The presidential campaign of PRT's Rosario Ibarra de Piedra did much to focus on human rights problems in Mexico, especially the inability to account for 547 "disappeared persons" since 1968. Because of her success in locating 148 persons during the last ten years who were once counted as disappeared, she will not participate in the building of the PRD but will concentrate on locating persons and freeing political prisoners (*El Universal*, October 8, 1988, p. 12). On the 1987 sworn account by Mexican Army deserter Zacarías Osorio Cruz about his membership in a military death team that he claims killed hundreds of disappeared prisoners between 1978 and 1983, see John Ross, "The Heart of Evil," *Mexico Journal*, September 19, 1988, pp. 23-26. Osorio Cruz apparently worked at times under General José Hernández Toledo (earlier the military commander of the Federal District at the time of the 1968 Tlatelolco massacre and later head of the anti-guerrilla campaign in Guerrero during the mid-1970s). According to Antonio Hernández, who coordinates the PRT hunt for political prisoners, the government illegally seized several categories of persons: PRI political opponents, people within the PRI-run structure whose knowledge of certain events necessitates their "disappearance," and drug dealers who are often subjected to extortion in return for their freedom.

Mexico's shift in net financial transfers from abroad came in 1982, as can be seen in Table 27. From 1977 through 1981, the country received about 23.2 billion dollars in net funds, "windfall" mainly from sales of oil at high prices and borrowing to expand extraction of the black gold. Since 1982, the country has sent 48.9 billion dollars out of the country, mainly in government service of the foreign debt and private capital flight. Whereas net transfers added 6 percent to the GDP in 1977, after 1984 they subtracted almost 6 percent. The six years of net transfers out of the country between 1977 and 1987 were made at the expense of investment in Mexico's productive plant. The resulting time lag needed to recover from this long-term decline in investment has created a gap in research and the ability to compete in technological development that will take years to overcome. To resolve Mexico's economic problems, MMH continued to borrow abroad. By 1987 the foreign debt rose to 93.2 billion dollars in standard terms of 1980 (Table 6, part 2), an increase of 18 percent. MMH was able to reduce the total to 81.4 billion by the time he left office, but he did so at the high cost of slicing development funds for industry and agriculture as well as for social services.

Foreign debt interest payments by the Mexican central government, parastate agencies, and the private sector are also shown in Table 27. While they totaled 42.2 billion under JLP, they rose to 57.3 billion for the years of MMH. Under JLP the interest payments were offset by the positive flow of net transfers. Under MMH the payments constituted a serious drain on a situation that was already very serious.

The problem of the public debt is not only serious with regard to the funds that leave Mexico, but it is also serious because the public sector borrows internally to help service the debt. Hence the interest and amortization payments on the domestic and foreign debt absorb an increasing share of Mexico's GDP, as is evident in Table 28. Public sector payments as a share of GDP, which did not surpass 11 percent between 1971 and 1981, averaged 21.3 percent after the onset of the crisis. They reached an astounding 27.7 percent of GDP in 1986, the last year for which data are available. Whereas the central government used to account for less than half of the total public sector debt service in GDP, since the crisis it has accounted for up to 81 percent. Why?

Because there is little discretionary funding in the parastate agencies (which in any case collect and spend their own funds), the president of Mexico must rely on the Secretary of the Treasury to collect funds which he can then allocate flexibly to the central government or to cover deficits and debts in the parastate sector. As the central government has had to

Table 25

INDEX OF REAL MINIMUM SALARY DECLINE, 1977-89
(1978 = 100)

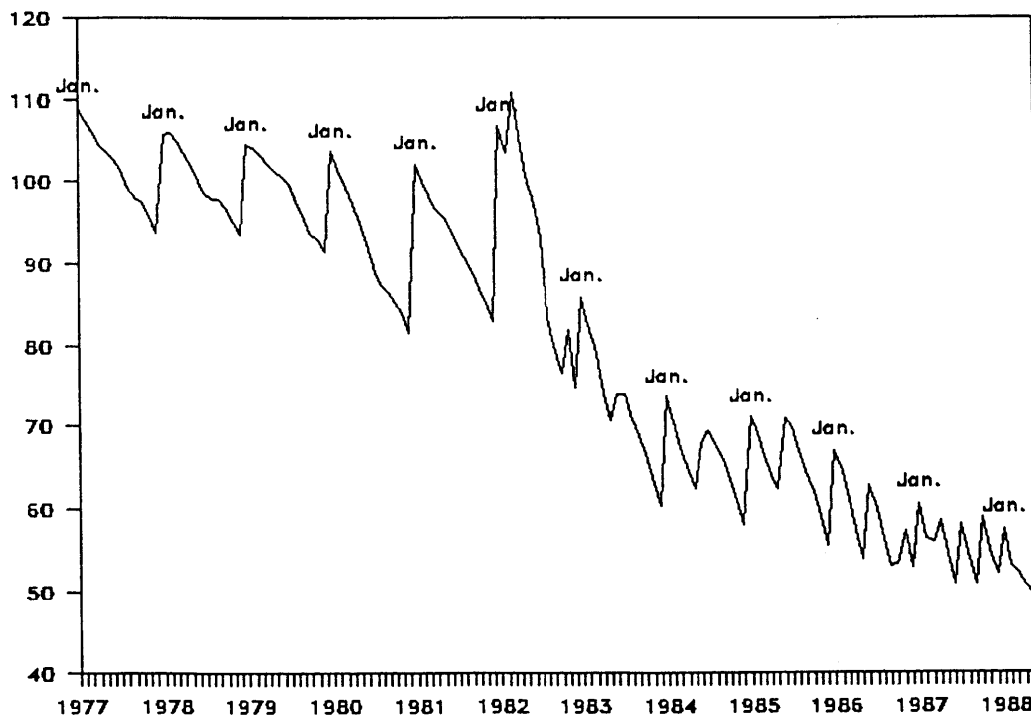
Year/Month	Index	Year/Month	Index	Year/Month	Index
1977	101.6	1981	92.9	1985	65.2
January	109.1	January	102.1	January	71.3
February	107.5	February	100.1	February	69.0
March	106.3	March	98.3	March	66.4
April	104.3	April	96.5	April	64.2
May	103.6	May	95.6	May	62.5
June	102.7	June	94.1	June	71.1
July	101.5	July	92.5	July	69.8
August	99.2	August	90.9	August	66.9
September	97.7	September	88.9	September	64.6
October	97.5	October	87.0	October	62.0
November	95.8	November	85.3	November	59.2
December	93.8	December	83.0	December	55.6
1978	100.2	1982	92.9	1986	58.4
January	105.9	January	106.8	January	67.0
February	106.0	February	103.5	February	64.6
March	105.0	March	110.7	March	61.3
April	103.6	April	105.6	April	57.6
May	101.9	May	100.6	May	54.0
June	100.0	June	97.2	June	62.8
July	98.5	July	93.0	July	60.0
August	97.9	August	83.7	August	56.3
September	97.9	September	80.0	September	53.2
October	96.6	October	76.6	October	53.5
November	94.9	November	82.0	November	57.3
December	93.5	December	74.8	December	53.0
1979	98.8	1983	72.5	1987	55.3
January	104.5	January	86.0	January	60.7
February	103.9	February	82.5	February	58.5
March	103.2	March	79.0	March	53.0
April	102.2	April	74.1	April	58.6
May	101.2	May	70.7	May	54.6
June	100.5	June	73.9	June	51.0
July	99.6	July	73.9	July	58.2
August	97.5	August	70.9	August	54.1
September	95.9	September	68.9	September	51.0
October	93.6	October	66.6	October	58.9
November	92.9	November	63.1	November	55.1
December	91.4	December	60.5	December	52.2
1980	91.9	1984	66.0	1988	49.2
January	103.7	January	73.7	January	57.6
February	101.5	February	70.4	February	53.2
March	99.2	March	67.4	March	52.4
April	97.2	April	64.5	April	50.8
May	95.0	May	62.4	May	49.8
June	92.4	June	68.1	June	48.6
July	89.0	July	69.5	July	47.6
August	87.3	August	67.5	August	47.3
September	86.6	September	65.9	September	46.9
October	85.3	October	63.4	October	46.3
November	84.1	November	61.1	November	45.6
December	81.6	December	58.1	December	44.5
				1989 ^a	45.2

a. January-October, 1989.

SOURCE: Comisión Nacional de Salarios Mínimos.

Figure 8

INDEX OF REAL MINIMUM WAGES, 1977-88
(1978 = 100)



SOURCE: Table 25.

increase its efforts to cover the debt, less is left to meet the demands of society for economic services (including credit) and public services.

The grave-situation into which Mexico has entered is depicted in the share of the central government actual expenditure devoted to servicing the debt (Table 29). Since 1986 the central government has actually spent more than 60 percent of its outlay for one purpose: to service the debt. This means that the ability of the government to solve problems in Mexico and to start new programs is near zero. The present situation contrasts starkly with data for other years, shown in Table 29 and Figure 9. After Díaz reached 32 percent in 1900-01, the share devoted to amortization and interest declined to 3.6 percent in 1931, during the trough of the depression. During World War II the share rose to 22.5 in 1942, but it did not reach that level on a regular basis until the 1960s. When López Mateos paid off loans early in the 1960s, debt service declined to 11.3 by 1976. The share increased to 43.4 percent by the time JLP left office; and the stage was set for the debt service to swallow the bulk of central government expenditure under MMH. (See Fig. 10.)

A developing country where the private sector has neither a tradition of social conscience nor the funds to make up for the fact that the central government has lost its flexibility, Mexico now must find its way on an uncharted path. The social needs for education and public health have increased with Mexico's rapidly expanding population even as budgets have been cut in these areas to service especially the

foreign debt, 49 percent of which is its direct responsibility (Table 6, Part II). Deficit spending will not solve Mexico's problem; it is already included in the expenditure data discussed here.

To put the best face on a bad financial situation and to convince domestic and foreign interest groups that the government is resolving economic problems, the government has taken the debt figures out of its analyses. By not providing the data in a usable way to the public, the government has been able to shift the focus from the time series presented in Tables 28 and 29.

To show itself in the best possible light, as having worked to successfully reduce deficit spending, the government has developed three views of the

Table 26
INVESTMENT PER WORKER IN LATIN AMERICA,¹ 1960-87
(1980 = 100.0)²

Country	1960	1970	1980	1981	1982	1983	1984	1985	1986	1987	Worst Decline ⁴	
											Percent	Number of Years
Argentina	55.6	76.8	100.0	75.7	60.1	53.1	46.9	36.9	43.1	49.5	63.1	5
Bolivia	60.5	108.4	100.0	111.9	63.8	62.6	54.3	70.3	40.8	46.3	63.5	5
Brazil	33.4	56.4	100.0	84.2	75.8	56.8	55.5	63.1	76.3	76.0		
Chile	47.4	97.0	100.0	119.2	40.4	32.5	55.8	50.9	56.7	69.7	72.7	2
Colombia	63.8	78.4	100.0	110.3	113.2	107.9	98.9	87.0	89.1	94.3		
Costa Rica	39.2	60.0	100.0	60.6	43.9	56.9	61.4	64.3	71.4	66.1	56.1	2
Dominican Rep.	20.5	52.5	100.0	86.2	77.4	76.6	68.5	69.1	68.6	83.0		
Ecuador	33.2	48.1	100.0	84.0	91.9	61.3	58.7	60.5	59.4	58.8		
El Salvador	97.7	93.7	100.0	93.2	81.2	72.1	72.0	65.9	77.6	73.7		
Guatemala	50.4	74.9	100.0	112.0	88.0	71.0	73.1	57.1	55.0	63.4		
Haiti	26.2	35.9	100.0	98.7	90.2	93.1	95.5	104.3	93.6	90.1		
Honduras	39.1	72.6	100.0	80.7	46.4	54.2	73.7	70.4	63.0	60.0		
Mexico	36.8	67.2	100.0	111.2	81.6	57.7	59.3	64.4	49.6	50.3	55.4	5
Nicaragua	75.8	130.5	100.0	147.2	116.9	122.3	118.8	113.8	108.2	98.5	33.1	6
Panama	33.9	88.1	100.0	109.4	98.8	76.1	65.8	68.3	74.7	67.0		
Paraguay	14.0	26.6	100.0	113.6	91.6	72.8	71.7	70.3	70.8	70.4		
Peru	54.9	59.5	100.0	117.1	105.7	63.8	55.9	46.1	57.2	56.8		
Uruguay	48.5	43.3	100.0	90.5	73.5	46.2	46.6	37.7	37.2	46.3		
Venezuela	67.8	102.3	100.0	96.8	105.6	49.8	59.3	58.1	60.1	59.2	52.8	1
Latin America ³	43.1	67.3	100.0	95.8	80.4	58.9	58.7	60.4	62.0	63.3	41.3	4

1. Gross domestic investment divided by labor force, excluding Cuba.

2. Calculated in constant 1986 dollars.

3. Total Latin America equals 1,639 dollars in 1980; totals include Barbados, Guyana, Jamaica, Suriname, Trinidad and Tobago.

4. Calculated here for change from highest to lowest year.

SOURCE: John Elac, General Studies Division, Inter-American Development Bank, quoted in *IDB Monthly News*, October 1988.

Table 27

**MEXICO FOREIGN DEBT, INTEREST,
AND NET TRANSFERS ABROAD,¹
1977-88**

Year	A. Net Change in Debt	B. Interest (Millions of Dollars)	C. Net Transfers ² (Millions of Dollars)	D. Net Transfers/GDP (Percent) ³
1977	2,436	1,980	456	- .1
1978	4,802	2,949	1,853	- 1.8
1979	7,276	4,907	2,369	- 1.8
1980	12,056	7,390	4,666	- 2.5
1981	26,572	12,757	13,815	- 5.8
1982	7,674	12,203	- 4,529	2.8
1983	2,452	10,103	- 7,651	5.3
1984	2,241	11,716	- 9,475	6.6
1985	581	10,156	- 9,575	6.1
1986	2,009	8,342	- 6,333	6.5
1987	4,551	8,116	- 3,565	5.5
1988	1,343	8,895	- 7,552	6.4

1. Public and private payments.

2. A minus sign indicates transfers abroad (A less B).

3. A minus sign indicates contribution of net transfers to GDP.

SOURCE: Adapted from Banco Nacional de México, *Review of the Economic Situation of Mexico*, July 1988, p. 295, and since 1982 calculated from data in *El Mercado de Valores*, May 1, 1989, pp. 7-8.

Table 28

**PUBLIC SECTOR DEBT SERVICE¹
AS SHARE OF GDP, 1978-86**

Year	Public Sector Percent	Central Government Percent
1978	11.1	4.2
1979	10.2	4.5
1980	10.4	3.7
1981	11.3	5.2
1982	21.4	15.1
1983	20.8	13.0
1984	18.4	11.1
1985	18.0	11.9
1986	27.7	22.0

1. Actual consolidated expenditure by the central government and para-state agencies to cover amortization and interest payments on the domestic and foreign debts.

SOURCE: Calculated from unrevised data in Miguel de la Madrid Hurtado, *Sexto Informe de Gobierno, 1988; [Tomo] Estadístico* (México, D.F., 1988), pp. 43 and 55.

deficit (Table 30). Whereas the "financial déficit" includes the debt, the "primary economic déficit" and the "operational deficit" do not. Government reports emphasize the primary deficit, much to the consternation of the Mexico Journal, which has written:

The earthquakes of 1985 and the oil shock of 1986 have come to plague De la Madrid's hopes for recovery. The latter cost Mexico the equivalent of 7 percent of GDP in export income. But funny accounting prevailed and the primary surplus was close to 1.6 percent of GDP. Meanwhile reserves increased by nearly a billion dollars in borrowed money.⁸⁴

Thus MMH claimed that he reduced the primary deficit from 7 percent in 1982 to a 5 percent surplus in 1987.⁸⁵ However, if we use the data with the debt included, the financial deficit shown in Table 30, as we must if we want clarity, it is clear that the deficit that counts was 17 percent in that year.

To offset government data presented in the best light, the Private Sector Economic Studies Center has made independent analyses. One 1988 study is summarized by the Mexico Journal:⁸⁶

Between 1982 and 1988, public investment went from 21 percent of the Gross Domestic Product (GDP) to 5 percent. Worse, investment in basic infrastructure slipped from 5.5 percent to 2 percent of GDP. The figures, brandished by the Private Sector Economic Studies Center, show that public investment in real terms plummeted almost 40 percent from the level reached in the Lopez Portillo administration. This year's 5 percent is the lowest state investment figure in the past 20 years.

Private economists say this means a severe limit will be placed on economic growth in the near and medium term

One result of reduced investment is greatly reduced employment. Another is the visible boom in the underground economy, which is now-private economists calculate-equivalent to 30 percent of the GDP. This boom has prevented a serious social problem in Mexico, the center commented. Mexico only has the capacity to employ 43 percent of its working-age population, the center believes. This makes nonsense of all official unemployment figures and dangerous nonsense of the practice of driving the underemployed off the streets.

With imports now flowing into Mexico to provide inexpensive consumer goods under the CA TT as well as part of the Pacto de Solidaridad Económica (PSE), Mexican industry must respond. It must compete internally with the foreign goods as well as expand exports based upon the country's comparative advantage in wages and energy costs; otherwise the nation faces loss of scarce financial reserves.

The level of reserves, shown in Table 31, had doubled between 1971 and 1978 and more than doubled again by 1982 to reach 5 billion dollars. In Mexico's economic crisis of 1982 the reserves fell to a low of 1.7 billion. With devaluation after 1982, the reserves reached 12.5 billion by the end of 1987 (16.5 billion in April 1988) before heading below 5 billion by early 1989.

⁸⁴ Cindy Anders, "Pomp and Circumstance," *Mexico Journal*, September 12, 1988, p. 20. Compare the data on primary surplus given in Table 30, which shows an average surplus of 2.7 for 1985 and 1986.

⁸⁵ Miguel de la Madrid Hurtado, *Sexto Informe de Gobierno*, 1988, p. 24.

⁸⁶ September 19, 1988, p. 13.

Pressure on Mexico's reserves comes from two other sources as well. First, the peso has been progressively overvalued; it has been held without devaluation at less than 2,300 to the dollar as part of the PSE. This overvaluation has hurt exports from Mexico, but it has kept consumer prices low for the Mexican middle class. For a time the overvaluation provided some incentive to keep their money in Mexico, but by fall 1988 an overvaluation estimated by some observers to be 40 percent suggested that Salinas would have to devalue soon after inauguration.

Second, the volatility of oil prices has continued to cause Mexico problems. We can assess the price that Mexico receives for its oil by examining the average price per barrel paid by the United States (Table 32). The price rose from 13 dollars in 1977 to a peak of 33 dollars in 1981. The fall to 28 dollars in 1982 triggered the crisis in which Mexico still lives, but prices held at about 25 dollars through 1985. Collapse to less than 12 dollars came in 1986 and 1988; in 1987 the price reached 16 dollars, a level at which Mexico now hopes it might peg its prices if Iran and Iraq can

Table 29
DEBT SERVICE AS SHARE OF MEXICAN CENTRAL GOVERNMENT
ACTUAL GROSS EXPENDITURE,
1900-88

PART I. Yearly

Year	Percent	Year	Percent	Year	Percent
1900-01	32.3	1937	9.4	1963	17.1
1901-10	~	1938	11.2	1964	24.4
1910-11	27.8	1939	14.5	1965	26.9
1911-12	25.5	1940	12.5	1966	21.5
1912-13	23.8	1941	12.1	1967	28.9
1913-16	~	1942	22.5	1968	21.7
1917	.2	1943	16.6	1969	20.4
1918	4.0	1944	19.1	1970	21.3
1919	5.1	1945	16.9	1971	17.9
1920	4.7	1946	14.9	1972	14.4
1921	3.0	1947	15.6	1973	12.3
1922	7.1	1948	16.0	1974	13.4
1923	16.5	1949	14.2	1975	11.8
1924	7.5	1950	16.0	1976	11.3
1925	6.9	1951	16.5	1977	16.4
1926	13.8	1952	13.8	1978	22.4
1927	16.7	1953	14.7	1979	22.2
1928	13.5	1954	13.3	1980	16.9
1929	7.0	1955	20.1	1981	20.0
1930	4.6	1956	16.0	1982	43.4
1931	3.6	1957	17.6	1983	41.5
1932	5.9	1958	15.6	1984	39.6
1933	10.5	1959	22.0	1985	41.8
1934	14.0	1960	27.3	1986	60.1
1935	7.7	1961	36.2	1987	68.0
1936	7.3	1962	27.2	1988	63.6 ^a

1. Includes amortization and interest payments on the foreign and domestic debt of the central government; excludes "off-budget" categories which arise from time to time; for example, from 1938 to 1947 projected and actual budgets excluded foreign loans for road building (see SALA, 24, p. 864).

a. Actual expenditure January-July, 1988; according to the budget, the projected share for 1988 was 63.6 percent so at mid-year plans were still on target.

PART II. Average by President¹

President ²	Average Percent	President ²	Average Percent
Díaz (2)	30.1 ^a	Cárdenas (6)	10.9
Madero (1)	25.5	Ávila Camacho (6)	17.0
Madero/Huerta (1)	23.8	Alemán (6)	15.4
Carranza (4) ^b	3.5	Ruiz Cortines (6)	16.2
Obregón (4)	8.5	López Mateos (6)	25.7
Calles (4)	12.7	Díaz Ordaz (6)	23.5
Portes Gil (1)	7.0	Echeverría (6)	13.5
Ortiz Rubio (3)	4.7	López Portillo (6)	23.6
Rodríguez (2)	12.3	De la Madrid (6)	52.4 ^c

1. Amortization + interest on the foreign and domestic debt of the central government. Excludes service on the debt of the parastate sector.

2. Number in parentheses is the number of years in average.

a. Sample years for Díaz, 1900/1901 and 1910/1911.

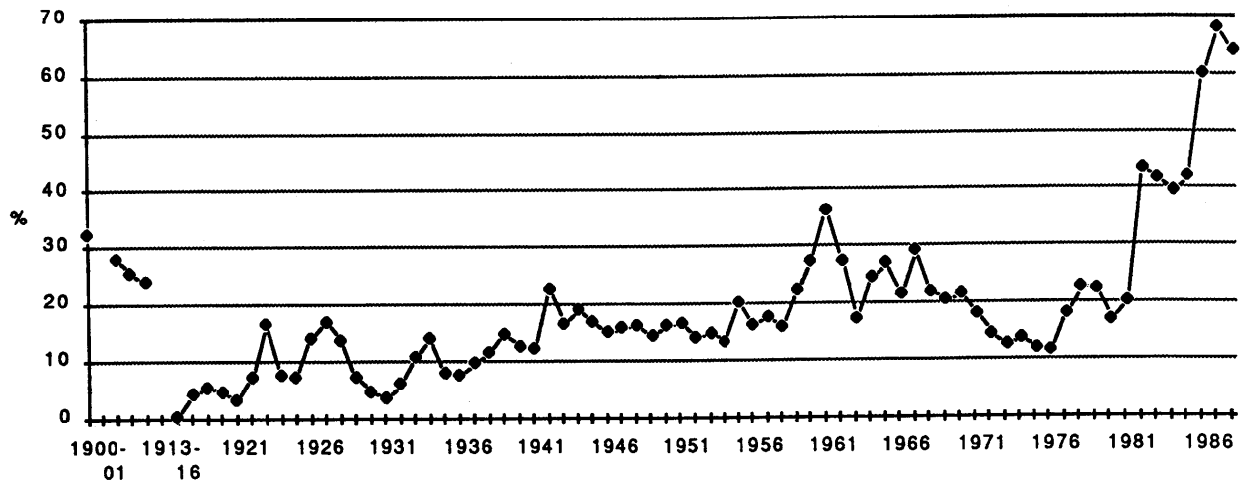
b. Includes 1920 interim government of Adolfo de la Huerta, president for seven months.

c. Includes projected (not actual) percent for 1988.

SOURCE: James W. Wilkie, *La Revolución Mexicana (1910-1976)* (México, D.F.: Fondo de Cultura Económica, 1978), pp. 142 and 368; and since 1977, calculated from data in Miguel de la Madrid, *Quinto and Sexto Informe de Gobierno, Tomo Estadístico*, p. 103 and p. 55, respectively.

Figure 9

DEBT SERVICE AS SHARE OF MEXICAN CENTRAL GOVERNMENT ACTUAL GROSS EXPENDITURE, 1900-86



SOURCE: Table 29

agree on OPEC quotas. In the meantime, Mexico is concerned about reports that international oil prices could fall to 5 dollars or lower per barrel.⁸⁷

⁸⁷ Art Pine, "Impact of OPEe Action...," *Los Angeles Times*, November 26, 1988.

To help Mexico survive the OPEC oil price crisis and to reduce the outflow of Mexico's reserves until its foreign debt can be renegotiated, the U.S. government provided a 3.5 billion dollar bridge loan in October 1988. The loan is also intended to help Mexico recover from the economic damage caused by September's Hurricane Gilbert, which hit the usually dry Monterrey area as well as the regions where most storms strike, Yucatán and the Gulf coast. Moreover, the United States made the loan to facilitate CSG's taking office on December 1, 1988, thus assuring the continued restructuring of the economy and dismantling of the parastate sector. Indeed, as a condition of the loan CSG agreed to reaffirm and to extend the reforms already under way in Mexico.⁸⁸

As Salinas prepares to take office in December, no doubt he will reflect on the many ways in which Mexico is influenced by world economic affairs, especially the twin problems of oil prices and debt, but he will also have to consider the extent to which domestic politics will let him continue to deemphasize the parastate sector. He will face tough negotiating in the Chamber of Deputies to go as far as he might like.

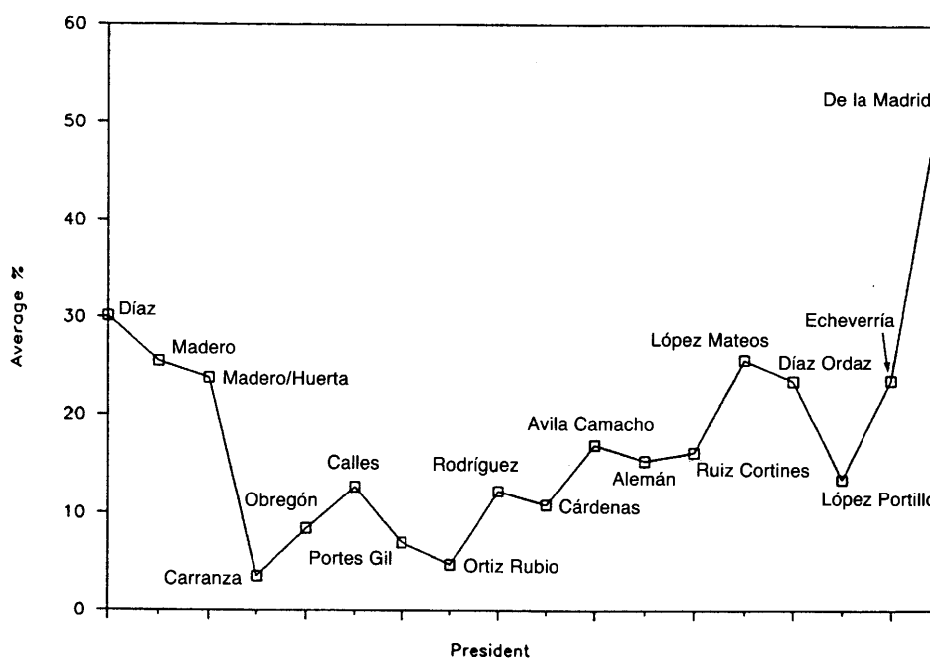
The parastate sector makes expenditures important to the economy and its continued contraction has major implications for the central government. Parastate expenditure in 1986 was already down to 18.9 percent of GDP compared with its 1981 high of 22.2 percent (Table 33). At the same time, the central government's share of GDP went from its previous high of 34.7 in 1982 to 36.7 in 1986. As the parastate agencies decline, it appears that the importance of the central government will rise. Whereas as late as 1980 the two shared the same importance in GDP, today the central government expends twice as much as the agencies. Consolidated expenditure fell from 52.2 percent of GDP in 1982 to 43.4 by 1988.

Ironically, the present restructuring of the Mexican economy and the reduction of the role of the parastate sector may well give the central government the expenditure power that it originally sought to recapture from the decentralized agencies in the 1960s. Where the original ideas that presidents developed to foster recentralization failed because the central government could never figure out how to control the agencies, most of which collect and spend their own income according to their special role, the selling of agencies may accomplish recentralization of government power. Rather than living up to the theory that they would pay taxes to help national development, in reality most parastate agencies have operated inefficiently and at a financial loss. Few have ever been efficient enough or rich enough to be able to pay taxes or share profits with the central government.

⁸⁸ Walter S. Mossberg and Peter Truell, "U.S. Will Lend Mexico Up to 3.5 Billion," *Wall Street Journal*, October 18, 1988.

Figure 10

**AVERAGE CENTRAL GOVERNMENT SHARES OF ACTUAL OUTLAY
FOR PUBLIC DEBT SERVICE, 1900-88**



SOURCE: Table 1.

Table 30

**THREE VIEWS OF MEXICO'S DEFICIT, 1965-88
(% of GDP; Minus = Surplus)**

Year	Financial ¹	Primary Economic ²	Operational (Real Deficit) ³	Year	Financial ¹	Primary Economic ²	Operational (Real Deficit) ³
1965	.8	0	.5	1981	14.1	8.0	9.9
1966	1.2	.2	.8	1982	16.9	7.3	5.5
1967	2.2	.9	1.9	1983	8.6	-4.2	-1.1
1968	2.0	.8	1.5	1984	8.5	-4.8	0
1969	2.1	.7	.1	1985	9.6	-3.4	.1
1970	3.6	1.4	2.7	1986	16.0	-1.6	1.9
1971	2.4	.5	1.4	1987	15.8	-4.7	-1.4
1972	4.7	2.3	3.3	1988	10.8	-7.4	2.8
1973	6.6	3.6	2.6				
1974	6.9	3.8	3.1				
1975	9.6	6.2	6.8				
1976	9.5	4.7	4.4				
1977	6.4	2.2	2.8				
1978	6.4	2.3	3.6				
1979	7.3	2.7	4.0				
1980	7.5	3.0	3.8				

1. Financial deficit indicates the total financing needed to cover gap between outlay and income of the public sector. (The public sector includes the central government plus parastate agencies.)
2. The primary economic deficit (financial deficit less interest payments on debts contracted in past) indicates the autonomous financial effort made each year to overcome budgetary problems caused by the disequilibria of expenditures in previous years.
3. The operational deficit (financial deficit less the inflationary component of interest payments on the debt) indicates the real change in public indebtedness each year.

SOURCE: Nacional Financiera, *El Mercado de Valores*, January 1, 1989.

Table 31
MEXICO FOREIGN RESERVES, 1950-88
(Year-End)

Year	Billions of Dollars
1950	.3
1951	.3
1952	.3
1953	.3
1954	.2
1955	.4
1956	.5
1957	.5
1958	.4
1959	.5
1960	.4
1961	.4
1962	.4
1963	.5
1964	.6
1965	.6
1966	.6
1967	.6
1968	.7
1969	.7
1970	.8
1971	1.0
1972	1.2
1973	1.4
1974	1.4
1975	1.6
1976	1.4
1977	1.9
1978	2.2
1979	3.1
1980	3.9
1981	5.0
1982	1.7
1983	4.7
1984	8.0
1985	4.9
1986	5.7
1987	12.5
1988	5.3

1. Foreign exchange + SDRs + Mexico's reserve position in the International Monetary Fund + gold as valued by the Bank of Mexico.

SOURCE: International Monetary Fund, *International Financial Statistics—Yearbooks*, 1980 and 1988.

Table 32

U.S. CRUDE OIL PRICE IMPORT COSTS, 1973-88^a

Year	Mexico	Venezuela ¹	OPEC ²
1973	— ^b	5.39	5.43
1974	— ^b	10.71	11.33
1975	11.44	11.04	11.34
1976	12.22	11.32	12.23
1977	13.42	12.68	13.29
1978	13.24	12.45	13.30
1979	20.29	17.37	19.91
1980	31.11	24.78	32.25
1981	33.13	28.86	35.11
1982	28.07	23.77	33.45
1983	25.19	21.48	28.45
1984	26.37	24.16	27.59
1985	25.33	23.64	25.66
1986	11.84	10.92	12.21
1987	16.36	15.08	16.43
1988	12.18	12.97	13.46

1. Included in OPEC.

2. Includes Venezuela.

a. U.S. average per barrel, FOB at country of origin.

b. Not applicable.

SOURCE: U.S. Energy Information Agency, *Monthly Energy Review*, April 1989, p. 92.

They have required subsidies and now assumption of some of their foreign debt payments by the central government.

The ability of Mexico to overcome its economic slowdown and to begin to resolve social problems caused by deferred social expenditure since 1982 depends greatly upon how much discretionary funding remains in the central government budget after payment of amortization and interest on the foreign and domestic public debt. It also depends importantly on the real value of the Mexican foreign debt and the liquidity of the country's banking system.

With respect to payments on the debt, the Mexican presidency has been caught in a "Catch 22" situation because, on the one hand, it would like to show the international banking community that the service on the foreign debt is excessive in relation to the country's capacity for repayment. On the other hand, for domestic political purposes the government has sought to understate the importance of all public debt payments. Under President Miguel de la Madrid domestic political considerations won out and Mexico lost much of its negotiating power with the international community, including the U.S. Treasury Department.

Thus, the government has presented the share of foreign debt payments in relation to GDP rather than to central government expenditure on foreign and domestic debt. Foreign debt payments are seen, then, to be only 6 percent of GDP, which sounds manageable.

Also the government has downplayed the share of expenditure on all of the debt by removing it from its presentations on public expenditure, further obfuscating the issues. Hence, few observers inside or outside Mexico have been fully aware of the internal impact of the country's entire debt problem.

To help resolve the debt problems, CSG plans to reform the giant and corrupt PEMEX enterprise in order to gain control over discretionary funding. Although PEMEX was able to end central government subsidies to it and also to pay taxes and rents to the central government since the oil boom of the late 1970s, PEMEX could have generated much more for the national treasury and for central government discretionary funding had it been run honestly and efficiently.

PEMEX corruption at all levels and especially the nefarious union veto power over management decisions, control over assignment of workers (including bribery and sale of jobs), and control of contracts (reduced

Table 33
CENTRAL GOVERNMENT AND PARASTATE AGENCY
ACTUAL GROSS EXPENDITURE
SHARE OF GDP, 1978–88

PART I. Absolute Terms, 1978–86
(Millions of Current Pesos)

Year	A. GDP	B. Consolidated Expenditures ¹	C. Central Government Expenditures ²	D. Parastate Expenditures ^{2,3}
1978	2,337,398	861,879	434,689	480,077
1979	3,067,526	1,141,594	626,000	587,330
1980	4,276,490	1,711,745	933,534	905,486
1981	5,874,386	2,644,620	1,532,735	1,304,912
1982	9,417,089	4,911,702	3,269,769	1,990,249
1983	17,141,694	8,393,270	5,367,456	3,734,332
1984	28,748,889	13,348,463	8,065,349	6,335,816
1985	45,588,462	20,123,962	13,020,464	8,666,247
1986	77,778,086	40,832,582	28,574,614	14,706,665

PART II. Percentage Terms, 1978–88

	E. Consolidated/GDP	F. Central/GDP ⁴	G. Parastate/GDP ⁵	H. Net Transfers/GDP ⁶
1978	36.9	18.6	20.5	2.2
1979	37.2	20.4	19.1	2.3
1980	40.0	21.8	21.2	3.0
1981	45.0	26.1	22.2	3.3
1982	52.2	34.7	21.1	3.6
1983	49.0	31.3	21.8	4.1
1984	46.4	28.1	22.0	3.7
1985	44.1	28.6	19.0	3.5
1986	52.5	36.7	18.9	3.1
1987	49.3	~	~	~
1988	43.4	~	~	~

1. Public sector expenditure equals central government plus parastate agency outlays, excluding net transfers between the central and parastate subsectors and thus here avoiding double-counting of expenditures.
2. Included in col. B; data in cols. C and D include some double-counted transfer of funds between the two subsectors.

3. Excludes "off-budget" agencies which have never been brought under budgetary control; for example, in 1988: Teléfonos de México, the Departamento del Distrito Federal, and the Mexico City Metro. Expenditure by off budget agencies was 6.1 percent of GDP in 1988 (down from 7.6 in 1987), according to *El Mercado de Valores*, May 15, 1989, p. 9.
4. This series offers alternative data to that given in SALA, 24–3405. (The SALA total for 1981 should have been 26.5 percent.)

5. This series offers alternative data to that given in SALA, 24–3406. (The SALA total for 1981 should have been 20.6 percent.)

6. Net transfers between the central government and parastate agencies (cols. F plus G subtracted from col. E), which are not counted in cols. B and E.

SOURCE: Calculated from data in De la Madrid Hurtado, *Sexto Informe de Gobierno; [Tomo] Estadístico*, pp. 55 and 56; and *El Mercado de Valores*, May 15, 1989, p. 9.

duced from 50 percent to 2 percent under MMH) by the infamous PEMEX union leader Joaquín Hernández Galicia ("La Quina") has had grave consequences for Mexico. "La Quina's" power not only damaged the government's ability to marshal national resources but also hurt Mexico's image abroad.

Foreign bankers, IMF officials, and U.S. Treasury Secretaries James A. Baker 111 and Nicholas F. Brady have argued that Third World debtors including Mexico would never clean up rampant corruption like that of PEMEX if debt relief were to come prematurely.

In this difficult situation, the value of México's foreign debt began to fall in the secondary market, that is, the free market or market of real value. Real value stood at 83 percent of book value by December 1984, as shown in Table 34 and Figure 11. Within a year it fell to 70 percent where it held until February 1986 when it fell to 64 percent and to about 58 percent one month later. Although it remained at about 58 percent until mid-1987, it continued downward to reach 50 percent by year's end. After hitting 48 percent in February 1988, it continued downward, reaching 43 percent by the end of 1988.

Table 34

**MEXICO FOREIGN DEBT:
REAL PERCENT OF BOOK VALUE
IN THE SECONDARY MARKET,¹
1984-89**

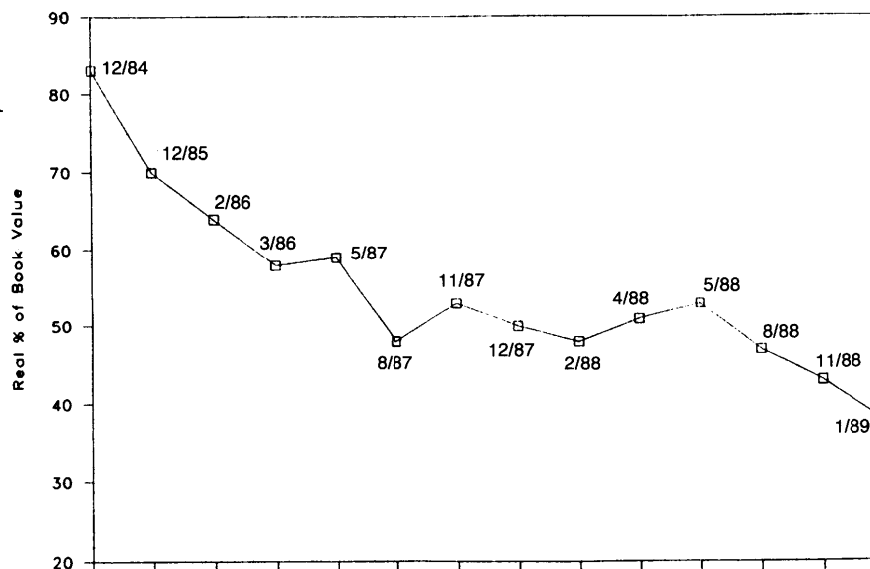
Sample Date	Percent	Sample Date	Percent
12/84	83	12/87	50
12/85	70	2/88	48
2/86	64	5/88	53
3/86	58	8/88	47
5/87	59	11/88	43
8/87	48	12/88	43
11/87	53	6/89	43

1. The secondary market is the free market, the primary market for "fixed-value" loans guaranteed by the government not being viable for Mexican foreign debt. Theoretically, government-backed loans should retain 100 percent of their value, no secondary market being operable.

SOURCE: SALA, 26-2809, Merrill Lynch, December 1988, and *El Financiero*, June 13, 1989.

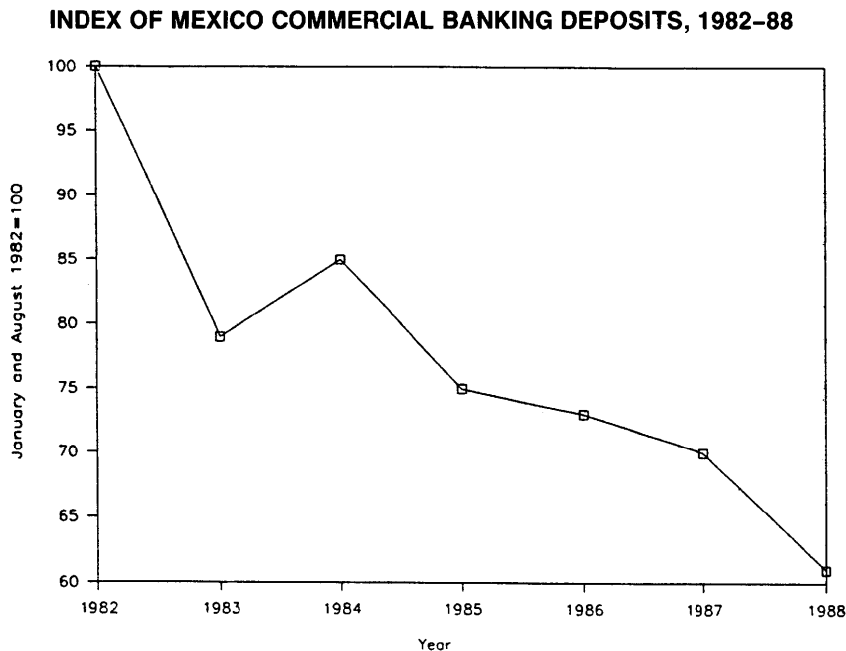
Figure 11

**MEXICO FOREIGN DEBT: REAL PERCENT OF BOOK VALUE
ON THE SECONDARY MARKET, 1984-88**



SOURCE: Table 34.

Figure 12



Given the reality of the declining free market value of the Mexican foreign debt (of which only about 27 percent is private as shown in Table 6, Part 111) and the country's increasing share of outlay to support that burden, in my view we can juxtapose these two trends and suggest that to reduce the burden for Mexico and to prevent the real value of the debt from falling further for foreign bankers, a viable solution would be to apply the vaunted Reagan/Bush free-market philosophy. By officially recognizing that the debt is worth less than half of its book value, Mexico's interest payments could be cut in half, leaving it funds to undertake economic and social recovery. And the foreign bankers could even see gains in the real value of the Mexican debt held by them.

Such a proposal to revalue Mexico's foreign debt by relying on the free market to set the debt's worth is congruent with the historical moment, and it could be combined with negotiation to set the total at 50 percent contingent upon implementing a grace period of up to ten years during which Mexico would not have to make payments on some or all of the debt service.

But a foreign solution will provide only part of the answer to Mexico's debt problems. Mexico may want to take the domestic action of fully denationalizing the commercial banking system because the partially denationalized system does not have the confidence of the private sector. Since 1982 all deposits have fallen in real terms by almost 40 percent, as is shown in Table 13 and Figure 12. Mexico can not effectively undertake modernization and privatization of its economy with a statist-oriented banking system which is unable to provide liquidity for the private sector, the banks serving as a collector of deposits which it channels to the state and to pay Mexico's debt. Full denationalization would play an important role in encouraging the return of funds to Mexico, funds needed for internal development. Denationalization need not mean full deregulation.

Regardless of how the debt problem is resolved, if Mexico is to undertake effective national development it must become fully aware of its three interrelated expenditure and credit problems: lack of discretionary funds available to the central government, unreal value of the debt, and illiquidity of the partially nationalized banking system.⁸⁹

Given the ironies and complexities of society and economy outlined in this study, Mexico's politicians face formidable tasks as they seek to extricate Mexico from its crisis of the 1980s. It is hoped that this work delineates some of the issues and provides the data for further analysis.

⁸⁹ See James W. Wilkie, "La Problemática Mexicana: Retrospectiva y Prospectiva," *Revista Mexicana de Sociología* 2/1989, pp. 481-506, who through the use of statistics examines the banking and debt problems and through oral interviews with first-class passengers on Delta airline flights between Los Angeles and Mexico City during 1988 identifies new trends in Mexico's economic efficiency. See also James W. Wilkie, "Del Crecimiento al Estancamiento Económico en México," *El Economista Mexicano* 20:4/5 (1989), pp. 61-98.