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"salinastroika" & Other Novel Ideas (impact Of Neo-Liberalism On Mexican Economy & Society)

by Steven Ranieri

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[Appearing below are excerpts from a recently completed introductory chapter to the Japanese edition of David Barkin's book, "Distorted Development: Mexico in the World Economy." Distorted Development was published by Westview Press (Boulder, Colorado) in 1990. Barkin, professor of economics at the Universidad Autonoma Metropolitana's Xochimilco campus and Centro de Ecodesarrollo research director, is a North American economist who has been working in Mexico for decades. The first part of "Salinastroika..." was published in the 08/12/92 issue of SourceMex.]

9) Reorganization of rural Mexico. Rural Mexico is a special bastion of traditionalism, a particularly important sector if the Salinas modernization program were to proceed. During the first few years of the reform program, the administration concentrated on channeling resources to private farmers and ejidatarios willing to reorganize their landholdings for efficient use of modern technology to produce export crops. At first, the government explicitly abandoned commitments to food self-sufficiency, but later modified its position as food imports rose to US\$5 billion and the popular outcry became widespread. Here again, however, support for maize and bean production was systematically channeled to the nation's richest farmers in the irrigation districts and the fertile plains of the north, rather than to dryland peasant producers in central and southern Mexico. The rural scene was dramatically transformed in late 1991 when President Salinas unveiled amendments to Article 27 of the constitution. The new plan, which was ratified in less than two months by the Congress and the legislatures of all 31 states, proposes to reorganize landholdings and inject corporate capital into farming, modernizing rural production in a way that a corrupt and underfinanced bureaucracy has not been able to do for almost a half century. By permitting ejido title holders to enter into a wide variety of commercial contracts, the private sector is expected to finance investment and production costs. Many observers believe the new program will probably be very effective in integrating a select group of farmers into a new vibrant agricultural export model. The remaining millions of farmers, whose plots are too small and/or whose land is of marginal quality, will find themselves increasingly isolated from the institutional and financial supports which allowed them to continue in the face of unfavorable market conditions (including heavy export subsidies for grains by advanced industrialized countries). Over 13 million people are expected to emigrate from poor farming communities during the next decade. Many thoughtful critics say the country can ill afford the effects of a narrowly defined program like the one presently being implemented. The environmental and social problems caused by another massive rural-urban migration are beyond the capabilities of the system to manage in either economic or political terms. Next, it is unfortunate that at the very moment when Mexico is beginning to negotiate more equitable terms for fruit and vegetable exports, the government is forcing a very productive sector of farmers to cultivate grains rather than more profitable fruits and vegetables.

10) The anti-poverty program. Mexico's anti-poverty program, Solidaridad, offers an important case study in the use of public largesse for political goals. The program provides an institutional framework in which organized local groups can channel collective energies into local infrastructure projects, such as schools, water and sewage systems, paving streets, park development and beautification.

In the midst of a deepening crisis, the program attempts to communicate that the government, the ruling party, and most especially the president, are concerned about people's welfare. The administration is clear about Solidaridad's important mission of mobilizing political support. A program of new productive enterprises was created to counter the charge that it is essentially make-work program without any lasting impact. As in past versions of this strategy, the main stumbling block to the success of such enterprises is the inability of the bureaucracy to work honestly and steadily in a collective undertaking which requires reinvestment of profits and substantial on-the-job training. This approach has failed time and again, not for lack of resources, but rather because of the organizational and entrepreneurial skills which cannot be readily instilled in groups of poor people skeptical about sharing benefits in the future. Past experience frequently indicated the contrary, and leads them to believe that corruption and inefficiency will seal the fate of these enterprises, long before they have a chance to succeed. Solidaridad, then is a showcase program, a celebrated example of the skillful exercise of state power for political mobilization in marginal areas. It communicates an apparent concern for the welfare of many groups which are not part of the dominant modernization and integration scheme. In an environment of marginality and hostility or mistrust, this program creates a window of opportunity for people desperately struggling to survive or opportunistically resigned to accept whatever crumbs they can glean from the federal budget. Solidaridad does not fool many into believing that the present economic strategy offers real opportunities for "Los de abajo." The spoils (and costs) of success The Salinas reform program sparked an early economic growth recovery. The government overcame the confidence crisis and reduced the credibility gap which had been so significant in undermining similar programs elsewhere in Latin America. Public support for the regime is still quite widespread. The international press understandably celebrates the substantial benefits which the Mexican adjustment process has delivered. The program offers concrete evidence of the bounty of the neo-liberal economic package, and a model to be adapted for the solution of adjustment problems suffered by other countries in the hemisphere as well as eastern European nations. The bold steps to overcome the "revolutionary heritage" which led the country to back away from joining the GATT in the early 1980s, to limit the role of foreign investment in the economy, and to insist on protecting workers and the peasantry, are widely praised as examples for others to follow. The reform package has delivered tangible benefits to important segments of the international banking and industrial community: preferential access to enterprises in the process of being privatized; a draconian program of wage controls to ensure high profit rates; easier access to the country's abundant natural resources; and very high yields on financial investments, often sheltered from taxation. A short list of the special benefits delivered to diverse social groups may help to explain the continuing internal support: 1) high domestic interest rates for holders of the internal debt during the first stage of the program assured enthusiasm from the rentier class; 2) a virtually unlimited (and very profitable) flow of imported consumer goods by the commercial sector helped control inflation and made a real contribution to the welfare of the working poor while allowing the rich to enjoy a consumer binge of unprecedented proportions; 3) the legalization of several million (illegally) imported vehicles ostensibly for use in rural Mexico, was a very inexpensive way of reducing discontent among a large group of poor (but not destitute) farmers and influential provincial leaders; 4) high profits for the newly privatized financial system were assured by permitting a large spread between passive and active interest rates, and by creating a new obligatory pension system to be administered by the banks; and 5) credit programs to promote private consumption of computers, automobiles, and other consumer durables as well as to finance housing assuage the ire of the middle class, which was particularly hard hit by cutbacks in the bureaucracy, declines in real incomes, tighter controls

on wages and taxes, and disproportionate increases in the cost of services. As we suggested at the beginning of this chapter, however, the program is in danger of becoming a Pyrrhic victory. Short-term gains are coming at the cost of dismantling the economy and disintegrating the society. Competing imports have displaced entire segments of industry oriented towards the domestic market; producers often transform themselves into importers, unable to compete with the price or relaxed quality standards allowed for imported goods. The plight of rural producers is even more dire: the onslaught against the peasantry has intensified, as government withdrew support and the private sector is concentrating on specific regions and producer groups. Dynamic sectors the apparent beneficiaries of an internationalized economy like the maquiladora plants, the auto and computer industries, financial intermediaries, and tourism, are certainly generating attractive profits for their owners, and sizable quantities of "non-traditional" exports, but they do not create sufficient employment opportunities to meet the needs of the labor force, nor will they redistribute income, since they are tightly controlled by a small financial elite. The environmental disaster of uncontrolled growth is also coming home to roost. The problems of Mexico City are legion and well-known. The explosion of the main sewage line in Guadalajara as a result of fuel seepage suggested the depth and breadth of the damage that pollution has inflicted throughout the country. Problems in the border area are not uniquely Mexican, but the hoard of children born without brains in 1992 along the Texas border were all of Latin mothers. The president has declared the environment to be a priority, and was awarded a prize for his bold statements, but the present strategy offers little solace to those who are searching for a more balanced pattern of growth. An integrated future Both George Bush and Carlos Salinas have staked a great deal of their political future on the free trade negotiations. As the national teams concluded the NAFTA negotiations, it is becoming clear why opposition has spread from human rights, labor, and environmental groups to broad segments of the business community. The apparent contradiction between favorable public opinion surveys and the deep-seated opposition from many knowledgeable commentators is a result of the divergence between the promised benefits to consumers and the worrisome results of specific sectoral forecasts which project declining employment and/or incomes for broad segments of the population in all three countries. Most of these evaluations agree that the governments of all three nations will be unable to obligate the beneficiaries from the trade agreement to compensate the losers within each country. As the negotiations drew to a close, a new phenomenon emerged in Mexico: the beginning of broadbased coalition politics that transcends national boundaries, individual issues, and sectarian positions. The Mexican coalition has been successful in forcing the government to reveal more about the negotiating process than it would have liked (but still not much), and to seriously listen to the concerns of grassroots constituencies (without modifying strategy). The NAFTA negotiations have introduced another important new element onto the political scene in Mexico: multinational collaboration has also become an acceptable and even an almost respectable tool for the political opposition. These modifications in grassroots and party politics will have far-reaching and unpredictable effects in the future. The economies of North America are integrating. NAFTA will accelerate this process, but cannot address the fundamental problems of any of the three. For Mexico, integration will mean more trade and more employment, and continued production expansion in certain privileged sectors. Productive imbalances and social polarization are exacerbating. But now there are fewer institutions prepared to deal with the problems that the new strategy is creating and the people left behind. The present strategy relies on foreign investors bringing sufficient resources to Mexico to pay to correct the problems. This seems like a hazardous gamble. Dale tiempo al tiempo Mexico's economy will become even more distorted in coming years, if the present development strategy has time to mature. Important segments of the population are

being excluded, and the country's wealth is being revalued: resources under peasant control are being devalued while those in the hands of the rich are becoming more important. No thought is given to preserving the country's rich heritage for posterity. Mexico boasts a natural cornucopia, an indigenous past, an anti-colonial struggle, a brilliant and abundant storehouse of cultural and artistic creativity, but this has no value, except if it can be sold on international markets or to fickle tourists. The War Economy proposed in the first edition of this book has been widely discussed. The peasant based food self-sufficiency strategy it offers, while workable, is not a sufficient alternative. Food production has become too devalued and too limited in scope, to offer a viable option for most people in rural Mexico. In the face of the current narrow model of industrial modernization, there is a clamor for a more diversified productive base, taking advantage of abundant and varied natural resources and the enormous reserve of inherited knowledge stemming from treasured cultural differences. Such an approach requires solutions to productively employ an important part of Mexico's population that still struggles to remain in the countryside. Today's technocrats are in such a hurry to eradicate this shameful and obsolete native heritage that they have no time to search for an alternative. Culinary wealth and diversity are no more cherished than the enormous treasure of biodiversity which is being annihilated by transnational hybrid seeds and other paths of progress. Both are themes for poetic discourse, but like the paintings of its famous artists, or the musings of its writers and poets, they are appreciated more for their marketability than their intrinsic worth. Their contribution to the earth's integrity or society's enjoyment is recognized by very few. These technocrats are unwilling "to give time a chance," as the popular Mexican expression might be translated, to allow society to adjust to the gradual process of international integration which is linking nations and cultures. And they forget the lesson of another popular saying: that "simply by waking up earlier, the sun won't rise sooner." (No por mucho madrugar, amanece mas temprano.) That is, Mexico the country, its people, its culture will not magically change its course and its very essence, simply because the president orders industrial structure modified, resources sold or leased out, or foreign goods imported on a massive scale. The country is beginning to realize the nature of the changes underway; most Mexicans will not easily acquiesce. It is still too soon to predict the modifications they will demand. It is likely, however, that the neo-liberal dreams of today's ruling elites will be shattered by the vigor of Mexico's extraordinarily diverse and vigorous but impoverished peoples.

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