



**OPTIMAL POLICY-MAKING?
THE INSULATED TECHNOCRACY ARGUMENT AND THE CASE OF
THE SALINAS ADMINISTRATION IN MEXICO**

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CERLAC Working Paper Series

May, 1997

CERLAC WORKING PAPER SERIES

1997

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**OPTIMAL POLICY-MAKING?
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Abstract

It is common for scholars to prescribe an insulated technocracy as a prerequisite for successful economic and political reforms. This paper uses the benefit of hindsight --an examination of the Salinas administration (1988-1994)-- to challenge critically the elitist, top-down and technocratic vision of policy-making prevalent in much of the mainstream literature. True to the conventional wisdom, an insulated, technocratic elite managed the reform process in Mexico. However, instead of leading to the political sustainability and economic success of the reforms, this decision-making style contributed greatly to Mexico's current political and economic crises. With the decline of the post-revolutionary compromise and in the absence of democratic counterweights, Salinas' *tecnócratas* enjoyed unprecedented policy space. The Mexican experience points to the need to examine the "modernizing" role of technocratic elites in developing countries in a more critical fashion. The Salinas legacy also raises the imperative for democratization; rather than being insulated, economic policy-making must become more democratically embedded.

Introduction

Recent Mexican experience provides fertile ground for a discussion of the politics of economic restructuring and democratization. This paper uses the benefit of hindsight --an examination of the Salinas *sexenio* (1988-1994)-- to challenge critically some of the chief assumptions of the mainstream literature on political and economic liberalization in developing countries.¹ Events during this period seriously call into question the merits of the conventional wisdom and its technocratic bias.

While virtually all academics favour democracy, the policy recommendations of a number are often antithetical to democratic practices and principles. For example, many argue for the insulation of technocratic policy-makers from the pressures of societal interest groups and other governmental agencies in order to ensure optimal decision-making. They envision only a limited role for democratic representative institutions: mechanisms for controlling popular access to the policy reform process or channelling political support for reform coalitions. They view societal actors either as possible obstacles to reform or in terms of their potential as subordinate coalition partners. Some authors prescribe marginalizing the "losers" of economic reforms in order to facilitate policy implementation. A false dichotomy between "reformers" and vested/established interests effectively silences alternative visions of political and economic reform. These scholars present an elitist, top-down, and technocratic vision of political and economic liberalization, where reforms are managed and controlled from above.

A striking parallel exists between this scholarly conception of policy-making and the policy

reform process under the Salinas administration. True to the conventional wisdom, an insulated, technocratic elite managed a controlled, top-down political and economic reform process in Mexico. However, instead of leading to political sustainability and economic success, this decision-making style contributed greatly to Mexico's current political and economic crises. Moreover, events in Mexico refute the modernizing assumption that underpins much of this literature: economic modernization objectives competed with the technocratic elite's own pursuit of self-enrichment and the regime's goal of self-perpetuation in power. The Mexican experience under Salinas presents a clear warning against uncritical faith in the abilities or intentions of technocratic policy elites.

Tendencies in the Mainstream Literature

A common tendency in the scholarly work on economic and political transitions in Latin America is to treat them as analytically distinct processes, as separate historical moments. On the one hand a number of authors have focused on the politics of democratization, eschewing economic analysis (O'Donnell, Schmitter, and Whitehead 1986; Diamond, Linz, and Lipset 1989). Attention is given to the "high politics" of inner-elite power struggles and pact-making between "hardliners" and "softliners" in the authoritarian regime, or to the socio-economic and political conditions that lead to civilian electoral regimes.

On the other hand, different writers concentrate narrowly on the politics of economic reform while only incidentally mentioning democratic reforms (Grindle and Thomas 1991; Geddes 1995; Haggard, Lafay, and Morrison 1995). With a problem-solving orientation, these scholars direct their efforts at how to improve economic decision-making within the context of developing country stabilization and adjustment programs. Typically, they are concerned with policy design, sequencing, and implementation, how to construct reform coalitions and how to accommodate or circumvent public opposition to economic restructuring. In short, the major concern is to ensure the political sustainability of economic reforms. While political resistance to market reforms is

¹For the purposes of this paper, the mainstream literature includes: Bresser Pereira, Maravall, and Przeworski (1993, 1994); Geddes (1995); Grindle and Thomas (1991); Haggard (1990); Haggard and Kaufman (1989, 1992a, 1992b, 1994); Haggard, Lafay, and Morrison (1995); Haggard and Webb (1994, 1993); Nelson (1990, 1989a, 1989b); Przeworski (1991); Waterbury (1989); and Whitehead (1989).

explicitly addressed, politics is not expanded to include the widespread pressures for democratization that often surfaced simultaneously. The question of regime type --authoritarian versus democratic-- is skirted, as is the issue of the legitimacy of the elites responsible for policy changes.

While the separation of economic from political liberalization may be analytically convenient and neat, the historical record reveals that the two processes in Latin America have overlapped one another (Przeworski 1991). The Mexican case is pertinent: in the wake of the first serious balance of payments crisis in 1976, popular pressure gradually mounted for the opening of the country's political system. In response, authorities implemented the first major reforms to Mexico's electoral code in 1977. The steady deterioration of the economy after the 1982 crisis and economic reforms triggered a popular backlash against the presidential candidate of the ruling party --Carlos Salinas de Gortari-- during the election of 1988. Amidst widespread allegations and evidence of electoral fraud, Salinas managed to collect only slightly more than 50 percent of the vote. While the main thrust of *salinismo* was economic, political reforms were also carried out, including electoral reforms in 1990, 1993, and 1994, and the creation of the Mexican National Commission for Human Rights in 1990.

A growing number of studies do try to make sense of how the two are interconnected (see: Przeworski 1991; Bresser Pereira, Maravall, and Przeworski 1993, 1994; Haggard 1990; Haggard and Kaufman 1989, 1992b, 1994; Haggard and Webb 1994, 1993; Centeno 1994; Nelson 1989b; Whitehead 1989; Remmer 1986, 1990). In general, this body of literature displays a normative bias in favour of political democracy, understood as some combination of periodic transparent and fair elections, universal and effective adult suffrage, and the protection of human rights. A common claim based on empirical findings is that there is little correlation between regime-type and economic performance; democracies have equalled or even outperformed authoritarian regimes on various indicators. For instance, Karen Remmer (1986) concluded that over the period 1954-1984, democracies proved slightly more successful than dictatorships in the implementation of stabilization programs. Atul Kohli (1986) found that while Third

World democracies may have registered slightly less dynamic growth rates than their dictatorial counterparts, they had an important stabilizing effect on income distribution and were not any worse at foreign debt management. Still others claim that "democracies grew more rapidly, restructured their exports more substantially, and improved their external balances more decisively..." (Lindenberg and Devarajan 1993, 180). The economic adjustment programs of civilian electoral regimes are also allegedly more credible, thanks to their greater legitimacy and broader political base (Bresser Pereira, Maravall, and Przeworski 1994; Pastor, Jr., and Ho Sung 1995; Lindenberg and Devarajan 1993).

Still, comparing the economic achievements of regimes is marred by serious methodological problems (Kohli 1986; Przeworski and Limongi 1993; Pastor, Jr., and Ho Sung 1995). Authoritarian and democratic regimes are extremely heterogeneous, impeding straightforward comparisons of the two. In addition, regime type is only one of the numerous variables that influence economic performance. Frequent regime fluctuation also complicates the task. Finally, nascent regimes inherit an economic legacy from their predecessors, making it difficult to ascertain which successes and failures are attributable to the successor. Such methodological difficulties lead Przeworski and Limongi (1993) to the conclusion that social scientists know remarkably little about how regimes affect economic growth, despite claims to the contrary.

Various works attempt to address the regime comparison problem by stressing the need to make distinctions *within* authoritarian and democratic regimes (Haggard and Kaufman 1989; Haggard and Webb 1993; Whitehead 1989; Lindenberg and Devarajan 1993). For example, whether a regime is new or established is argued to have considerable impact on the country in question's ability to successfully execute stabilization and adjustment measures. Riding a wave of democratic euphoria, nascent electoral regimes, for example, allegedly enjoy the advantage of a "honeymoon" period in which to implement painful economic reforms.

Nonetheless, numerous Latin American democracies --whether incoming or more longstanding-- are hollow shells. A growing number

of critical scholars have observed that differences between democracy and authoritarianism in the present Latin American context are more of form than substance. Periodic elections, universal suffrage, and wider protection of human rights may distinguish the former from the latter, but a tradition of authoritarian, exclusionary, and technocratic policy-making with highly centralized power in the executive has persisted *despite* regime transitions (Gamarra 1994). Presidents increasingly rely on rule by decree --"decretism"-- or "mandatism" --executive use of a legislative majority to curb parliamentary debate and ram home legislation-- to govern (Bresser Pereira, Maravall, and Przeworski 1994). Tendencies toward autocratic rule are further reinforced by the need to overcome strong societal resistance to neoliberal economic reforms (Acuña and Smith 1994). Democratization in Latin America has generally not resulted in a shift in the locus of power from the executive to the elected legislature or any meaningful participation of citizens in decision-making. A number of catchy terms have been coined which capture the hybrid democratic-authoritarian character of present regimes throughout much of Latin America. O'Donnell (1992) has called the region's regimes "delegative democracies". Petras and Vieux (1994) have referred to them as "authoritarian electoral regimes" while Nef (1986) has depicted the present round of democratic transitions as simply a "modernization of the status quo".

The antidemocratic currents mentioned above are further exacerbated by an ongoing crisis of the state. This crisis is manifested in the problematic performance of public bureaucracies, the suspect effectiveness of the rule of law in the territorial jurisdiction of the state, and growing public scepticism that state decisions are being made according to some conception of the public good (O'Donnell 1994). As the state grows weaker throughout much of its own territory, it comes under increasing competition from, and colonization by, rival power centres such as *narcotraficantes*. As legal order dissipates, social and political conflicts are increasingly resolved by acts of violence. In O'Donnell's terms (1994), the corollary to delegative democratic states is "low-intensity citizenship": one can exercise effective suffrage but not enjoy proper treatment from legal authorities nor protection from

private or public abuse of power.

It is widely contended that economic decision-making elites must be insulated from societal pressures in order for economic reforms to be successful (see, for example: Callaghy 1989; Haggard 1990; Haggard and Webb 1993, 1994; Haggard and Kaufman 1994). The logic of the insulation argument has several components. First, for a long time it has been assumed that greater societal access to economic policy-making would lead to increased demands for immediate consumption at the expense of investment. Shielded technocrats would presumably be able to formulate and execute more investment-conducive economic policies. It is unrealistic, however, to assume that voters, interest groups and legislative representatives possess a monolithic propensity to consume. The pressures from societal interests are extremely varied; while some groups and individuals press for increased wages, benefits or more comprehensive social welfare programs, still others demand government cutbacks on social spending and state down-sizing.² Moreover, the argument presupposes a zero-sum relationship between investment and consumption; one rises as the other drops. However, healthy consumer markets, particularly in an open economy, are magnets for increased investment.

Second, insulating technocrats supposedly results in more coherent, rapid and flexible policy-making. Politicized, democratic decision-making allegedly results in incoherent, incremental and inflexible decision-making. Empirical evidence reveals though that states that enjoy considerable relative autonomy do not necessarily have more coherent policies. Such was the case in Mexico as demonstrated by some excellent studies on the López Portillo and De La Madrid *sexenios* (Teichman 1992, 1988). Moreover, state autonomy is no shield from debilitating bureaucratic politics.

As for policy incrementalism, slowness and

²The case of the recent June 1995 provincial elections in the province of Ontario, Canada, are illustrative. Premier-elect Mike Harris of the Progressive Conservative Party was ushered in by a broad spectrum of voters who wholeheartedly endorsed his deficit-slashing, anti-interventionist, and pro-business Common Sense Revolution".

inflexibility, liberal democracies commonly possess mechanisms, legislation, and power-balancing equations which facilitate rapid policy responses to changing circumstances where necessary. President Clinton, for example, was able to rapidly muster a \$52 billion emergency rescue package to respond to Mexico's "peso crisis", despite heated congressional debate. The U.S. "fastrack" legislative procedure also exists to speed up the legislative process and minimize time-consuming struggles between the executive and legislative branches caused by the country's unique separation of powers.

Finally, the insulated technocracy argument is paternalistic: it presumes that highly-trained technocrats know better what is in the interest of the public good than the public itself. Those on the receiving end of policies also possess important knowledge and experience. Interest groups and political parties normally have their own public policy specialists. Shutting them out of the decision-making process is equivalent to denying that they also have expertise. Bureaucratic insulation inhibits mutually beneficial knowledge interfaces between implementors and the public (see: Arce and Long 1987). It is also delegitimizing in the public eye.

The case for shielding decision-makers, of course, is based on the experience of the stylized East Asian capitalist developmental state, where state autonomy was allegedly instrumental in accounting for economic dynamism (Haggard 1990; Haggard and Cheng 1987; Haggard and Moon 1990). A nuanced version of this argument is that state insulation is not the same as state isolation (Centeno 1994); particular forms of state embeddedness in society optimize decision-making elites' policy space while facilitating beneficial interactive links with civil society (see: Evans 1989, 1992; Onis 1995). The most common example given is the connections between East Asian economic technocrats and domestic capital (Evans 1992; Gereffi 1990; Haggard and Cheng 1987; Johnson 1987; Onis 1995).

The flip-side --or dark-side-- of East Asian "embedded autonomy" (Evans 1989, 1992), however, is downplayed: the insulation of policy elites was attained thanks to the suppression of the rest of civil society, including labour, peasants, and popular movements. In short, the hidden message behind the insulation argument is that state-business

ties are to be promoted under state tutelage, but other societal interests only detract from state policy performance. It is also frequently ignored that the highly proficient technocrats of the East Asian "Tigers" have also been guilty of notable policy failures and corruption.

Democratic representative institutions also tend to be examined in terms of how they can enhance state control of the policy reform process and channel political support for reform coalitions (Haggard and Kaufman 1989b, 1992; Haggard and Webb 1994, 1993). Little mention is made of how legislatures can also serve as forums for fruitful open debate of public policy. Still less attention is directed at other institutions of representation and their role in the reform process, such as business and labour peak organizations. Much of the analysis on party systems is misdirected, anachronistic and eurocentric. There has been an explosion of non-institutionalized forms of interest representation in Latin America --social movements and non-governmental organizations-- which has gone largely ignored in the mainstream literature on restructuring. Yet this phenomenon is partially a reflection of a widespread popular dissatisfaction and distrust of more institutionalized modes of representation. In the Mexican case, these collective agents have also blossomed as the longstanding ruling party --the Institutional Revolutionary Party (PRI)-- has become less representative. These authors show little concern for how to empower social groups or how to enhance their potentially constructive participation in policy-making.

A distinction between policy "winners" and "losers" is prevalent throughout much of the conventional literature under review. The general premise is that reformist governments must construct support coalitions from the "winners" of restructuring measures in order to ensure the political sustainability of their programs while compensating or marginalizing the losers (see: Haggard and Webb 1994, 16; 1993, 158).

The problem is that the Latin American record with stabilization and adjustment would seem to indicate that the quantity of losers far outweigh the winners. With 13 years of restructuring experience to draw from since the watershed event of Mexico's 1982 crisis, the losers have included pretty well almost everyone: organized labour, public

employees, the majority of small- and medium-sized businesses, peasants and most sectors of the middle classes. The erosion of the middle classes and rising income inequality suggest an extremely narrow potential reform coalition of winners: the head of state, the implementing technocrats, the head of state's congressional backing, and large scale entrepreneurs. To round out the coalition it is inevitable then to purchase or accommodate some of the potential losers via compensation or to slacken the pace of reform in order not to hurt too many potential losers at once. In either case, the integrity of neoliberal reform measures is compromised. On the one hand the state must resort to populism, one of the very practices it is allegedly trying to erase by market-oriented reforms in order to execute its program. On the other, slowing or staggering adjustment measures implies that it is difficult to speak of "neoliberal" restructuring, since what ensues is a hybrid of both former and newer measures, practices and institutional arrangements.

An over-simplistic, false dichotomy is also found in much of the literature. State reformers are contrasted with "vested" or "established" interests (see, for example: Nelson 1989a, 1990; Haggard and Kaufman 1992a; Haggard and Webb 1993, 1994; Haggard, Lafay, and Morisson 1995; Przeworski 1991; Bresser Pereira, Maravall, and Przeworski 1993). The politics of economic adjustment thus becomes a simultaneous exercise in reform coalition-building and managing opposition (Waterbury 1989; Haggard and Webb 1993, 1994; Haggard, Lafay, and Morisson 1995). The implicit assumption is that all opposition to economic reforms supports the status quo and opposes deep-rooted change. Yet any cursory glance of groups within Latin America that resist economic reform --labour unions, urban popular movements, human rights groups, Church organizations and *campesino* movements-- reveals that they are not necessarily opposed to economic policy change itself so much as the particular *neoliberal* form espoused by current governments. Many are cognizant of the need for policy reform but disagree on the interpretation of economic crisis and the policy prescriptions required. The false dichotomy evident throughout many analyses effectively *silences* alternative visions of political and economic change. This fallacy is also reinforced by another: the notion that there is only one correct

economic restructuring path.

Several pieces do favour a social democratic route to economic and political liberalization (Przeworski 1991; Bresser Pereira, Maravall, and Przeworski 1993, 1994). However, virtually all the mainstream literature on democratization and economic adjustment reviewed above reflects the same democratic paradox: while preferring democracy over authoritarianism, many scholars share a state-centric, top-down and paternalistic vision of political and economic change. They endorse a technocratic state in which societal participation in decision-making is minimized and controlled, and where the presumed modernizing motives of policy elites are not subject to scrutiny.

Apart from how representative institutions can control and channel interest group pressures, the conventional wisdom does not contemplate how democracy can enhance economic performance. Arguments are presented which are "against" civil society. While having a problem-solving orientation --that is, how to improve policy-making-- much of the mainstream literature does not contemplate how civil society can play a role in improving policy. Does an "authoritative decision-making style" (Gamarra 1994) --top-down, autocratic, insulated policy-making conducted by highly trained technocrats-- enhance policy performance? The following section addresses this question by examining the troublesome case of Mexico under Salinas.

The Salinas Legacy: The End of the Post-Revolutionary Compromise³

This paper contends that democracy --both formal *and* substantive-- is increasingly essential in order to counter Mexico's current economic slide. Yet for many years the country produced impressive growth rates *despite* the lack of a democratic order. Democratic rights and institutions did not seem to matter so much so long as the economy continued to

³This section draws partially on a previous essay by the author. See: Legler (1995).

perform well.⁴ The crucial difference now is that a longstanding "post-revolutionary compromise" (PRC) that previously served as an artificial substitute for political democracy has been eroded. For many years the PRI-government committed itself, at least rhetorically, to sharing the fruits of economic growth with, and creating economic opportunities for, its corporatist sectors in exchange for their political support and acquiescence. This formula has given way to the neoliberal logic of the "free" market; the market mechanism and not the state should determine what benefits accrue to Mexico's masses. At present Mexican technocrats are neither bound by a sense of obligation to the popular bases of their political party, nor by a democratic order in what they do. Despite their enormous belief in their own abilities, Salinas officials propelled the country into its worst economic crisis with virtually no checks on their scope for action.

The post-revolutionary compromise was founded on two pillars. First, the governmental obligation toward Mexico's popular classes was written into the 1917 Constitution and also arose from the Mexican Revolution. In addition, the *Partido Revolucionario Institucional* (PRI) --then the *Partido de la Revolución Mexicana*-- was founded in 1929 on a popular base of workers, *campesinos*, public employees and the military. It was created to control and internalize distributional conflict and permit elite accommodation within a party-state apparatus, in order to put an end to the protracted and violent civil war and political conflict among rival revolutionary generals and popular leaders. At least at its outset, the PRI was compelled to appease popular interests in exchange for their political backing.

The compromise served as a democratic surrogate in at least three important ways. First, given its dependence on popular political support, the PRI-government elite was committed to sharing the fruits of economic growth with its popular bases. Second, the party served as a system of representation linking its roots with the executive

⁴Of course, it is not my intention to belittle the struggle of those who did put democracy high on their personal agenda, such as the student movement of 1968.

leadership. Third, positions of authority were distributed within the party-state apparatus among the leadership of the contending corporatist sectors. These leaders in turn owed their power in part to the political support they could muster for the PRI when required, such as for elections, party meetings and plenaries, presidential addresses and visits by official party candidates. Of course, the compromise helped facilitate political control as much as popular empowerment.

Several factors contributed to the eventual demise of the PRC. First, a gradual shift took place in the social bases of state power. The state's popular foundations have given way to an increasingly elite-centred political support structure. Successful import-substitution industrialization, the growth of the public bureaucracy and the internationalization of the economy created a new industrial elite and urban middle classes. Then, thanks to more than twelve years of economic liberalization (1982-1995), industrial interests have been fused with financial and commercial power as the main domestic constituents of the PRI-government.

Second, the debt crisis since 1982 has cut deeply into the resources available to the state to honour its end of the arrangement. International credit became scarce during the 1980s while debt payments and fiscal austerity reduced state finances. The downturn in global commodity prices hurt Mexico's export earnings, especially with respect to oil.

Third, a process of technocratization of the Mexican state began during the 1970s (see: Centeno 1994). Beginning with the López Portillo administration, a new technocratic elite gradually emerged within the state bureaucracy: the *tecnócratas*. The technocrats disdained conventional politicians and bureaucrats of the time --the "*políticos*"-- and their more traditional way of doing politics. They had little patience for the older corporatist politics of compromise, distribution, and party loyalty and service. Typically, they shared a common privileged class background and graduate training in economics or public administration in leading U.S. or European schools.⁵ They also

⁵Mexico's current president, Ernesto Zedillo Ponce de León, is an anomaly. While clearly a technocrat, his family background is middle class. In

possessed similar career trajectories: ascension in the various economic ministries and institutions (*Hacienda, Programación y Presupuesto, Comercio, Banco de México*) with a dearth of experience in elected positions or party politics. *Tecnócratas* commonly spoke two key languages in addition to their own Spanish: English and the jargon of economists. Efficiency, expertise, optimality and scientific rationality were their favoured objectives. With an unwavering belief in their own ability and infallibility, they wanted to recast the Mexican state in their own image (Centeno 1994).

The technocratization of the state was antithetical to the politics of the PRC. *Tecnócratas* did not feel any particularly strong personal sense of obligation to the party's corporatist sectors nor to the party itself for that matter. Thanks to their more privileged class origins, they were not necessarily well attuned with or sympathetic to the social reality in which the majority of Mexicans found themselves. Their rise steadily marginalized and reduced the number of *políticos* in the exercise of state power. The technocratization of the state reached its zenith when Carlos Salinas de Gortari assumed the presidency in 1988.

Finally, alongside the rise of the *tecnócratas*, the gradual decline of Revolutionary symbolism also hurt the PRC. Beginning with the De La Madrid presidency, the official discourse made less frequent mention of the Revolution. Salinas dealt the death blow to Mexico's revolutionary heritage. On March 4 1992, President Salinas made a definitive break with ideals and practices dating back to the Mexican Revolution.⁶ On the occasion of the sixty-third anniversary of the *Partido Revolucionario Institucional* (PRI), he announced a new ideology for Mexico's ruling party: "social liberalism".⁷ A

addition, he completed his undergraduate degree in economics at a non-typical university for high-ranking technocrats: *El Instituto Politécnico Nacional*.

⁶Ironically, Salinas always admired perhaps the greatest of the revolutionary heroes, Emiliano Zapata. Salinas' son and the presidential jet even carried Zapata's name (Reding 1994).

⁷On "social liberalism", see: Reyes del

contradiction in terms, social liberalism in practice would prove exceedingly liberal and not very social at all.

Reflecting Mexico's new cordial relationship with the United States and international investors, the Salinas administration jettisoned an age-old tradition of nationalist discourse. Mexico's turn-of-the-century dictator, Porfirio Díaz, once the enemy of the Mexican Revolution, was repackaged as the country's first "heroic" modernizer.⁸ Officials also quietly abandoned the revolutionary ideals of social justice and an interventionist state. In the place of revolutionary nationalism, "competitiveness", "productivity" and "efficiency" became the desired societal objectives in Mexico's quest to join the First World.

Instead of the tangible arrangements of yesteryear, the Salinas administration simply offered Mexicans the promise of better things to come with the signing of the North American Free Trade Agreement. Mexico's painful economic adjustment process would supposedly lead eventually to First World status, with all its socio-economic benefits.

However, both economically and politically, the Salinas administration left behind a disappointing legacy. Economically, at the same time that growth with stability had allegedly been achieved, Mexico's

Campillo (1992); Bolívar Espinoza, Méndez Berrueta, and Romero Miranda (1992).

⁸To back the new modernizationist bent, an attempt at historical revisionism was undertaken which offered a more critical interpretation of the Mexican Revolution and a more sympathetic portrayal of Mexico's late nineteenth century "modernizing" dictator, Porfirio Díaz. Toward this end, the Ministry of Public Education (SEP), under the direction of Ernesto Zedillo, sponsored a competition to write a new history textbook for Mexico's public schools. In addition, with significant public sponsorship, Mexican television giant Televisa produced an expensive soap opera for popular consumption on the "*Porfiriato*", Porfirio Díaz's 30 year reign. "El Vuelo del Aguila," as it was called, presented Porfirio Díaz in a favourable light, breaking with the longstanding view that Díaz was an enemy of the Mexican Revolution.

current account deficit rose alarmingly from 2.4 billion dollars in 1988 to 28.8 billion dollars in 1994. From 1.4 percent of Gross Domestic Product (GDP) in 1988, the current account deficit rose to 7.7 percent of GDP in 1994. The country's trade balance began the *sexenio* with a surplus of 2.6 billion dollars in 1988, only to end it with a record deficit of 18.5 billion dollars in 1994. National savings fell from 22 percent of GDP in 1988 to less than 16 percent in 1994 (Zedillo 1995). Consumers and producers alike suffered a mounting problem of overdue loans, or "*carteras vencidas*". They reached the sum of 43 billion new pesos by the end of 1994.

Politically, growing instability accompanied Salinas economic reforms, culminating in the dramatic events of 1994. First, while political power was increasingly concentrated in the presidency, a growing governability crisis emerged at the state level. Thanks to internal party strife, scandals and mounting public opposition to electoral irregularities, a record number of interim governors were imposed by the president. On January 1, 1994, armed rebellion broke out in Chiapas, drawing attention to the plight of Mexico's impoverished indigenous peoples and *campesinos*. During 1993 and 1994, the mounting debt problem of agricultural producers and small- and medium-sized entrepreneurs fuelled the rise of the nationwide protest movement "*El Barzón*". Cracks appeared within the PRI-government itself, manifested in the political assassinations of the PRI's presidential candidate, Luis Donaldo Colosio, and its secretary general, José Francisco Ruiz Massieu.

Just three weeks into the new presidency of Ernesto Zedillo, the "peso crisis" of December 20, 1994 dispelled any myth about Mexico's "Economic Miracle" or ascendance to First World status. Persistent political turbulence during 1994, mounting current account and trade deficits and declining international investor confidence in the new Zedillo administration triggered a massive capital flight, devaluation and full-blown balance of payments crisis. Significant inflation was unleashed that had been previously "hidden" by the overvalued new peso. Subsequent corrective stabilization measures -- interest rate hikes, fiscal austerity and a restrictive monetary policy-- took a heavy toll in terms of unemployment, indebtedness and record business and personal bankruptcies.

Mexico's peso crisis demonstrated just how shallow the foundations of the new economic model were. Success hinged dangerously on international investor confidence. With inadequate domestic savings to counter the impact of capital flight, only a timely 52 billion dollar rescue package assembled by the United States government, the International Monetary Fund and the World Bank staved off the total collapse of the Mexican economy.

The Mexican case is a clear argument *against* bureaucratic insulation. Enjoying substantial policy space free from external pressures, hindsight shows that Salinas' overly self-confident team of technocrats ultimately failed in their mission to restore growth with stability. Most Mexicans found themselves worse off as a result of *salinismo*. While nobody could predict the exact timing or extent of the crisis that ensued, decision-makers ignored experts' early warnings about the growing vulnerability of Mexico's restructuring economy.⁹ The *tecnócratas* enjoyed a "monopoly of truth" and were not about to listen to the views of those who did not sympathize with their project, speak their economics jargon or belong to their political group.

Mexican authorities enjoyed a considerable degree of decision-making autonomy. The Mexican Congress, for example, continued serving its traditional role as a rubber stamp for presidential initiatives. The Supreme Court was subservient to the power of the president. Television and radio news programmes also persistently offered uncritical coverage of the president, the PRI and the government's economic policies. International financial institutions interested in upholding Mexico as a shining example of the virtues of market reforms also offered their blessing to Mexican policy-makers. The Canadian and U.S. governments were hesitant in the context of the negotiation of the North American Free Trade Agreement to openly criticize their pending trade partner for its lack of democracy and dismal human rights record.

Finally, dissenting voices in Mexico were either ignored by pro-government television and radio news coverage, silenced by repression, coopted

⁹See, for example, the analyses of: Dornbusch and Werner (1994); Whalen (1993); and Naím (1993).

or reduced to the printed media, which is generally read by only a minute fraction of the Mexican populace. Government authorities in conjunction with a private monopoly of sympathetic television and radio stations coordinated a successful campaign of disinformation and outright slander to discredit and weaken the principal voice of the organized left: the *Partido de la Revolución Democrática* (PRD).

There are further grounds for questioning the virtues of the insulated policy space enjoyed by the Salinas technocrats. While any administration is capable of erring, hindsight reveals that key economic decisions were driven as much by overriding political concerns as they were by sound economic logic. The maintenance of the PRI-government's authoritarian regime in power was one such overarching political objective that conflicted with modernization goals. The decision to sustain an overvalued peso is a clear example of the interference of politically-motivated concerns with economic policy. In the interest of recovering the vote lost in 1988, it helped drive a middle class consumer boom through subsidizing imports and Mexican travel abroad. Overvaluation also facilitated hiding inflation, as imports entered the country at artificially low prices. Some argue that the exchange rate policy was also meant to placate the U.S. Congress in the context of the difficult NAFTA vote. The U.S. government could point to a growing trade surplus with Mexico as an argument in favour of free trade (Cypher 1995).

The essential devaluation of the new peso was also delayed for political purposes. First, the economic problems stemming from a devaluation before the 1994 presidential election might have cost the PRI's candidate victory. Subsequently, Salinas continued to delay devaluation in the interest of promoting his candidacy to head the new World Trade Organization.

Political power was also used for more personal ends, namely immense wealth accumulation and corruption. One of the conceptual flaws of the bureaucratic insulation argument is that it rests on an assumption of the modernizing intentions of technocratic policy elites. The Mexican case under Salinas raises the question whether governmental initiatives were driven more by the desire of consolidating the market or *cornering* it for personal gain.

While corruption has long been part of daily Mexican existence (see: Morris 1991), unparalleled opportunities arose during the Salinas administration, even against the backdrop of the excesses of the López Portillo and Echeverría presidencies. Without the post-revolutionary compromise or a working democratic order to constrain them, governmental officials enjoyed unprecedented internal freedom to get rich fast or bestow favours on private sector clients. Whereas the patronage and corruption pie had been divided among a larger number of hands previously --"more equitably" so to speak-- under Salinas, in particular, the number of those who now benefited declined markedly.

One of the government's assertions concerning neoliberal restructuring was that loosening the grip of the state on the economy and liberalizing trade would unleash previously fettered domestic entrepreneurial forces. According to the official interpretation, Mexico's post-war model of state-sponsored growth and protectionism had constrained the rise of an entrepreneurial spirit in the business class. What actually happened is that the political elite that colonized the Mexican state during import-substitution industrialization (ISI) did not disappear; it just modernized. Industrialists and their political allies under ISI have become neoliberalism's financiers and owners of transnational corporations. Typically, industrial firms have been fused with re-privatized banks and privatized state corporations to form powerful *grupos financieros* (financial groups).

Mexico's process of privatization created lucrative and secure business opportunities in numerous former publicly-owned or controlled sectors, industries and firms: banks, the national telephone company, the country's airlines, concessions for the construction of new toll highways and mines. Between 1989 and 1994, 269 state corporations were privatized (SHCP 1994). Monopolies, or near-monopolies were often simply transferred from state tutelage to private ownership. A clear-cut case is that of Mexico's telephone monopoly, TELMEX. Another prominent example is that of copper mining. Jorge Larrea, known as the "King of Copper", acquired control of two key copper mines in the state of Sonora. Nacozari and Cananea mines generate almost 95 percent of Mexican copper production, and almost 6 percent of global production (Sallard 1995).

Officials have frequently used public office to take advantage of the privatization process. The practice of putting "*prestanombres*" ("loaned names") --figureheads or puppets-- as the "owners" of privatized corporations was widely used in order to prevent the public from finding out who were the real owners. For instance, it was widely rumoured in Mexico that Carlos Salinas de Gortari was the real beneficiary of the privatization of TELMEX, with Carlos Slim as the "*prestanombre*".

Subsidies meant to keep the price of *tortillas* low for lower-income consumers created a *Forbes* multimillionaire out of the owner of the agroindustrial giant MASECA, Roberto González Barrera. In 1994, *Forbes* reported that González's net worth was estimated at 1.1 billion U.S. dollars (Button, et al 1994).

Nepotism was an additional facet of the modernization of rent-seeking during Mexico's neoliberal restructuring. One of those who benefitted most was Salinas' own brother Raúl. Thanks to his recent fall from grace for allegedly masterminding the assassination of José Francisco Ruiz Massieu in September 1994, only just recently has the public become aware of the extent of Raúl's personal enrichment in recent years. For example, while director of Mexico's National Basic Foods Company (CONASUPO) during 1985-1991, Raúl used his position to traffic thousands of tons of maize, beans, sugar, milk powder and meat otherwise intended for popular consumption by Mexico's poor people. While at CONASUPO he also allegedly took part in the importation of corn from the United States that was unfit for human consumption for use in the production of *tortillas* (Correa and Jáquez 1995). Raúl reportedly also used his privileged name to act as a go-between on behalf of foreign multinational companies such as IBM or Mitsubishi with the Mexican government, acquiring hefty "*mordidas*" ("bites"/commissions) for assisting in the negotiation of lucrative public procurement contracts (Reveles 1995). Mexican authorities are also investigating how Raúl Salinas managed to acquire 21 new houses in nine years and four months of public service (Gunson 1995). Most recently, Swiss police arrested his wife for attempting to withdraw 84 million dollars from a Geneva bank account registered under a pseudonym used by her husband (Gunson 1995).

Finally, it is widely suspected that the

government used the pretext of "bankruptcy" to transfer attractive public enterprises to private hands. For example, without any prior warning to its employees and management, in 1989 the state-owned airline *Aeroméxico* was officially declared bankrupt and promptly transferred to private ownership. Many believe that the *Aeroméxico* case served as the precedent for the recent "bankruptcy" of Mexico City's public transportation corporation, *Ruta Cien*, during the spring of 1995.

While the vast majority of the salaried middle classes and popular classes have seen their economic position deteriorate dramatically, an exclusive group of entrepreneurs and their families with close links to Carlos Salinas de Gortari have benefitted enormously from "exclusionary modernization." Privatization in particular served as a "*piñata*" of wealth-acquiring opportunities for the select few. In July 1994 a special issue of *Forbes* reported that an unprecedented 24 Mexican billionaires had made their annual list of the world's wealthiest people (Button, et al 1994). By comparison, just 11 Mexicans made *Forbes'* list in 1988 (Sauri and Piz 1994). The combined value of their wealth was said to equal what Mexico's poorest 35.5 million people earned (Cuéllar and Camacho 1994). Another study by the Mexican business magazine *Expansión* found that a group of just 179 entrepreneurs, who each control more than one company, conforms the nucleus of Mexico's business class (referred to in: Zúniga 1994). The contrast could not be starker: while neoliberalism has produced a new superclass of multimillionaires, according to one estimate the number of Mexicans living in poverty grew from 48.5 million in 1981 to 66 million in 1992 (Batta, et al, 1995).

Conclusion

A retrospective look at the Salinas *sexenio* provides grounds for seriously questioning the merits of the bureaucratic insulation argument and technocratic bias underpinning much of the literature on the politics of economic restructuring. The policy elite under Salinas approximated closely this formula: highly-trained and educated decision-makers enjoyed considerable bureaucratic autonomy in the

formulation and implementation of economic and political reforms. However, the reign of Salinas' technocrats did not lead to stable economic growth, but rather, to unparalleled economic and political crises. Their policy mistakes and abuses of power and privilege hurt Mexico dearly.

Several important observations arise from the Mexican case. First, technocrats are not necessarily more knowledgeable or capable than their critics or the public in whose interest they are supposed to work. Despite an enormous belief in their own abilities, Salinas' officials took decisions which made the country's economy even more vulnerable to the events surrounding the "peso crisis" of December 20, 1994.

Second, the Mexican example raises doubts about the modernizing assumption that underlies the bureaucratic autonomy thesis. Insulated policy space in Mexico was used to make economic policy decisions more in tune with the political concern of regime maintenance than in sync with sound economic logic. The modernizing intentions of technocrats are also called into question by the self-serving behaviour of many within the Salinas administration. With the demise of the post-revolutionary compromise and in the absence of democracy, economic modernization was but one of several competing objectives for the PRI-government. Adjustment policies such as privatization contributed as much to the modernization of rent-seeking as they did to the consolidation of the market mechanism. Policy reform fostered a pattern of exclusionary modernization in which a select group of elite regime supporters gained tremendous wealth while the vast majority of the population saw its lot worsen.

Salinas' *tecnócratas* were seemingly as adept as their *político* predecessors in the art of corruption. Simply being better educated and trained in top U.S. universities was no guarantee of greater honesty or integrity, as they might have led one to expect. Scholars and policy analysts would do well to examine technocratic decision-making under a more critical light.

Out of the legacy of the Salinas *sexenio* arises an imperative for democratization. In addition to compelling human rights grounds, democracy is also urgently required to help halt Mexico's current socio-economic deterioration. Democratic

institutions and counterweights are necessary in order to enhance policy performance, resist exclusionary modernization and combat corruption within the Mexican state. In short, democracy makes increasing economic sense in the present juncture. Rather than being insulated, economic policy-making must become more democratically embedded.

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