

London School of Economics and Political Science
Department of Government

**Bureaucracy and Politics in Mexico, 1976-1992:
The Rise and Fall of the SPP**

Eduardo Torres Espinosa

Thesis submitted for the degree of
PhD
at the University of London

London
1997

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Abstract

This thesis examines the relationship between the central bureaucracy and politics in Mexico. In doing so, it focuses on the causes, effects, and implications of the creation of the *Secretaría de Programación y Presupuesto* (SPP). The theoretical and analytical framework used to analyse this ministry is provided by the literature stressing the role of institutions. The thesis argues that until the early 1970s, there was a historically grounded, dual policy-network system which reflected a clear-cut separation between economic and political management. It is contended that the emergence and operation of the SPP contributed to the deterioration of this institutional arrangement, thus blurring still further the already tenuous line between the bureaucratic and political realms.

It attempts to demonstrate that three mutually dependent factors explains this outcome: (i) the highly centralised and politicised setting in which the bureaucracy operates; (ii) the economic contextual influences both external and internal; and (iii) the direction and contents of public sector institutional change. The work is divided into seven chapters. An introductory chapter reviews the relevant literature on the topic, and discusses the analytical framework. Chapter two analyses the historical context up to 1970s, while chapters three to six explore key stages in the SPP life-cycle. The last chapter discusses the overall implications of fifteen years of SPP, and presents the conclusions.

There are three main conclusions to the thesis. First, institutional reorganisation in Mexico is far from being cosmetic, for it reflects broader political and economic processes. Second, the SPP becoming an influential political actor as well as a relevant agent of both elite change and economic transformation shows that, under certain circumstances, Mexican ministries can enjoy a considerable degree of autonomy. Third, the lack of a dividing line between administration and politics had relevant implications in both goal displacement and exercise of power at the margin of the existing electoral system. In Mexico, the lack of this dividing line is at odds with a definitive transition towards more democratic practices.

On the whole, the thesis suggests that the systematic study of the Mexican bureaucracy and its components, still in an embryonic stage, can shed light on the operation of the political system and its prospects for change.

To my grandmother and parents

To my sister and brothers

To Bertha Alicia

Acknowledgments

As usual, this thesis is not a personal enterprise. Directly or indirectly, both people and institutions contributed to make it possible. However, they should not be held responsible for the views, methodological limitations, and any errors contained in the thesis. While accepting full responsibility for them, the author wants to thank the help and support -material, intellectual and/or moral- received from a long list of both people and institutions throughout four years of uninterrupted work at the LSE. He apologizes in advance for not mentioning many of them in an explicit way.

To begin with, I owe a heavy debt of appreciation to my supervisor Dr George Philip who diligently supervised my work. In doing so, he introduced me to the hard, but always fascinating process of research. Beyond doubt, his never-failed reading of the hundreds of pages I submitted to him over the years as well as his always wise advise and suggestions proved crucial to finish this thesis. Professor George Jones, my advisor at the LSE's Department of Government, read with interest the core parts of the thesis and made useful comments, most of which were taken into account in the final version.

The courses organised by the Methodology Institute at the LSE not only made me aware of the wide range of analytical approaches available, but taught me many research tools. In addition, these courses gave me more specific ideas about how to deal with my research topic. In particular, I am in debt to two of its teachers, namely Dr Colm O'Muircheartaigh and Professor Patrick Dunleavy. Both of them taught me, among other things, the importance of the human dimension in any research project.

I learned much from the fortnight 'Mexico Seminar' diligently organised by Dr Philip as well as from each of its regular participants. They include Osvaldo Santín, Alejandro Rodríguez, Cesar Nava, Alejandra Salas, Ernesto Piedras, Jorge Orduña, and Juan Osorio. There is no doubt that the constructive atmosphere surrounding this seminar, including its *Beaver's* stage, encourages further research on Mexico at the LSE.

Many of my colleagues at the LSE and other British universities shared with me the moments of frustration as well as those less common of joy and sense of

accomplishment. In particular, I am grateful to two of them, namely Héctor Santana and Rodolfo Vergara for their helpful comments and constructive criticism on numerous portions of the thesis. Back to Mexico, I appreciate the moral and intellectual support of my friends Fernando Piñera Sánchez, Dr León Cortiñas Peláez, and Dr Rodolfo Haro García. The same goes, here, to Dr Arnaldo Córdova and Dr Esperanza Durán for their useful comments on my work.

A number of institutions were particularly helpful in carrying out this thesis. In Mexico, my gratitude is extended to the librarians at the numerous libraries visited. In the United Kingdom, I would like to thank the librarians at the British Library of Political and Economic Science, Institute of Latin American Studies, Senate House, and the British Museum.

Last, but not least, I thank the *Consejo Nacional de Ciencia y Tecnología* (CONACYT) for financial support. Without its long and generous sponsorship, I probably would not be writing these final lines.

Eduardo Torres Espinosa

London, April 1997.

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Acronyms and abbreviations

CAP	Comisión de Administración Pública/Public Administration Commission
CD	Corriente Democrática/ Democratic Current
CFE	Comisión Federal de Electricidad/Federal Electricity Commission
CNE	Colegio Nacional de Economistas/National Economists College
CT	Congreso del Trabajo/Congress of Labour
CTM	Confederación de Trabajadores de México/Mexican Workers Confederation
DDF	Departamento del Distrito Federal/Department of the Federal District
DFS	Dirección Federal de Seguridad/Federal Security Directorate (<i>Gobernación</i>)
DGPEyS	Dirección General de Política Económica y Social/Directorate General of Economic and Social Policy (SPP)
ECLA	Economic Commission for Latin America
ENE	Escuela Nacional de Economía/National School of Economics (UNAM)
FICORCA	Fideicomiso de Cobertura para Riesgos Cambiarios/Fund for Shared Exchange Risks
GATT	General Agreement on Tariffs and Trade
<i>Gobernación</i>	Secretaría de Gobernación/Secretariat of the Interior
<i>Hacienda</i>	Secretaría de Hacienda y Crédito Público/Secretariat of the Treasury
IEPES	Instituto de Estudios Políticos, Económicos y Sociales/Institute for Political, Economic and Social Studies (PRI)
IMF	International Monetary Fund
IPN	Instituto Politécnico Nacional/National Polytechnic Institute
ISI	Import-Substituting Industrialization
ITAM	Instituto Tecnológico Autónomo de México/Autonomous Technological Institute of Mexico
ITESM	Instituto Tecnológico de Estudios Superiores de Monterrey/Technological Institute for Superior Studies of Monterrey

LOAF	Ley Orgánica de la Administración Pública Federal/ Organic Law for the Federal Public Administration
NAFINSA	Nacional Financiera/National Finance Bank
NAFTA	North American Free Trade Agreement
NICs	New industrialised countries
LDCs	Less developed countries
OPEC	Organisation of Petroleum Exporting Countries
PAN	Partido Acción Nacional/National Action Party
PECE	Pacto para la Estabilidad y Crecimiento Económico/ Pact for Stability and Economic Growth
PEMEX	Petróleos Mexicanos/Mexican Petroleum Company
PGD	Plan Global de Desarrollo/Global Development Plan
PIRE	Programa Inmediato de Recuperación Económica/Immediate Programme for Economic Recovery
PND	Plan Nacional de Desarrollo/National Development Plan
PSE	Pacto de Solidaridad Económica/ Economic Solidarity Pact
Presidency	Presidencia de la República/Presidency of the Republic
PRD	Partido de la Revolución Democrática/Democratic Revolution Party
PRI	Partido Revolucionario Institucional/National Revolutionary Party
PRONASOL	Programa Nacional de Solidaridad/National Programme of Solidarity
PGR	Procuraduría General de la Federacion/Federal Attorney
SAHOP	Secretaría de Asentamientos Humanos y Obras Publics/Secretariat of Human Settlements and Public Works
SECOGEF	Secretaría de la Contraloría General de la Federación/Secretariat of the General Comptroller
SDN	Secretaría de la Defensa Nacional/Secretariat of National Defence
SECOFI	Secretaría de Comercio y Fomento Industrial/Secretariat of Commerce and Industrial Promotion
SECOM	Secretaría de Comercio/Secretariat of Commerce
SEDESOL	Secretaría de Desarrollo Social/Secretariat of Social Development
SEDUE	Secretaría de Desarrollo Urbano y Ecología/Secretariat of Urban Development and Ecology
SEMIP	Secretaría de Energía, Minas e Industria Paraestatal/Secretariat of Energy, Mines and Parastate Industry
SEPAFIN	Secretaría de Patrimonio y Fomento Industrial/Secretariat of Patrimony and Industrial Promotion

SEPALAN	Secretaría de Patrimonio Nacional/Secretariat of National Property
SPP	Secretaría de Programación y Presupuesto/Secretariat of Programming and Budget
SPre	Secretaría de la Presidencia/Secretariat of the Presidency
SRA	Secretaría de la Reforma Agraria/Secretariat of Agrarian Reform
SRE	Secretaría de Relaciones Exteriores/Secretariat of Foreign Relations
STyPS	Secretaría del Trabajo y Previsión Social/Secretariat of Labour and Social Security
STPRM	Sindicato de Trabajadores Petroleros de la República Mexicana/Union of Revolutionary Petroleum Workers of the Mexican Republic
UIA	Universidad Iberoamericana/Iberoamerican University
UNAM	Universidad Nacional Autónoma de México/ National Autonomous University of Mexico
US	United States of America
\$	American dollars

Bureaucracy: A servant or a master?

1.1 INTRODUCTION

Almost two decades ago, Peter H. Smith advised would-be public officials about how to enter and be successful within the Mexican 'labyrinths of power' (1979: 249-269). As it turned out, most of his provocative recommendations -based on an ambitious study of political recruitment- would have ironically the opposite results. At the time, only a clairvoyant would have suggested: whatever your background join the *Secretaría de Programación y Presupuesto* (SPP) whenever possible. For this ministry, created two years before Smith's book was published, would become an effective stepping stone to high office virtually since its inception. As a result, throughout its relatively short existence, the SPP produced not only an impressive number of ministers, high-rank officials, governors and members of Congress, but three presidents in a row! It should not be forgotten that current president Zedillo was this ministry's last head between 1988 and 1992. Never before had a single Mexican agency different from the ruling party helped so many individuals to make progress in their careers.

As table 1.1 reveals, in the last two decades the Mexican ruling elite has gone through significant changes in its composition. They include an increasing presence within the executive branch of individuals with higher academic credentials, of economists, and of graduates from private universities. These clear signs of elite transformation reflect a new perception of how to preserve government legitimacy, and different preferred guidelines for decision-making from those before the 1970s. Though in Mexico the composition of the ruling elite is greatly determined by the incumbent president, there is "a need for greater emphasis on the role of institutional change" in the process (Centeno and Maxfield 1992: 63). In this thesis, we argue that the 1976

TABLE 1.1 Educational background of the central high-rank officials, 1970-1994
(Percentages of selected samples)⁽¹⁾

	Echeverría (N=392)	López Portillo (N=521)	De la Madrid (N=601)	Salinas (N=483)
Level of Study				
Undergraduate degree	72.65	62.99	50.91	44.30
Master's degree	14.98	23.17	31.12	37.06
Doctoral degree	7.76	10.97	15.47	17.19
No degree	4.61	2.87	2.50	1.45
Total	100.00	100.00	100.00	100.00
Main field of study (undergraduate level)				
Law	31.71	24.54	21.11	19.67
Economics	7.76	17.24	15.48	19.57
Engineering	26.53	17.44	17.06	17.44
Military degree	2.91	1.82	3.79	5.81
Accounting	4.85	8.72	8.85	5.42
Business administration	0.32	1.41	4.58	4.84
Others	25.92	28.83	29.13	27.25
Total	100.00	100.00	100.00	100.00
Main Universities attended (undergraduate level)				
UNAM	66.34	65.31	57.03	47.48
IPN	4.85	4.05	6.31	6.58
ITAM	1.61	1.21	2.37	5.42
UIA	0.00	1.83	3.32	5.03
El Colegio de México	0.32	0.81	1.26	1.35
U. Anahuac	0.00	0.40	0.32	1.16
ITESM	0.32	0.60	2.37	0.97
Others	26.56	25.79	27.02	32.01
Total	100.00	100.00	100.00	100.00
Graduate studies by country				
Master's level				
Mexico	33.82	42.59	39.56	46.46
United States	35.29	26.54	31.46	34.00
Great Britain	7.35	10.49	12.46	9.09
France	13.23	8.02	8.41	6.73
Others	10.31	12.36	8.11	3.72
Total	100.00	100.00	100.00	100.00
Doctoral level				
United States	12.50	25.93	34.40	48.19
Mexico	58.33	48.15	31.18	28.71
France	16.66	14.81	18.28	13.25
Great Britain	0.00	3.70	8.60	6.02
Others	12.51	7.41	7.54	3.83
Total	100.00	100.00	100.00	100.00

⁽¹⁾ The samples include only president, secretaries (including heads of *departamento administrativo*), under-secretaries, *oficiales mayores*, and *directores generales*. See the source for an explanation of the samples's characteristics and the methodology.

administrative reform, including the creation of the SPP, is closely linked to the rise of the 'techno-bureaucratic elite' to power.

In a context of growing political centralisation having the presidency as its main beneficiary, the across-the-board adoption of a variant of the planning-programming-budgeting (PPB) technique enhanced not only the role of the highly-trained bureaucrat in policy-making, but that of the SPP as the most effective institutional path to high office. Because of the latter fact alone, many relevant events that have occurred in Mexico since December 1976 cannot be dissociated from the acronym SPP. The 1977 confrontation between Carlos Tello, the first head of this ministry, and the finance minister Moctezuma Cid over economic policy was the first indication that the SPP had emerged to play an influential role. This fact was further confirmed by this ministry's part in consolidating state intervention during the 1978-1981 oil boom, and in tackling the economic crisis that followed. More significant, the SPP would play a relevant role in directing the country's shift to a market-orientated system especially after 1986.

Excluding external factors¹, it could be contended that the similar perceptions, values, and ideological orientations of presidents de la Madrid and Salinas, together with the overwhelming power of the Mexican presidency, could explain policy shift as well as policy continuation. This superficial view, however, leaves unanswered many important questions. Why did the SPP serve as a platform for the presidency in the first place? How, and why, did it happen that so many influential policy makers had operated within the SPP or had been a product of it? Why did a "statist" agency become a "privatist" agency (Erfani 1995: 127-128)?

From a broader perspective, the influential political role of the SPP revives an old academic debate (Eisenstadt 1958: 100): Is bureaucracy a servant or a master, an independent body or a tool? According to George W. Grayson, the Mexican presidency uses bureaucracy as a subordinate instrument (in Grayson 1990: 16). This extended view, however, seems to be at odds with the *certain* degree of autonomy exercised by some ministries and their policy makers as observed by some scholars (Teichman 1988; Centeno 1994; Greene 1994). As this thesis will argue, these antagonistic observations

¹ It has been convincingly argued that the shift towards trade liberalization was the result of a combination of five factors, namely, the 1982 economic crisis, international pressures, the global resurgence of neoliberalism, the institutional arrangements of the Mexican state, and the policy makers' predisposition (Greene 1994).

are reflections of the same phenomenon: the institutional arrangements of the Mexican state. These arrangements are summarised by the word *presidentialism*. This term was early coined by Loewenstein (1949) to characterise regimes such as the Mexican in which the president plays a paramount role within the political system.

In exploring the Mexican political setting, scholars normally focus on either the presidency, the country's most important political institution, or group politics. Regarding political and economic processes, they usually centre their attention on the economic environment and state-society relationships. Little attention is still paid to the institutional and bureaucratic settings within which those processes take place. This thesis contributes to filling this gap by examining the relationship between bureaucracy and politics in Mexico from an institutional perspective. While focusing on the life-cycle of the SPP, it attempts to answer a central question: What explains this agency's becoming an influential policy and political actor? The hypothesis examined argues that it was the result of its concentrating strategic institutional resources in a deeply institutionalized and "highly centralized bureaucratic system" (Sloan 1985: 11).

What will be interesting is to see why *presidentialism* allowed, and fifteen years later ended, this unprecedented resource concentration? Equally interesting will be to see the manner in which this phenomenon altered the existing institutional and political arrangements of the Mexican state. According to Octavio Paz (1990: 88-94), the post-revolutionary state created two parallel bureaucracies: The first was composed of administrators and technocrats, and the second was made up of professional politicians. Miguel Angel Centeno goes further by arguing that "Mexico had a powerful 'double vice presidency': The interior ministry "was in charge of politics", while the finance ministry "managed the economy" (1994: 77).

Using a policy-network approach to these issues, the thesis contends that the priority given by government to political stability and economic growth, together with functional differentiation, was responsible for the early institutionalisation of two distinctive policy networks in charge of achieving each of those goals. Two key features used to characterise these networks: a limited interaction between them, and a clear-cut division of both labour and personnel.

Figure 1.1 shows the basic configuration of the 'dual policy-network system' between 1958 and 1976. As this thesis will show, two innovations introduced by the 1976

administrative reform had the effect of altering this institutional arrangement in a significant way. They are the full adoption of cabinet meetings, and the creation of the SPP. As a result, the latter agency emerged as a strategic liaison between the presidency and the federal and local bureaucracies. The causes and institutional and political implications of these developments are derived from an examination of the empirical evidence provided by a wide-array of documentary primary sources and by some interview material as explained in Appendix 1.

FIGURE 1.1 Policy Networks, 1958-1976
(Key institutional components)

	Economic Policy Network	Policy Network for Political Control
Guidance ministries	SHCP (finance)	<i>Gobernación</i> (political control)
Quasi-Guidance ministries	Secretariat of the Presidency SEPANAL (national property) SIC (industry and commerce)	SDN (defence) PRI (elections) SRE (foreign relations)
Specialised Agencies	SCT (communications) SOP (public works) SRH (hydraulic resources) SAG (agriculture) SSA (health) ST (tourism) Economic Parastate Sector	STyPS (labour) SRA (agrarian reform) SM (navy) PGR (general attorney) DDF (Federal District) SEP (education) Welfare Parastate Sector

The rest of this chapter is divided into three parts. The first part discusses the major theoretical frameworks addressing both politics and bureaucracy. Special emphasis is placed here on the Latin American case. The following part examines in greater detail the institutional models relevant to the purpose of this thesis, and discusses the analytical framework that will be used. The final part outlines the structure of the thesis.

1.2 APPROACHES TO THE ROLE OF BUREAUCRACY

As March and Olsen underline, there are two conventional ways of looking at politics in advanced democracies (1996). Until very recently, society-centred ways of explaining politics and governmental activities were specially characteristic of the pluralist perspective predominant in political science (Skocpol in Evans *et al.* 1993: 4).

The early 1980s witnessed a sudden renewed academic interest in the state. As a result, alternate state-centred political theories began to be proposed. This new approach was a reflection of the more general view that political institutions matter. Each of these broad perspectives provides two distinctive sets of approaches to the relationship between bureaucracy and politics. This section discusses the theoretical and empirical implications of these approaches in the Latin American context.

Broad theoretical perspectives

In its most general formulation, pluralism sees 'the state' as a neutral arena within which societal interest groups contend or ally with one another to shape public policy decisions.² It reduces the political process to the activity of groups and parties competing in a virtual structural 'vacuum'. Regarding interest representation, this theory rests on the assumption that individual preferences are transmitted to policy makers through the electoral system. As a result, it presupposes a neat separation between politicians and bureaucrats (see Goodin 1982). Theoretically at least, the latter constitutes an instrumental, neutral corps at the service of the former. Often, however, pluralist scholars found not only that "governmental leaders took initiatives well beyond the demands of social groups or electorates", but also that "government agencies were the most prominent participants in the making of particular policy decisions" (Skocpol in Evans *et al.* 1993: 4).

Findings of this sort being difficult to accommodate within a pluralistic theoretical framework may account for a long-lasting debate over the extent of bureaucracy's influence on policy-making in the Western democracies. At the core of which is still the question: "Do their democratically-elected political leaders retain much influence over their unelected bureaucrats?" (Hammond 1996: 107). The relevance of this question has been enhanced by the fact that the evidence tends to confirm the importance of modern bureaucracies (Putman 1976: 208). Even more, a universal process of gradual displacement of political power from the legislatures to the executives, and from there to bureaucracy have been noted (Heady 1991: 190). Today, a bureaucratic encroachment

² For a summary of the pluralistic approach, see excerpts from both Smith and Newton in McGrew and Wilson (1982). A comparative discussion of this approach can be found in March and Olsen (1989: Chapter one) and Kerremans (1996).

upon the political realm is suggested by terms such as *political mandarins* (Dogan 1975) and *political administrators* (Heclo and Wildavsky 1981).

A way of dealing with these deviations from the classic democratic model has been looking at their positive consequences to the modern society. Thus, the need of high levels of technical expertise to successfully deal with complex problems is often used "as a rationale for the increasing prominence of bureaucrats in the policy-making process" (Wake Carroll 1990: 346). Moreover, the view that high-rank officials "are indeed enmeshed" in this process is often taken for granted (Ricciucci 1995: 219). Yet, older academic concerns about the potential dangers of unregulated power concentration in the hands of the bureaucracy, growing bureaucratisation of social life, and displacement of the goals of the polity by the bureaucracy have not paled. Echoing these concerns, Neustad portrayed "the American President as trapped by a permanent government more enemy than ally" in his influential book *Presidential Power* published in 1960 (cited in Krasner 1972: 159). Similar views involving this and other developed countries are not difficult to find in more recent literature.

Although the interest in bureaucracy is of long standing in modern sociology, it was not until the works of Weber, Michels and Mosca that the topic became "a focus of independent major analysis" (Eisenstadt 1958: 99). While Weber brought this institution to the limelight by depicting it as the epitome of rationality and efficiency, Michels was more concerned with the problem of "usurpation of power by bureaucracy".³ Despite dealing with different themes, the works of both scholars have some points in common. On the one hand, Michels does not ignore the vital role of bureaucracy as a technical arrangement in the implementation of public policies. On the other hand, Weber frequently alludes to bureaucracy as a powerful independent body threatening modern society and individual liberties. The rise of socialism mostly explains Weber's dilemma.

The so-called Weberian *ideal type* represented a major starting-point of the sociological approach to bureaucracy. Put very simply, this model characterises this institution as the most efficient form of organisation because of "its technical superiority over any other form of organization" (Weber 1946: 214). This superiority stems from bureaucracy's intrinsic attributes, namely, a hierarchical order, a clear division of labour,

³ Mosca, on the other hand, was the first to treat the *bureaucratic state* as a distinct type of political system. For a brief discussion of the works of these authors see Eisenstadt (1958).

a set of rules governing operations, and a meritocratic system that protects bureaucrats from arbitrary dismissal (Heffron 1989: 5). Though Weber's prediction that bureaucracy would become a dominant form of organisation in the developed world proved right, his model must still be regarded as prescriptive. For it tells us how bureaucracy should be organised to attain high degrees of efficiency rather than how it operates in the real world. This qualification is important since post-Weberian theoretical and empirical research on bureaucracy has repeatedly emphasized not only the obstacles hampering its ideal performance, but also its inherent dysfunctions.⁴

Bureaucratic theorists have traditionally considered it essential to focus on three central issues: the relationship between the bureaucracy and the political leaders; the relationship between the former and its clienteles; and the limits of legitimate bureaucratic power (Eisenstadt 1958: 102-103). In essence, they seek to find out who does decide in society, legitimately or not. Models of decision making are abundant. According to the so-called rational choice models, for example, in any organisation decision-makers behave as rational actors when selecting alternatives. Each choice is made after a comprehensive analysis of pros and cons. One problem of this and other rational models is that they are prescriptions of how decisions should be made rather than descriptions of what actually happen (McGrew and Wilson 1982: 49-52). Besides, they leave out "too much of the rich lore of bureaucratic life that makes its study fun" (Goodin 1982: 23).

Allison's classic study of the Cuban missile crisis (1971) represents an important contribution to positive or 'realpolitik' analysis. His *governmental politics* model assumes that decision making is "the resultant of various bargaining games among players in the national government". In other words, decisions result from operating procedures and bureaucratically shaped politics rather than from rational actors. More significantly, it suggests that there may be a 'forced' departure from the goals of the mass electorate that the elected political leaders should advocate and achieve. Krasner considers this bureaucratic interpretation of foreign policy -he ironically calls "Allison Wonderland"- misleading because "it obscures the power of the President", and dangerous because "it undermines the assumptions of the democratic politics by relieving high officials of

⁴ See, among others, Crozier (1964), Tullock (1965), Downs (1967), Krasner (1972), Peters (1984), Campbell and Peters (1988), and Heady (1991).

responsibility" (Krasner 1972: 160). Clearly, there are strong prescriptive elements in Krasner's view of bureaucracy.

The Weberian *ideal type* provides a useful theoretical frame to find out how real-world bureaucracies score when compared with it. It is a cliché to note that the European bureaucracies are the best approximation to this model.⁵ For they are characterised by a well-rooted merit-based civil service, high technical and specialisation capabilities maximised by a neat division of labour, and a relatively marked degree of political neutrality. Yet the media has never stopped reporting on an almost daily basis cases of inefficiency, red tape, waste, political bias, and corruption. The realities beneath the news may explain the long tradition that the theory aimed at discovering methods for improving performance and effectiveness within organisations has in the developed world. When public bureaucracies are at stake, however, there are broader theoretical and practical issues involved in their departure from the *ideal type*.

As noted by Minogue (1983: 73), there are two problems for the models of 'perfect administration' which want to exclude politics. First, "the internal world of the organisation cannot be isolated from the world external to the organisation". Second, their assumption that internal organisation does not involve politics is unsustainable, for organisations "contain groups of people, and individuals, who will compete with each other to control and manipulate resources, policies, practices", and of course the organisation itself.

Understanding governance requires study of the political institutions most involved in national policymaking (Hammond 1996: 107). Though this view has traditionally been endorsed by pluralist/elitist-orientated political scientists, they do not normally focus on those institutions, but on the personnel behind them and/or on the processes they are involved in. In recent years, however, the view that organisation of political life is important has reappeared in political science (March and Olsen 1989: 1). From this perspective, the role of institutions needs to be reexamined. Drawing heavily from earlier *organisation theory*, the so-called *new institutionalism*⁶ opposes the

⁵ As will be discussed later, the bureaucracies of the so-called 'pacific dragons' or 'newly industrialising countries' have more recently added to the list.

⁶ March and Olsen define *new institutionalism* as an approach to political science that "deemphasizes the dependence of the polity on society in favor of an interdependence between relatively autonomous social and political institutions" (1984: 738).

pluralistic/elitist models by arguing that the institutional setting, and the organisational processes that take place within it, shapes individual and collective decision-making and policy outcomes (see March and Olsen 1984; Kerremans 1996).

In essence, the central argument of the institutional approach develops around the idea that political action is not chaotic, that "the institutionalization of action through rules reduces . . . ambiguity and affects politics" (March and Olsen 1989: 21). Clearly, the notion of 'rules' is one of the most important elements on which this perspective is built. Allowing from some adjustments, its definition coincides with the earlier notion of 'standard operating procedures' used, among others, by Weber and Allison. Thus, rules are routines, conventions, procedures, roles as well as broader cultural dicta and social norms which influence the political activity of individuals within organisations. On the whole, this normative framework is thought to be independent of individual actors and capable of surviving them.

From a broader perspective, the emergence of the institutional approach is mostly responsible for making it "fashionable to speak of states as actors and as society-shaping institutional structures" (Skocpol in Evans *et al.* 1993: 6). By regarding the state as an actor in its own right, the so-called statist theory expanded and, to some degree, amended "traditional pluralist conceptions of the organization of societal interests" (Atkinson and Coleman 1992: 155). However, as frequently happens, fashionable paradigms foster "new concerns with phenomena they had originally de-emphasized conceptually" (Skocpol in Evans *et al.* 1993: 4). Thus, recent scholarly work has begun to reveal the shortcomings of the statist theory. Among the major criticisms is the reductionist view of the state. According to Moon and Prasad, for example, this theory "fails to uncover the complex and dynamic internal working of the state structure by depicting the state as an internally cohesive, unitary actor" (1994: 364).

In any event, some applications of the institutional approach to the policy-making process have given room to "models in which the institutions of the state are understood to have considerable autonomy" (Atkinson and Coleman 1992: 155). The political and institutional structure in a particular polity will show the potential for autonomous or restrained political action (Price Boase 1996: 290). It applies to specific institutions and public organisations.

Most public bureaucracies in developing countries score much less favourably when compared with the *ideal type*. However, though they are often reputed as clientelist and essentially non-Weberian, some of their constituent agencies have traditionally showed technical levels comparable to their counterparts in the West. How can these hybrid systems be better approached? What are their theoretical and practical political implications?

Development and bureaucracy in the developing world

The difficulties of using either pluralist/elitist or Marxist approaches to explain and describe peripheral 'atypical' political systems or 'imperfect' democracies led to the development of more indigenous theoretical frameworks. In the mid-1960s, Juan J. Linz (1970) developed the notion of *authoritarianism* to describe Franco's rule over Spain. In doing so, he provided a seminal theoretical model to characterise a form of governance conceptually and empirically distinct from democracy and totalitarianism (see Linz 1975). The temptation of classifying most underdeveloped countries as authoritarian was difficult to avoid. Relevant variations in their internal structures and relations with society, however, soon exhibited the difficulties in placing these countries under a single heading. More recently, a twofold typology distinguishing between the so-called 'newly industrialising countries' (NICs) and the less developed has been proposed, which reflects the broader changes in the dominant theories and research agendas already discussed.

Until the 1980s, scholars attempted to explain why economic development "did not occur, occurred slowly, or occurred in a distorted, dependent form" (Donner 1992: 398). In this context, a debate between "modernization and dependency theory about whether capitalism promoted or perverted development" emerged (Clark and Chan 1994: 332). Institutionally speaking, modernisation theory held that state interference and traditional institutions were responsible for underdevelopment. By contrast, dependence theory contended that the dynamics of capitalism had created its own social and political institutions. The impressive economic performance of the NICs challenged the assumptions of both theoretical perspectives. As a result, many scholars are now focusing on "the political bases of development rather than underdevelopment" (Donner 1992: 398).

The rise of statist theory, in turn, generated a more specific debate over whether the market or the state is the key factor in explaining the economic success of the NICs

(Clark and Chan 1994: 333). According to Rueschemeyer and Evans (in Evans *et al.* 1993), "effective state intervention" is an integral part of successful capitalist development. Two conditions, in their opinion, are *sine qua non* for this intervention to be effective: a certain degree of "relative autonomy" from the dominant class and a well-developed, internally coherent bureaucratic apparatus. Based on these ideas, Evans (1995: 12) proposes two "historically grounded" ideal categories to characterise the developing countries. In his view, *predatory* states (e.g., Zaire) live at the expense of society but without providing much in return apart from repression. Conversely, *developmental* states (e.g., Korea, Taiwan), though also extracting from society, play a relevant role in facilitating industrial transformation and development.⁷

Evans's theory of *embedded autonomy* (1995) focuses on the kind of bureaucracy in charge of the state apparatus and its relation with society. It holds that *predatory* states do not have bureaucracies along the *ideal type*, while those of their counterparts approximate that model to an extent comparable with the European bureaucracies. For the *developmental* states also have a highly selective meritocratic system of recruitment and promotion, and long-term career rewards that give bureaucratic apparatuses both corporate coherence and a certain degree of 'autonomy'. Within the model, however, the latter concept does not mean insulation from society. On the contrary, a happy marriage or 'embedded autonomy' between a quasi-Weberian bureaucracy and a pro-developmental society, together with "a favorable international context" (Evans 1977: 59), explains the economic success of the NICs.

What is the story of the less developing countries (LDCs)? To begin with, not only do most of these countries lack formal civil services, but in some of them spoils systems still prevail. At the best, scattered 'pockets of efficiency' can be found as in the Brazilian case (Geddes cited in Evans 1995: 61). Thus, their bureaucracies are often described as highly clientelistic.⁸ The fact that bureaucratic organisations everywhere provide "a perfect habitat for clientelistic politics" (Clapham 1982: 26) is thought to be enhanced by the lack or weakness of democratic institutions. A similar effect results from

⁷ For an extensive discussion of this typology see Evans (1995: Chapter 3).

⁸ The concept clientelism involves "a long-lasting relationship of exchange between unequals" as characterised by Christopher Clapham (in Clapham 1982: 4-29). For a further discussion, see LaPalombara (1965), Peters (1977), Eisenstadt and Lemarchand (1981), and Eisenstadt and Roniger (1984). On Mexican bureaucratic clientelism, see Poitras (1973), Grindle (1977b) and Kelley (1981).

the way both resources and jobs are allocated within government: Resource allocation responds more to political factors than to technical ones, while appointments are frequently subjected to political rather than merit-based criteria. The latter practice may, in turn, account for high rates of bureaucratic turnover. Can these non-Weberian features, as Evans argues, explain at least partly the failure of development strategies in the LDCs?

If the answer is yes, it poses an even more relevant question: Why have these countries constantly failed to build a modern, efficient, Weberian-like bureaucracy despite numerous attempts to do so? In the 1950s and 1960s, efforts at administrative reform were enthusiastically encouraged and backed by international aid agencies and other bilateral programmes (Caiden 1991: 13). Partly because of these experiments, some bureaucracies in the LDCs have gradually become closer to the *ideal type*. It is so in terms of better academic credentials, lower rates of turnover, and improved technical infrastructure. In countries such as Brazil, Mexico, India and Israel, 'efficiency pockets' have not only expanded, but multiplied across-the-board. Moreover, meritocratic systems of recruitment and promotion, though usually still informal, are today much better rooted than some decades ago. Nevertheless, the economic performance of their countries can hardly be compared with that of the NICs. This fact makes it necessary to look again at the *political* bases of underdevelopment.

In the 1970s, the prevalent orientation was to consider both the polity and its organisational structures (including bureaucracy) as a reflection of the society, not the other way round. Focusing on the Latin American case, Jorge I. Tapia-Videla challenged this paradigm by arguing that the emergence of the *corporate-technocratic state* led to "dramatic transformations, affecting the workings of public bureaucracies and the larger societal frameworks within which they operate" (1976: 631-632). According to him, in the postwar period, Latin American countries "came to share the basic assumption of the prevalent developmental schemes, namely, that socioeconomic development depended to a large extent upon an adequate administrative apparatus" (1976: 632). While enhancing the role of bureaucracy, these schemes not only ignored the structural features of the state, but considered many of its institutions and practices as 'pathological' in nature. His central argument is that the resulting tensions were "resolved with the emergence of the new corporate-technocratic state" (1976: 633).

Tapia-Videla's theoretical model has two major implications. First, developmental strategies can affect the structure of the state, but without necessarily replacing it.⁹ Thus, traditional and 'modern' features characterise the corporate-technocratic state. Second, the kind of state structure may account for the absence, or existence, of a Weberian-like bureaucracy. Here, it should be borne in mind that the theory of *embedded autonomy* attempts to explain the economic success of countries in which there are old bureaucratic traditions (see Evans 1995: 47-60). In the case of the NICs countries, as Evans notes, civil services along Weberian lines are not a product of recent development models, but a part of the traditional state structure. This may account for their successful performance. What needs to be seen, however, is whether the development of a Weberian bureaucracy can reduce the *predatory* character of the state in countries different from the NICs ones.

In the Latin American context, the features of the state structure used to include, and in some cases still include, the following: overwhelming executive dominance (Carpizo 1979: 16-18), limited political pluralism (Linz 1970: 255), absence or weakness of democratic institutions (Remmer 1989), deep-rooted corporatism (Malloy 1977; Sloan 1985: 4), pervasive clientelism (Rothstein 1976), and high vulnerability vis-à-vis external agents (Hamilton 1982: 15-23). In this context, bureaucracy came to play a relevant role as a channel for upward social mobility, a source of patronage, a vital prop for current regimes, a source of employment, and a key interest articulation/representation agent (Tapia-Videla 1976: 633). According to some scholars, the origin of these features can be traced as far as the Iberian colonial years (e.g., Sloan 1985: 3). Conversely, the *bureaucratic-authoritarianism* theory argues that authoritarian regimes were not the result of "vestigial features of traditional societies", but of economic processes supposedly leading to democracy (O'Donnell 1973: 95).¹⁰

The Mexican case, in particular, challenges the latter view if its regime is considered authoritarian as Linz (1975: 275) and others did.¹¹ As Reyna contends, the

⁹ Transformations of the state structure and state policy are usually linked to broad-scale political mobilisations and/or crises in the process of capital accumulation (Canak 1984: 14).

¹⁰ The same has been argued regarding specific state structural features as clientelism in the Mexican context (e.g., Rothstein 1979).

¹¹ Following the well-known repression of students in 1968, Rafael Segovia regarded the Mexican as an authoritarian regime following Linz's conceptualisation (quoted by Needler 1990: 46). By the early 1980s virtually all literature endorsed this view (Purcell and Purcell 1980: 204), though the regime did not totally fit the *authoritarian* model as recognised by many scholars (Camp 1980c: 208; Hamilton 1982: 35; Smith 1984: 36).

institutionalisation of an authoritarian political structure in Mexico took place well before the crisis of industrialisation (in Reyna and Weinert 1977, see also Cothran 1994). Though this phenomenon was rare in Latin America, it cannot plausibly be concluded that the political institutions of other countries in the area were entirely the result of these countries' development strategies. As the *corporate-technocratic state* theory argues, the latter did not have the effect of replacing the existing structure of the state, but that of disrupting and further distorting its institutional arrangements. This phenomenon was particularly clear regarding the relationship between politics and bureaucracy.

Bureaucracy and politics in Latin America

In Latin America, the interaction of the traditional structural features of the state and the developmental model adopted magnified virtually all of the bureaucratic dysfunctions discussed at the beginning of this section. The full acceptance of the Keynesian critique of the self-regulating capitalist economy was a major stimulus towards state intervention in the developed world (Cawson 1978). By the 1940s, most Latin American countries found themselves in a process of expansive state-led industrialisation. This pattern of development enhanced not only executive dominance even further, but the role to be played by bureaucracy. In this context, a powerful state bureaucracy was thought to be sine qua non of development and modernisation. The potential dangers associated with this institution becoming the major political actor were not predicted. Moreover, once apparent, they were "never solved in a satisfactory way, either at the theoretical or the practical plane [level]" (Tapia-Videla 1976: 632).

From a technical perspective, greater state intervention in the economy and the consequent expansion of the public sector made the shortcomings of bureaucracy in achieving its developmental goals increasingly apparent. Again, imported theoretical conceptions were attempted to tackle this problem. In 1961, the Alliance for Progress was established by the US at Punta del Este, Uruguay. Within this framework, international aid organisations "made demands to create or strengthen existing planning capabilities and to prepare long term plans" (Benveniste 1972: 41) in exchange for economic assistance. This time the assumption was that central planning would correct the inefficient expansion and operation of the state bureaucratic apparatus. At the same time, the United Nations' ECLA became both a centre for planning theorists and an influential training centre. These developments reflected a different tone in the developed world

itself. In the United States, for instance, the 'revolutionary' Planning, Programming and Budgeting (PPB) technique was eventually adopted by president Johnson in 1965 (see Wildavsky 1974: Chapter 6).

The adoption of formal planning and its techniques had relevant political implications. To begin with, it not only brought to the fore a new category of public official: the planner, but led to the creation of planning institutes. As the extensive empirical data gathered by Caiden and Wildavsky (1990) shows, these organisations, whatever their structure, had severe disruptive effects on the existing policymaking and budgeting processes virtually everywhere. At the core of the problem was their coexistence with the traditional ministries of finance. As these scholars soon discovered, two major agencies with claims on the budget create immediately problems of power. More relevant, since they do not usually share the same policy perspectives, both cannot get their way.

According to an official from Nepal: "Planners have been more ambitious and wanted to spend more than the ministry of finance." Similarly, a Ghanaian one expressed: "Planning wants to see development and expansion. Finance wants to hold all development expenditures down". Finally, the dream of planners was put by a Costa Rican as follows: "We always wished that the ministry of finance would just concentrate on raising revenues and leave setting of priorities to the planning office." (Caiden and Wildavsky 1990: 241-243).

Although finance ministries are normally in a stronger position in the struggles to control the budget, some factors worked in favour of the fledgling planning bodies. They include the prevalent view that the imperfections of budgeting were the reverse of the virtues of planning, and chief executives' logical preference for plan rhetoric over austere, balanced budgets. Apparently, the more intense the clashes between 'finance' and 'planning', the more serious their negative consequences over the entire policy-making process. Not surprisingly, policy incoherence usually followed these institutional rivalries. It was particularly the case of countries having powerful finance and planning institutions, as Brazil did in the 1950s. In this case, the president solved the problem "by lending his ear to one or another of the two as his fancy might lead" (Daland 1967: 30). Even more dangerous, chief executives receiving contradictory bureaucratic advice often gave them a chance to make their own decisions.

Evidently, the institutional separation between budget and planning enhanced two artificially differentiated, extreme courses of action. They were financial orthodoxy and the risks of stagnation, and expansion and its potential for inflation and financial chaos. The temptation of following the second option was difficult to avoid as planners began to reach not only the ear of the chief executives, but also the highest echelons of government in many Latin American countries. A first indication of the first phenomenon was the rise of the so-called 'Chicago boys' in Argentina, Brazil and Chile in the 1960s and early 1970s.

Up to the early 1980s, a common characteristic of most developing countries was a substantial direct state intervention in the economy. One of the most popular explanations emphasizes the political influence of the so-called "techno-bureaucratic elite" in the process of development (Duvall and Freeman 1983: 571). However, considering this elite as a reinforcing product of the latter process is more plausible. Decades of state-directed import-substitution industrialisation "led to the emergence of technocratic roles" within the state apparatus (Linz 1975: 297). The incumbents of these roles, in turn, developed powerful vested interests in the state's active entrepreneurial role simply because it meant better income and quality of life for them (Duvall and Freeman 1983: 573). Baer, Newfarmer, and Trebat emphasize the political significance of this development by noting that "the technocrats and public managers form an 'independent state' relatively free from the influence of private sector interests, and allocate resources in a way that expands their own power and wealth" (quoted by Canak 1984: 11).

As William L. Canak (1984) argues, the Latin American state has been traditionally analysed using two major theoretical frameworks: 'bureaucratic-authoritarian' and 'state capitalist'. While the first theory does not really deal with the issue of bureaucratic interests, the 'state capitalism' theory argues that "capital accumulation in the periphery leads to the emergence of an autonomous set of state interests vis-à-vis national and international capital and 'dominated' classes within the nation" (Canak 1984: 5). In the extreme, this view holds that the state, including the entire political process, has been captured by its 'techno-bureaucratic elite' (e.g., Centeno 1990, 1993). Because this claim seems to be supported by numerous Latin American cases, the question of why and how that development occurred should be addressed.

In countries such as Argentina, Brazil, Chile and Mexico, the rise to power of the 'techno-bureaucratic elite' was the result of the interaction of structural, contextual, and institutional factors. They included not only regime stability¹², task complexity, country position in the world system, regime legitimization via performance criteria, and institutional autonomy of technocratic state agencies (Centeno 1993), but also the lack or weakness of democratic institutions. The importance of this structural factor cannot be overemphasized. In a milieu characterised by executive dominance and limited accountability, the underdevelopment of democratic practices paved the way for state technocracy reaching power. An important factor in the process was the Latin American bureaucracies becoming the natural and most vocal representative of the private sector at the political level. This system of interest representation had the effect of displacing key bargaining processes from the political/partisan arenas to the bureaucratic one, thus further weakening the already tenuous fence between administration and politics.

International factors also played a fundamental role in the rise of technocracy. Duvall and Freeman (1983: 585) plausibly argue that the political effects of broad "cycles of foreign capital and technology" are crucial to understand the dynamics of the 'techno-bureaucratic elite'. For those cycles account for this elite being "over- and under-compensated for its support". Considering that the elite under discussion is not monolithic, as the institutional rivalries between 'finance' and 'planning' suggests, it can be argued that those cycles may have similar effects within the elite itself. It is confirmed by the fall of the nationalist-populist technocratic wing and the rise of the neoliberal one in the 1970s. A more specific, though equally important, factor involves "the support of powerful external actors such as the international creditors" during the 1980s (Centeno 1993: 317). Again, to understand the impact of this factor on bureaucracy and its components it is necessary to look at the institutional division of labour.

Because of the debt crisis, the 1980s was a disastrous decade for virtually all Latin American economies (Philip 1993: 555). The deliberate move towards a "slim" state that followed challenged the view that "slowed growth promotes the expansion of the state sector" (Duvall and Freeman 1983: 585). By the mid-1980s, many of these countries began to embark upon radical trade liberalisation reform after decades of

¹² In general, as Centeno notes, "technocrats can only flourish in those regimes that have established a relatively stable political environment either through consensus or repression" (1993: 324).

protectionism (see Agosin and Ffrench-Davis 1995). Even before, a wave of democratisation started transforming an increasing number of Latin American states. These developments not only exhibited the failure of populist governments, but also the importance of external factors. Fashionable development formulae were, as usual, 'proposed' to cope with widespread economic crisis.¹³ While focusing on Mexico, Malory Greene (1994) offers the innovative concept of *transnational epistemic communities* to explain how these ideas were conveyed from the international system to the domestic political arena through a technocratic elite educated abroad.

From a broader perspective, the outcomes of the developments aforementioned so far tend to confirm the validity of the core of the *corporate-technocratic state* theory (Tapia-Videla 1976: 634-635), which considers this kind of state having the following key features: (i) new alliances between the state and foreign capital, domestic business linked to the world economic systems, and the upper sectors of the working class; (ii) extensive power over the major societal forces by probusiness regulatory and redistributive policies; (iii) the technocratic argument that political, social and economic problems should be handled by technical considerations as a source of legitimacy; (iv) a demand for political and social demobilisation pointing in the direction of "depolitization of the polity"; (v) extensive use of traditional authoritarian and corporative mechanisms to achieve economic modernisation; and (vi) a substantial adjustment of the bureaucratic apparatus to make it consonant with the new role of the state.

To briefly recapitulate, in a context of limited pluralism, capitalism and bureaucracy "found each other and belong intimately together" (Weber quoted by Evans 1995: 29). The increased use of bureaucracy with political purposes, in turn, reinforced the patrimonial and clientelist character of the state. Crucial to the rise of technocracy to power were the imperfections of the Latin American democratic systems and the importance accorded to technical credentials by the prevalent development theories. It is not still conclusive that the latter theories have radically changed the traditional structural features of the Latin American state. Evans argues that "imposing different policies on

¹³ As Castañeda (1993: 48) argues, Latin America has been an outstanding importer of ideas, ideologies, theories, and social doctrines since independence.

a state apparatus without changing the structure of the state itself will not work" (1995: 30).

The late 1970s and 1980s witnessed significant changes in the views of the role of the state, and also of its nature. In the Latin American case, for instance, the extended belief that strong central planning under an authoritarian rule is *sine qua non* of rapid economic growth was refuted by Dick (1976). For he empirically demonstrates that underdeveloped democratic countries are more capable of achieving this goal than their authoritarian counterparts. More recently, Remmer (1989) arrives at the same conclusion when exploring the effects of the debt crisis on policy performance in Latin America. According to the newly developed conceptions of the state, the role of this institution implies a restructuring of the ruling elite (Evans 1977: 63). This restructuring has actually taken place in Latin America, but not through democratic means. Thus, at least one question remains unanswered: Do technocratic elites inhibit the development of democratic institutions or will they eventually facilitate this process?

It is a fact that a recent wave of democratisation has either replaced or challenged authoritarian or semi-authoritarian regimes in Latin America. However, as Jonathan Fox argues, more intense political competition "is necessary but not sufficient for the consolidation of democratic regimes" (1994: 151). It still seems clear not only that today many Latin American bureaucracies are powerful actors, but that the bureaucratic setting is the most important political arena. Nevertheless, the systematic study of these issues remains an underdeveloped academic topic. As will be argued next, the emerging theories of institutions will ultimately prove to be of greatest use in exploring them. Elites are important, but their activity takes place within a given political and institutional setting. To understand the role of bureaucracy, the state needs to be deconstructed.

1.3 A FRAMEWORK FOR ANALYSIS

The central premise of this thesis is that an understanding of the complexity of Mexican politics requires a greater knowledge of the *individual* institutions that are eventually responsible for the outcome of that politics. In this respect, the thesis acknowledges the limitations of using a single model in analysing those institutions. As already suggested, each model has its particular strengths and weaknesses in explaining complex political phenomena. Therefore, it is thought that the use of a suitable

combination of various theoretical models can produce better results. The proposed theoretical and analytical framework to explore the role of the SPP draws heavily from the institutional perspective.

Bureaucracy and the policy-networks theory

As said earlier, the new *statist theory* neglects the role of the state's constituent elements. According to Moon and Prasad, the state structure is composed of "several distinguishable dimensions: executive leadership, executive-bureaucratic nexus, intra-bureaucratic dynamics, and bureaucratic constituents" (1994: 365). This thesis attempts to explore each of these issues directly involving the SPP. The theoretical perspective adopted is the institutional one. Though this perspective comprises various theoretical constructions and models, it shares some basic assumptions. First, "political institutions are more than simple mirrors of social forces", for they define the framework within which politics takes place (March and Olsen 1989: 18). Second, institutions represent a collection of formal and informal rules, routines and operating procedures capable of both shaping individual behaviour and affecting political processes. Third, organisations are the basic structural units into which private or public institutions can be divided.

Four, there is not a meaningful separation between an organisation and its personnel: Agencies' rules, roles and procedures affect and can be affected by the individuals who work in them (Harmon and Meyer 1986: 14). Five, organisations can be treated as political actors in their own right (March and Olsen 1989: 17). Six, organisations are "creatures, captives, and controllers of the environments in which they operate" (Heffron 1989: 56). Seven, by definition political and bureaucratic action takes place in an organisational context (Harmon and Meyer 1986: 27). Eight, performance of organisational routines and rules can influence distribution of power. Finally, distribution of 'resources' between organisations is a source of both routines and power.

How can individual public organisations be approached? The *fragmented authoritarianism* model is a recent component of the institutional approach. This theoretical framework was developed by Lieberthal (1992: Chapter 1) to analyse economic reform in post-Mao China. Its central characteristic is the view of bureaucracy as composed of functional bureaucratic clusters. These clusters "identify the core organs that have nationwide hierarchies and that exercise strong executive power". In brief, it is argued that authority below the very peak of the political system is "fragmented and

disjointed". The fragmentation in bureaucratic units, functional division of labour and the processes of bargaining are considered structurally based. It is believed that in China fragmentation "grew increasingly pronounced" because of the late 1970s reforms, thus altering the balance between centralisation and decentralisation. Three not-mutually-exclusive dimensions are proposed to study this process: Value integration; structural distribution of resources; and processes of decision making and policy implementation. In this context, it is thought that the first two dimensions influence the latter processes.

Evidently, the *fragmented authoritarianism* model echoes not only some of the literature on bureaucratic politics already discussed,¹⁴ but in particular the institutional frameworks associated with the *power-dependence* theory. In any event, the major merit of this model is to combine the notion of bureaucratic authoritarianism with the most developed policy-network models to deal with a specific phenomenon of political transition.

As far as the Mexican case is concerned, historical evidence suggests not only that the constituent components of the central bureaucracy have been fairly different from one another, but also that there has been "a rather severe compartmentalization in the bureaucracy, a notable degree of department or agency autonomy, and a weak spirit of inter-agency cooperation" (Shafer 1966: 69). How can these particular features be better analysed? Regarding their causes, the literature on patron-client bonds seems to provide some insights. According to Clapham, for instance, the competitive nature of bureaucratic clientelism leads to "a high degree of factionalism and fragmentation" (in Clapham 1982: 11). However, the fact that bureaucratic clientelism operates by definition within an organisational setting makes it necessary to look at the institutional dimensions of the former phenomenon, such as agency orientations and above all resource allocation.

Regarding the relationships between the SPP and other public organisations, the thesis will use the theoretical notion of policy networks. In the early 1980s, R.A.W. Rhodes developed a framework originally designed to explore central-local relationships in Britain. This model, known as *power-dependence* theory, is based on five propositions: (i) Any organisation is *dependent* upon other organisations for *resources*; (ii) organisations have to exchange resources to achieve their goals; (iii) although decision-

¹⁴ For instance, Peters argues that "bureaucracies are generally highly fragmented and divided political institutions" (1977: 204).

making within organisations is constrained by other organisations, the *dominant coalition* retains some discretion; (iv) the dominant coalition employs strategies within known *rules of the game* to regulate *the process of exchange*; (v) the relative power potential of interacting organisations is a product of the resources of each organisation, of the rules of the game and of the process of exchange between organisations. (Rhodes 1981: 98)

The relatively neat dividing line between central and local authorities enhanced the analytical power of the concept of *policy community*, originally, a key element of this model. This notion was later redefined by Rhodes himself and others, and has been used since then to explore much broader issues such as cross-national and comparative studies by an increasing number of scholars (e.g., Wilks and Wright 1987; Wright 1988). As the research field grew, a more general concept developed, namely, that of *policy network*. According to Benson, a policy network is "a cluster or complex of organizations connected to each other by resource dependencies" (quoted by Marsh and Rhodes 1992: 12-13). Today, the concept *policy community* is understood as a variety of policy network characterised by more stable relationships (see Rhodes 1986).¹⁵

Some important theoretical implications can be drawn from the *power-dependence* theory. First, no organisation can exercise "monopolistic power" (Rourke in Rourke 1986: xi), for none of them has sufficient *resources* "to ensure that its will is imposed on others" (Thain 1987: 70). Second, power is, therefore, shared by *all* the existing organisations. These principles, in particular, can shed new light on the unquestioned dominating role of the Mexican presidency. Third, resource distribution is, by definition, uneven, for there could not be two organisations or networks doing the same. Broadly speaking, *resources* are defined as "everything" organisations can use in successfully achieving their goals. More concretely, the literature distinguishes, among others, the following: constitutional-legal, hierarchical, financial, political and informational (Rhodes 1985: 2). Apart from the lack of clear definitions, some of the listed 'resources' are in practice difficult to quantify (e.g., political). This question is relevant because organisations usually do not use one kind of resource, but rather a complex mixture of them.

¹⁵ For recent reviews of the literature on policy networks and policy communities, see Akinson and Coleman (1992) and Kenis and Schneider (1991), and Marsh and Rhodes (1992).

Either organisations or policy-networks may be considered as units of analysis. However, both approaches have disadvantages as noted by Rhodes himself: While the first sets arbitrary analytical limits, the second limits the links to be studied (1980: 295-96). It is hard to find a definitive solution to these problems, for what is internal and external stems not from reality, but from the researcher's standpoint (Simon *et al.* in Rourke 1986: 17). And different perceptions of the real world will surely emerge whether an organisation, a policy-network, or a set of policy-networks is selected.

In broader terms, it has been argued that significant changes in the real world have led to the emergence of a "centreless or polycentred society" characterised by highly organised social life, increased functional differentiation and policy specialisation, decentralisation and state fragmentation, blurring of boundaries between the public and private realms, and internationalization of policy domains (Kenis and Schneider 1991: 34-36). There are evident advantages in exploring these changes from a 'policy-network' perspective. This fact, however, should not obscure the theoretical limitations of the latter and those of the institutional perspective as a whole. First, by replacing individuals with institutions, this perspective may have reproduced the reductionism of the pluralistic/elitist models. Second, because of focusing on organisations and their interactions, the properties of the structural context and those of the environmental forces affecting those interactions are usually neglected.

According to Atkinson and Coleman (1992), transactional analysis should include the structural conditions in which interaction occurs. That is why they have proposed a typology of corporative, state-directed, collaborative and pluralistic policy networks based on the distribution of organisational and ideological resources. This approach widens considerably the policy role of organisations: More than being mere policy advocates, particularly those organisations holding technical knowledge and "those with appropriate organizational qualities, are capable of sharing in the exercise of political power" (Atkinson and Coleman 1992: 162).

The analytical framework

While focusing on the SPP, the thesis explores empirically two main institutional *relationships*, namely, those between the presidency and the ministries, and those between ministries. In doing so, the proposed analytical framework underlines the importance of dealing with three central *issues*: (a) The way those entities stand in

relation to one another (*institutional linkages*); (b) the manner resources are distributed and functions specified between them (*distributional features*); (c) the impact of environmental non-bureaucratic factors on the two first issues (*contextual factors*). The still tremendous discrepancies between the legal framework and the political practices in Mexico (Scott 1964: 262; Vernon 1963: 11) pose some initial problems in exploring these questions. It is especially clear when trying to determine the basic hierarchical linkages between public organisations apart from the presidency.

The view that in Mexico the presidency stands at the top of the political and bureaucratic hierarchies provides a preliminary way of looking at *institutional linkages*. More complex problems, however, immediately emerge when the second *issue* is introduced into the analysis. To deal with them, a continuum built upon the *power-dependence* theory is proposed. The extended belief that the Mexican president concentrates extensive powers and exerts monocratic control over the decision-making process provides an extreme hierarchical picture of the presidential-ministerial relationship in terms of *distributional features*. The implications of this hypothetical picture can be summarised as follows: (a) The more 'resources' the presidency accumulates, the fewer of them are available to the ministries; and (b) the broader the functions or tasks performed by the presidency, the smaller and narrower the ministerial scope for action. For analytical purposes, the opposite hypothetical picture marks the other end of the continuum.

Dunleavy and Rhodes' *core executive* typology, developed to review the literature on the role of British Prime Minister, is of help in distinguishing some intermediate points in the continuum. According to these authors, the notion of *core executive* is defined "functionally to include all those organizations and structures which primarily serve to pull together and integrate central and government policies, or act as final arbiters within the executive of conflicts between different elements of the government machine" (1990: 4). Borrowing from their typology, we distinguish four hypothetical images: (a) *Presidential government* is seen as president exercising monocratic authority¹⁶; (b) *cabinet government* emphasizes the importance of the cabinet as the focus

¹⁶ The *presidential cliques* image (which according to Dunleavy and Rhodes means that the president's authority is a collective attribute of his group of advisers) is considered as a variation of *presidential government*.

of the decision-making process; (c) *ministerial government* underlines the strength of political and administrative 'departmentalism' as a counterbalancing force on president's influence; (d) *fragmented authoritarianism*¹⁷ stresses the fact that the president, the cabinet, and the ministries operate in different policy areas.

The Mexican *core executive* used to include the presidency and two *master 'policy networks'* (see figure 1.1 above). The *economic policy network* is defined to comprise the agencies seeking growth in the economy, while the *policy network for political control* is to include the agencies involved in preventing, solving or eradicating political conflict.¹⁸ These networks are defined in terms of both *institutional linkages* and differentiated *distributional features*. The hierarchical linkage between the presidency and the networks is conceived to be *vertical*, while that between the heads of the latter *horizontal*. A wider array of specific smaller bureaucratic clusters falls within each of the *master policy networks*. To identify and characterise the specific organisations heading and making up the latter, the framework resorts to the concept of *cabinet*. As a result, ministries are classified as *cabinet agencies*, while other public organisations (e.g., decentralised bodies) as *non-cabinet agencies*.¹⁹ Although legally Mexican ministries have the same rank, evidence suggests that it is not the case. These antagonistic views represent the ends of a continuum, useful in explaining the *institutional linkages* between ministries in terms of *distributional features*.

To analyse differences between *cabinet agencies*, we make use of two notions of Riggs' theory of prismatic society (1964). Accordingly, it is considered that 'functional diffusion' takes place when an agency performs many broad functions, and 'functional differentiation' when an agency performs a limited number of specialised functions. The proposed typology distinguishes three kinds of cabinet agencies: (i) *guidance ministries* are entitled to lay down rules or to establish criteria that affect the operation of the government as the whole (e.g., budget allocation, national security, comprehensive

¹⁷ We prefer to use this concept which comes from the *fragmented authoritarianism* model, rather than that of *segmented decision* used by Dunleavy and Rhodes.

¹⁸ This grouping is much more amalgamated than that proposed by Bailey (in Grayson 1990). This author proposes five bureaucratic clusters in analysing the evolution of Mexican bureaucracy, namely central guidance, control, economic development, social welfare and foreign relations.

¹⁹ In essence, this classification acknowledges the importance 'access to the president' has in the Mexican context as well as the reputed higher status of ministries vis-à-vis other administrative organisations. Within the framework, 'access to the president' is regarded as a political resource available mainly to the ministries.

planning); (ii) *specialised ministries* are those involved in the implementation of specific policies or programmes (e.g., public works, education); (iii) *quasi-guidance ministries* represent an intermediate category defined by its own title (e.g., industry and commerce). This classification is used in analysing not only networks composition, but also *institutional linkages* between individual organisations.²⁰

The same basic principles discussed above are used in exploring intra-ministerial relationships. For instance, the units of a single ministry can be seen as making up "cellular" bureaucratic clusters. Similarly, those principles are useful in exploring the relationship between executive structures/organisations and other institutional actors (e.g., the Congress, the ruling party) within a context of policy networks.

Regarding *contextual factors*, the framework distinguishes between broad environmental influences²¹ and the process of bureaucratic interest representation/articulation ('clientela' relationships). In dealing with the latter process, it is assumed that bureaucracy and societal interest groups are able not only to coexist but even to cooperate quite effectively (Peters 1977: 192). What should be determined is the particular way of accommodation and the factors influencing it. The possible types of interaction the framework underlines are societal groups' leverage/penetration, partial/total influence (the extent of their leverage/penetration on the bureaucratic apparatus), and the system's closeness/openess (the degree of bureaucratic resistance to leverage/penetration). In this context, *bureaucratic constituencies* are social groups or institutions, either domestic or foreign, "with which agencies have close and mutually rewarding relationships" (Rourke in Rourke 1986: 4). The framework considers 'clientela' relationships not only as a bureaucratic resource, but also as an external influence.²²

Considering the scope of this work, it should be stressed that only the *institutional linkages*, the *distributional features*, and the *contextual factors* having a relevant connection with the SPP will be extensively discussed. On the whole, their selection

²⁰ At this point, it is worth noting that the framework considers the notions of 'policy network' and 'bureaucratic cluster' as synonymous concepts.

²¹ These influences include 'sporadic influences' (e.g., changes in the oil prices, the Chiapas uprising), and 'structural environmental factors'. The latter allude to the structural features of the domestic economic, political and social setting as well as foreign permanent influences.

²² In characterising what we call *contextual factors* the framework borrows from Aldrich (1979) on general environments; LaPalombara (1965) on clientela/parentela relationships; and Downs (1967), Peters (1989), Riggs (1964), and Tullock (1965) on the politics of interest group influence on bureaucracy.

relies entirely on the insights provided by the in-depth analysis of that agency as if it were a closed system in combination with a general knowledge of the existing environments. The description of the 'meaningful' events and phenomena identified in this way will serve to build inferences and, in turn, to construct a general explanation of the role of the SPP. At the first research level, this *detective work*²³ required a broad and flexible analytical framework not only to consider as many dimensions or ways of looking at the SPP, but also to include emerging relevant data (and to exclude facts that turn out to be unrelated to the case under study). At the second research level, a framework with those characteristics was also necessary to analyse the data presented and to relate and organise the resulting inferences.

Obviously, by leaving aside many phenomena and processes, the comprehensive study of a single agency reduces the potential for generalisation. However, this limitation is believed to be compensated by bringing to the fore normally unobserved data and by using a virtually novel approach to some aspects of Mexican politics. A final remark is necessary. The use of an institutional perspective does not mean that individuals or groups are irrelevant. Rather, it attempts to emphasize that their action, coalitions, conflicts, grouping, and so on take place not in a vacuum, but in a given organisational context.

The argument rephrased

The thesis argues that until the early 1970s, though the national policy-making process remained highly fragmented and disjointed (Shafer 1966), the Mexican central bureaucracy was organised around two distinctive, identifiable policy-networks. Structurally based, this arrangement, we call 'presidential government', implied the existence of a particular set of *institutional linkages*, *distributional features*, and *interest representation mechanisms*, and fulfilled at least four basic purposes. First, it allowed the presidency to concentrate and exercise extensive political and policy powers. Second, it facilitated presidential control and surveillance over bureaucracy, and beyond. Third, it allowed the president to judge and settle intra- and extra-bureaucratic disputes over policy. Four, it confirmed the president's role as the supreme interest-articulating factor.

²³ This analogy has been used by several scholars to refer a research technique in which the 'detective' must constantly make decisions regarding the relevance of various data when building a '*crime*' explanation (Yin 1981: 61).

It is contended that the 1976 administrative reform contributed to modify the 'presidential government' arrangement, though in a way not immediately apparent. Institutionally, two key 'innovations' are thought to be at the core of this crucial change, namely the introduction of a collective mechanism to discuss specially economic policy issues and the inception of the SPP. First, the holding of regular cabinet meetings weakened the decision-making and arbitration roles of the presidency, while it enhanced the role of the ministers, and their ministries, in shaping policy. Second, the overwhelming concentration of powers in that agency not only dramatically altered the existing *institutional linkages* and *distributional features*, but also had unexpected side-effects. Conceived as a presidential instrument for political control over an influential bureaucracy, this agency soon became a powerful and partially autonomous bureaucratic agent vis-à-vis the presidency itself.

The thesis hypothesizes that the *dual* policy-network system began to be replaced by an unstable, loose *single* policy-network system, whose leadership was disputed by two agencies, the SHCP and the SPP. In this respect, the thesis attempts to prove that, at least between 1982 and 1988, the latter agency not only encroached on the traditional domains of the SHCP, but also on those of *Gobernación* and the ruling party. It is argued that the *absorption* of some 'resources' traditionally in the realm of the *policy network for political control* lead to the gradual dismantling of this network work rather than to its institutional replacement. This fact was particularly evident after the demise of the SPP in 1992.

These outcomes contrast with the explicit objectives of the 1976 administrative reform in the sense that they sought to affect exclusively the economic policy-making process by reorganising the *economic policy network*. Regarding this question, it is argued not only that the developments under discussion reduced presidential room for manoeuvre in economic policy matters, but also they encouraged public policy to be *bureaucratically* rather than *presidentially* shaped. In other words, it is suggested that they accelerated an ongoing process of the bureaucratisation of politics.²⁴ In this context, we understand by bureaucratisation an increased blurring of the political and bureaucratic

²⁴ This idea was first suggested by Schaffer (1980). It is worth noting that the literature normally prefers the concept of 'politicization of bureaucracy' (e.g., Riggs 1970). Although they may be taken as synonymous, relevant differences in terms of depolitisation of the issues in the hands of bureaucracy and goal displacement can be drawn from each of them.

realms as well as a heightening of the influence of bureaucracy in the policy-making process.

Another hypothesis the thesis sets out to test is that change in the *distributional features* and/or the *contextual factors* are the most important causes of variations in the *institutional linkages*. The 1976 administrative reform clearly showed the president's ability to manipulate *distributional features*, thus altering *institutional linkages*. What needs to be seen is the role of endogenous variables (*contextual factors*) in that process. The thesis argues that, apart from presidential action, changes in the economic structure may have the same effect. The development of a vigorous domestic private sector since the 1940s not only enhanced its ability to influence public policy, but also favoured the consolidation of *parentela* and *clientela* relationships (as defined by LaPalombara 1965: 306–307, 252), between central government and this sector. Within the *dual policy-network system*, the interests of the private sector were mostly represented by some agencies within the *economic policy network* through patron-client relationships.

Bureaucratic interests inside this network (resulting from state intervention) as well as the relative 'closeness' of the *policy network for political control* (derived from role considerations) limited the leverage/penetration points available to the private sector. The establishing of cabinet meetings made apparent these counterbalancing forces and favoured their confrontation. Because of *distributional features*, the SPP emerged not only as a relevant actor in these meetings, but also as the most important *guidance ministry*. Whether intended or not, this agency was eventually 'captured' by the bureaucratic forces it was supposed to control. In addition, it is thought that a complex combination of broad environmental influences greatly decided the overall role of the agency.

Although the death of the SPP reaffirmed again the ability of the president to manipulate the public sector, it is believed that this measure failed in its purpose of reestablishing 'presidential government' along the old lines, thus suggesting the irreversible nature of the process. As things stand today, the emerging system can be better described as one of 'fragmented government'. Institutionally, it is composed of a tiny, highly integrated, hermetic 'policy community' in charge of most of the decision making and a plurality of less integrated and disjointed instrumental bureaucratic entities.

Recent events seem to have shown the fragility and transitional nature of this arrangement.

1.4 THESIS STRUCTURE

The thesis is divided into seven chapters, of which, this introductory one is the first. Chapter Two provides a brief historical overview of the evolution of the central bureaucracy in the period 1940-1970. Special attention is paid here to both the main traits of the political system, including the key 'rules' governing its operation, and the inward-orientated developmental strategy followed since 1940. The central argument is that the dramatic impact of that strategy on government's structure and operation had significant institutional and political implications. Regarding administrative reform, the chapter argues that in Mexico this policy does not have a cosmetic nature, though incremental change rather than innovation characterises the period under study. It justifies devoting one full chapter to trace the historic antecedents leading to the creation of the SPP in 1976.

Because of the importance that presidential cycles have in the Mexican setting, it has been argued that they represent useful analytical categories in their own right (Schmidt 1991). Acknowledging this fact, chapters three to six are essentially organised around these cycles. The title of each of them suggests the link between specific political and/or economic contextual factors and the key stages in the SPP life cycle, namely, its emergence, rising years, powerful years, and declining years. A lengthy, empirically-based analysis of each of those stages attempts to demonstrate the suggested link.

Chapter three contextualizes the birth of the SPP by focussing on the historical continuities towards statism which reached their peak in the 1970s. We argued that as a reaction to the shortcomings of the 'stabilizing development' strategy, president Echeverría (1970-1976) attempted to return to the deficit financing policies of the post-revolutionary governments until 1958. At micro-level, the argument developed throughout this chapter is that the 1958 administrative reform, Echeverría's spending spree, and López Portillo's creation of the SPP are three linked stages of a continuing process towards statism. It is argued that strong bureaucratic interests, which were consolidated by decades of state-led industrialisation, played a relevant role in directing this process.

Chapter Four discusses the impact that becoming an important oil exporter during the international oil crisis had on the federal bureaucratic apparatus. The analysis argues that this particular context, together with presidential support and resource concentration, worked in favour of the SPP. For it eased this ministry's rapid consolidation as a major liaison between the presidency and the central and local bureaucracies. From a political perspective, it is contended that the 1981 unexpected drop of oil prices and bureaucratic coalition behaviour (greatly encouraged by cabinet meetings) not only ended the head of the oil industry's presidential ambitions, but also paved the way for the head of the SPP getting the presidential nomination.

Chapter Five examines the policies proposed by SPP-president de la Madrid to tackle the economic crisis triggered by the short-lived oil boom. The chapter makes the point that the way government handled the debt problem put the central government expenditure on a disastrous course. In addition, it argues that policy incoherence and economic mismanagement stemming from the separation between planning and finance aggravated the effects of the crisis. Presidential ambitions, apparent since at least 1984, surrounded the eventual adoption of radical pro-market policies. In this context, resource concentration played a crucial role in the SPP's high capacity to successfully adapt to changing environments. Finally, the chapter argues that, as six years before, international factors and domestic coalition politics greatly decided the succession process.

Chapter Six explores the broad context surrounding the SPP declining years, which led to its eventual end in early 1992. Here, the central argument is that the way SPP-president Salinas carried out his economic and social policies rather than the policies themselves is at the heart of the SPP decline. In other words, a strategy of further centralisation of political power in the office of the presidency had the effect of this agency losing control over its strategic institutional resources. From a broader perspective, this political strategy enabled president Salinas not only to impose his economic programme in a record time, but to prepare well in advance his own succession. This time, the SPP would emerge as the major institutional casualty of both presidential actions.

The final chapter concludes the thesis by summarising and integrating the major themes and the partial conclusions developed in the previous chapters. Besides focusing on the broad implications of fifteen years of the SPP, it discusses their relevance in

explaining some key economic and political developments taking place immediately after the death of that agency. The chapter ends by briefly addressing a key issue in the future of the country, namely, the relationship between technocracy and democracy.

The Mexican bureaucracy: A historical frame of reference

The Mexican political system is essentially a product of the 1917-1940 period (Enríquez in Philip 1988: 9). Two are the key features of this system: the presidency and the ruling PRI (Cosío Villegas 1975b). Despite this fact, the paramount role played by the former institution has been the most important agreed point on Mexican politics. Early, Karl Loewenstein (1949) regarded Mexico as having a system of *presidencialismo puro*. This term attempted to characterise "a political system in which the president is extremely powerful, perhaps far more powerful than all other political institutions combined" (Cothran in Schmidt 1991: xxv). Here agreements end, and major differences start. Since the late 1950s, several contrasting interpretations of the Mexican political process began to be proposed as underlined by the Needlemans (1969). Most of them depict bureaucracy as a presidential instrument.

The extensive powers of the Mexican president, with the virtual lack of a system of check and balances, led easily to the image of an all-powerful, quasi-omnipotent presidency. Even more, it was often thought that in Mexico the president was virtually the *government* (Tannenbaum 1951: 84; Tucker 1957: 1957). Gradually, optimistic pictures provided by a pluralistic approach to Mexican politics¹ were replaced by those stressing the dark side of *presidentialism*. Considering the regime as authoritarian became fashionable. The overwhelming attention given to the presidency by these approaches alike had the effect of either neglecting or obscuring the role play by bureaucracy within

¹ See especially Tannenbaum (1933 and 1951). Efforts at finding 'orthodox' democratic traits can also be found in the works of Cline (1953), Scott (1964) and Padgett (1966). Vernon would even note "great diffusion of political power" in the Mexican society (1963: 13-14).

the political system. In other words, it was often ignored that a powerful presidency is "only one component" of the state apparatus (Cothran in Schmidt 1991: xxv).

In any discussion of Mexican political institutions it is imperative to keep the economic context in mind (Bailey in Grayson 1990: 15). Historically, the Mexican Revolution (1910-1917) marked an important stage in the country's economic path. As a reaction to dictator Porfirio Díaz's development strategy, an ambitious socioeconomic programme was incorporated into the 1917 Constitution. Formally, liberalism and social welfare emerged as potentially conflicting projects (Bailey 1988: 90). At first, the social aspirations of the Revolution dominated the political agenda. However, they gradually faded out as economic growth along capitalistic lines became government's top priority. Like many other Latin American countries, Mexico was launched in the late 1930s into a process of industrialisation. Because of its state-led nature, this strategy had a dramatic impact on government's structure and operation.

This chapter analyses the role of the Mexican federal bureaucracy in the period 1940-1970. Its main purpose is to provide a basic frame for future reference and comparison, while identifying some links between politics and economics. Section one explores the key political institutions as well as the rules and practices associated with them. After summarising the economic strategy, the following section analyses its impact on the public sector. Section three explores the federal bureaucracy's growing participation in the national policy-making process. The final section discusses the rise of the government technocrat. The argument is that industrialisation not only fostered government growth, but also strengthened the agencies in charge of its implementation. We will argue that these developments had important institutional and political implications.

2.1 POLITICAL INSTITUTIONS AND RULES

In the aftermath of the Mexican Revolution (1910-1917), the most powerful sectors of the winning army fought each other for the control of the country. This infighting not only surrounded the emergence of the Mexican political system, but greatly shaped its eventual features. Formally, the main sources of the political institutions and 'written' rules making up this system are the 1917 Constitution and the creation of the *National Revolutionary Party* (PNR) in 1929. However, a parallel set of 'unwritten'

practices rules would also develop.² Apart from cultural and historical continuities, contextual factors account for this development.

The powerful presidency

There is no doubt that the 1917 Constitution favoured the emergence of a powerful presidency.³ However, the particular circumstances surrounding this process also determined this institution's eventual broad and characteristic scope for action. Violent factional in-fighting characterised the years following the triumph of the Revolution. After the assassination of president Carranza in 1920, general Alvaro Obregón assumed the political control of the country. Yet, the main obstacle to a strong central leadership continued to be the existence of a plurality of active military factions. Between the 1920s and 1930s, the issue of their demilitarisation was at the top of the presidential agenda. Since the achievement of this goal meant strengthening the political role of the armed forces 'loyal' to the president, the depolitisation of the Mexican military as a whole became also a target to ward off the permanent threat of insurrection.⁴

In particular, president Lázaro Cárdenas (1934-1940), himself a military man, substantially contributed to the displacement of the last *caudillos* (revolutionary army leaders) from the national political arena, and the subordination of the military to the presidency. These goals were achieved through centralising political power in the presidency in combination with a rough system of rewards and punishments in which control of the budget played a relevant role.

Mexico's budgetary system was a product of its emerging political system (Scott 1955: 19). The strategic importance of presidential control over the national budget cannot be overemphasized. This control allowed presidents since Obregón to substantially decrease military expenditure.⁵ Besides, it would allow them to greatly

² On the evolution of this system of rules and institutions see Serrano (in Serrano and Bulmer-Thomas 1996) and Whitehead (in Harvey and Serrano 1994). For an extensive discussion of the extra-legal powers of the presidency see Carpizo (1979) and Philip (1992).

³ Although there are many theories about the sources of presidential supremacy, most of them are variations of Scott's view that this supremacy stems from the deep-rooted tradition of a strong executive, broad constitutional powers, and control of the official party (1964: 256).

⁴ On the post-revolutionary role of the Mexican military, see Camp (1992), Lieuwen (1968), Lozoya (1984), Ronfeldt (1984), and Williams (in Camp 1986: 143-158).

⁵ During the Obregón years, the projected military expenditure fell from more than 60 percent to less than 40 percent of the total budget, while the figure decreased to around 23 percent during the Cárdenas years (Wilkie 1967: 100-106).

influence the direction of broader public expenditure and investment. A significant excess between actual federal expenditures and projected expenditures during the Cárdenas's years marked the beginning of a pattern observed till the early 1970s (see Wilkie 1967; Cothran and Cothran 1986). Moreover, the excess was spent in secrecy. This practice, called *budgetary secrecy*, was used to increase the power of the presidency, to satisfy the demands of competing groups in the revolutionary coalition, and to pursue goals either semi-secret (e.g., military weakening) or at variance with government's 'revolutionary' image (Cothran and Cothran 1988: 323-327).

A real danger of reproducing the Porfirian dictatorship characterised the period 1928-1936 as proved by Obregón's reelection and Calles's *Maximato*.⁶ The way Cárdenas solved his own succession, including his retirement in 1940, is at the heart of the *non-reerection* principle becoming fact (Calvert 1969: 113). In a context of presidential supremacy and one-party system, the application of this principle had significant implications. First, presidential politics was strictly delimited by the six-year term (*sexenio*). Second, as the power of each president grew and declined, a distinctive pattern of political events began to develop within this temporal framework. Third, it underpinned the development of an even more intricate sexennial policy cycle (see Story 1985). Finally, by pacing the political process as a whole, the *sexenio* provided predictability to political action.

Since the 1940s, the presidential transition emerged as the most important event of sexennial political 'calendar'. In this regard, two unwritten rules emerged. First, the political system granted the incumbent president the 'right' to choose his successor. This distinctive succession mechanism (see Cosío Villegas 1975a) became not only an additional source of presidential power, but the very cornerstone of Mexican *presidentialism*. Second, since 1929 *all* presidents, with just one exception⁷, have occupied that office after being ministers. Because of the president's virtually unrestricted appointing power, this practice allowed him to limit presidential ambitions to a manageable arena by placing hopefuls in the cabinet (Padgett 1966: 139). Presidential

⁶ After the murder of president-elect Obregón, outgoing president Calles was able to dominate Mexican politics from 1929 to 1936. On this period, known as the *Maximato*, see Mayer (1978), while a good summary can be found in *El Financiero* (Informe Especial 153, 24/4/93).

⁷ The only exception is Pascual Ortiz Rubio (1930-32) who was ambassador in Brazil. Interesting enough is the fact that even in this case he was about to become head of *Gobernación* immediately before the presidential nomination, which did not happen for reasons which are still unclear (Mayer 1978: 55-56).

capacity to influence the destiny of individual actors is at the heart of discipline becoming "a distinctive feature of the Mexican political class" (Serrano in Serrano and Bulmer-Thomas 1996: 6).

The ever-ruling party

The creation of the *Partido Nacional Revolucionario* (PNR) in 1929 was crucial to the stabilisation of the emerging regime. It is significant that the proposal to form this party had come not from president Portes Gil, but from ex-president Plutarco Elías Calles (1924-1928). This fact suggests the institutional weakness of the presidency at the time. The birth of the PNR is associated with Calles's wish to continue dominating the political scene (Story 1986: 20). By creating his own political machinery, Calles could also override the influential Mexican Labour Party.⁸ His experience as head of *Gobernación*, the interior ministry, during the Obregón years was a fundamental factor in the way the PNR was conceived. This job had placed him in direct contact with the main problem of the first post-revolutionary governments, namely, the permanent threat of armed insurrection.⁹ In addition, *Gobernación*'s emerging institutional 'resources' allowed him not only to eliminate foes, but also to build crucial political alliances. This situation helped his bringing together most of the revolutionary organisations -both military and civilian- in March 1929.¹⁰

At first, the PNR gave room to two potentially conflicting forces. On the one hand, this party's heterogeneous membership encouraged its autonomy and democratic functioning. On the other hand, its delimiting the dominant political arena favoured central control. The 1932 reorganisation of the PNR brought to a halt the further development of the first possibility. By centralising decision-making within the party, this reform weakened the power of the local actors in selecting candidates (Story 1986: 21), while easing Calles's absolute control over the PNR. As a result, the latter began to serve two purposes. First, it allowed its creator to dominate the machinery of government, including the presidency itself, from 'outside'. The appointment of ex-president Portes Gil

⁸ After 'unveiling' Calles as presidential candidate in 1924, the Mexican Labour Party became the dominant political party. The presidential aspirations of its leader, minister Luis N. Morones, explains this party's opposition to Obregón's reelection. See Rojas (1975), Mayer (1978), and Story (1986: Chapter 2).

⁹ During this period, Calles faced the insurrections of both Francisco R. Serrano and Arnulfo R. Gómez following their opposition to Obregón's reelection.

¹⁰ Not surprisingly, Morones' labour support organisations were deliberately excluded from that event symbolically held in the city of Querétaro where the 1917 Constitution had been promulgated.

as head of the PNR in 1930 illustrates our point. Second, it made possible the co-optation of many potentially dangerous military leaders by offering them attractive posts in government in exchange for their demilitarisation and subordination to the *Jefe Máximo*.

President Cárdenas forcing Calles to leave the country in 1936 left the PNR leaderless. There were two alternatives: either dismantling this party, or taking advantage of its growing institutionalisation. Wisely, Cárdenas opted for the second. After purging Calles's supporters from government, he took control of the party by appointing his private secretary Luis I. Rodríguez as its head. These historic decisions would bring the PNR under the aegis of the presidency. At this point, the party became not only an inseparable part of the government machinery, but an additional source of presidential power. Following a substantial reorganisation along corporatist lines, the PNR was renamed Party of the Mexican Revolution (PRM) in 1938, and its members organised around four functional sectors: military, agrarian, labour, and new 'popular' (mostly composed of federal bureaucrats).

The first casualty of the president's power to influence the selection of party candidates was the military sector. At first, uniformed men were granted many governorships and congressional posts (rather than more attractive cabinet positions), and later their number was considerably reduced.¹¹ Apart from providing a clear indication of the steady decline of the military's political role (Williams in Camp 1986: 144), the arrival of civilian Miguel Alemán to power in 1946 showed that the party's nonmilitary organisations had broadened considerably the regime's support bases. It might have allowed candidate Alemán to promote a substantial reorganisation of the PRM. As a result, it adopted its present name: Institutional Revolutionary Party (PRI).

Ever since, the symbiosis between this party and government has become increasingly apparent. Instrumental in character, the functioning of the PRI further reflected the subtleties of the sexennial cycle. For instance, an 'unwritten' rule was that the party's head during the presidential campaign, who was appointed by the outgoing president, occupied a cabinet position in the incoming administration. Similarly, most of the state elections were gradually fixed to take place during the third and fourth years of

¹¹ Camp (1980b), for instance, found out that between 1935 and 1946 only 12 percent of the cabinet posts were held by military officers, while this percentage dropped to nil in the period 1946-1952. He also documented that the percentage of military governors decreased from 48 in 1935-40 to 13 in 1947-52.

the *sexenio*, that is, when presidential power reaches its peak (see Bailey 1988: 92). Because of their impact on the next administration, rules of this kind assured a smooth handover of power by regulating and pacing the exercise of presidential power.

Time consolidated the ruling party's core functions: recruitment of political elites, control of mass organisations, allocation of material rewards to its members ('distributive populism'), and electoral legitimization (Serrano in Serrano and Bulmer-Thomas 1996: 9). These roles not only encouraged political actors to participate within the party, but also inhibited the development of other political parties (Knight in Harvey 1993: 37). As the party in power reinforced its hegemony, the Mexican regime perpetuated its character as a *one-party system*.¹² The PRI scope of influence, however, was far from being absolute, for two key societal actors were excluded from its structure: the Catholic church and the business community.

An instrumental bureaucracy?

Since the Cárdenas years, the presidency has played a dominant role in the national political arena. This fact gave early scholars the impression that both the federal legislature and judiciary and the local government were subordinated to the presidency.¹³ Moreover, according to ex-president and ex-party leader Portes Gil, the PRI was also "a subordinate of the Chief Executive" (quoted by James and Edna Wilkie 1976: 583). The federal bureaucracy was not the exception. By looking at the constitutional framework, some observers made clear the various mechanisms available to assure its compliance (e.g., Tucker 1957; Carpizo 1979). In Scott's view, the president had "a wide choice of pressure tactics to assure a reasonably docile and cooperative administration" through the existence of "vertical lines of control working at every level and upon every unit of government" (Scott 1964: 259).

Besides, it was often argued that the president could integrate a submissive cabinet by exercising his unlimited discretionary power to appoint and remove ministers. Beyond this normative framework, the relevant role that *camarillas* has traditionally played in staffing Mexican government provided an additional explanation of a docile bureaucracy. The fact that the 'president's men', the most powerful *camarilla* during the

¹² For a comparative discussion of the dynamics of one-party systems, including the Mexican, see Huntington (in Huntington and Moore 1970).

¹³ Vernon (1963: 11); Brandenburg (1964: 141); Scott (1964: 261-278).

six-year period, were given the key public ministries assured a high degree of loyalty and discipline to their leader.

A strong presidency has traditionally shaped scholars' views about the federal bureaucracy. The former institution was early perceived as all-powerful on three accounts, namely power concentration, policy-making, and interest articulation. First, it was contended that the real concentration of authority in Mexico was in the office of the president.¹⁴ Moreover, there was a tendency to perceive this authority as ever increasing (Padgett 1966: 161). Second, the president was considered the ultimate source of policy decisions (Scott 1964: 272; Brandenburg 1964: 5). In addition, it was often believed that his key decisions could not be questioned, let alone reversed. Finally, there was agreement in that the presidency was the single most important, and "authoritative, aggregating agency in the Mexican political system" (Padgett 1966: 155), and the ultimate arbiter if a dispute arose within government (Vernon 1963: 11-13).

As the president was the most influential institutional actor, the bureaucratic apparatus was thought to play a fairly limited role on policy matters. In this context, the main task of high-rank officials was that of "assisting the president in the performance of *his* duties" (Scott 1964: 281, the stress is ours). Even recognising that policy might be originated "anywhere on the bureaucratic ladder", according to this view there was no chance of "significant policy change" without presidential consent (Brandenburg 1964: 5).

However, while admitting the extensive powers of the presidency, the same scholars quoted above provided some scattered evidence of a less instrumental federal bureaucracy. According to Brandenburg, the best exponent of the omnipotent-president model, some "outstanding cabinet members" did participate in setting "the over-all economic and political orientation of the nation" within the small "inner council" of the ruling elite (1964: 3-5). Other scholars thought that precisely because of concentrating such a power, the president has no choice but to delegate some of his authority. As Tucker put it, there were so many things to do that simply "the President does not have time to supervise effectively the work of all the ministries" (1957: 140).

¹⁴ Tucker (1957: 102); Vernon (1963: 11); Scott (1964: 256 and 259).

In the same vein, Scott wrote that the president was no longer in face-to-face contact with all the major power factors, so that he "must rely more and more upon the machinery that has evolved in the presidency" (1964: 279). The extent of presidential delegation of authority to bureaucracy was, however, a source of contradictory statements.¹⁵ In any event, scholars seemed to agree in one central point: The president tended to rely heavily upon, at least, some key ministries in carrying out his duties. There was also little doubt that, in general, the administrative bureaucracies intervened in the solution of a "multitude of problems" on day-to-day basis (Scott 1964: 279).

What explains these contradictory views of bureaucracy? The most plausible explanation relates to both the *gradual* consolidation of the Mexican political system and the dramatic economic transformations the country was going through. Most scholars, however, were more concerned about how the political system worked than about how it was evolving. Two major features characterise Mexico's transition since the 1940s. First, a gradual process of power centralisation in the office of the presidency took place. Second, a strategy of state-led industrialisation led to an impressive growth of federal public expenditure. Both developments had a relevant impact on both the political process and the institutional actors involved in it. Despite his "extraordinary efforts" to keep his growing power intact, the president became increasingly incapable of maintaining direct control over the bureaucratic apparatus (Tucker 1957: 140-146).

The paradox was that, in order to exercise control, the chief executive had to delegate authority. Padgett provided one of the best interpretations of these developments. According to him, it was possible

"... to view the growth of governmental activity as *distributive* insofar as the President vis-a-vis other government officers is concerned. In this sense, then, the Mexican President experiences a relative decline in power to act which presents the grand paradox of the presidential role in modern Mexico (1966: 161)."

In other words, the more prerogatives the presidency accumulated because of both centralisation and government expansion, the higher its dependency upon the federal bureaucracy. Observations of this kind led to the extreme idea that the picture of an all-powerful presidency was in fact a mirage (Needleman 1969: 1025). Two are, in our

¹⁵ For instance, Tucker could not avoid writing down that "there is much dispersion of functions among agencies, but authority and power are highly centralized through the prevailing presidential-ministerial relationship" (1957: 141). Similarly, in Scott's view, the president could always withdraw the power he has granted, for delegation was done through "the extra-legal mechanism of the presidency more than the formal process of law" (1964: 261).

view, the major contributions of Padgett's work. First, he made clear that, apart from the president, there were other institutional actors who had a relevant involvement in the policy making process.¹⁶ Second, by marking a clear dividing line between the presidency and the federal bureaucracy, he challenged the view that in Mexico the president was "the government" (Tannenbaum 1951: 84; Tucker 1957: 109-110). In order to tackle the question of the role of the federal bureaucracy, we need to explore the impact of government's economic strategy on the federal public sector.

2.2 PUBLIC SECTOR GROWTH AND BUREAUCRACY

Government's clear shift to a model of rapid state-led industrialisation in the early 1940s can hardly be understood without considering two key international events, namely, the Great Depression and World War II. For both of them had the effect of reinforcing the view of a strong state stemming from the Mexican Revolution. Higher state intervention in the economy, together with an increasing emphasis on industry, explains not only public sector growth, but also the particular way this growth took place. In combination, these environmental factors are responsible for shaping the features and role of the Mexican central bureaucracy up to the mid-1980s. Part of this institution becoming a major economic agent would have, in turn, a significant impact on the operation of the political system as a whole.

The ISI strategy¹⁷ and public investment

The 1917 federal constitution incorporated the ideal of a strong interventionist state (Hamilton 1982: 3). Accordingly, it granted the state extensive powers for economic and social reform. Between 1917 and the early 1930s, however, government action was essentially focused on institutional and economic reconstruction rather than on carrying out social change. By paving the way for the Keynesian theory, the Great Depression further encouraged a more active role of the state in the economy. While carrying out a radical social programme, president Cárdenas (1934-40) made extensive use of the

¹⁶ In his view, for example, "ministers directly concerned with a policy proposal, some of the top interest group leaders, and interested member of the coalition's inner circle sit down with the President to work out the final policy statement" (1966:157).

¹⁷ For extensive accounts of this strategy see, *inter alia*, Ortiz Mena (1970), NAFINSA (1971), Carmona *et al.* (1990), Reynolds (1978), Solís (1981), Levy and Skely (1987: Chapter 5), Enríquez (in Philip 1988), and Teichman (1988: Chapter 2).

increasing strength of the Mexican presidency to achieve this goal. Domestically, a shift towards industrialisation was favoured by the economic shortcomings of the *ejido* and the improved support mobilisation by the PRM (Shafer 1966: 48). Cárdenas's emphasis on investment in irrigation, communications, and other public works laid the foundations of *import-substitution industrialisation* (ISI), the development strategy adopted by the government since 1940.

To materialise higher state participation in the economy, the Bank of Mexico (founded in 1925) was transformed into a modern central bank in 1932, while *Nacional Financiera* (NAFINSA) was created two years later to provide funds for industrial development. During Cárdenas administration, the railroads and the oil industry were nationalised, and the Federal Electricity Commission (CFE) started operating. By cutting imports and favouring exports, World War II was a decisive driving force in Mexico and many other developing countries embarking on a path toward industrialisation. More significant, this event enhanced the import-substitution character of the process.

It is agreed that in Mexico the period 1940-1970 represents a crucial stage in the country's industrial evolution. Because of the 1954 devaluation and its effects on the strategy, this period is generally divided into two well-defined phases (Enríquez in Philip 1988: 11; Solís, 1991: 169). Both of them, however, share two elements: a growing emphasis on public investment in industry and a fiscal policy favouring private capital accumulation. As a result, by 1950 industry accounted for 21.5 percent of total output, rising to 29.4 percent in 1970 (Lustig 1992: 14). Leaving social and political considerations aside, the major casualty of these policies was agriculture and other primary activities.

At the beginning of the Avila Camacho administration (1940-1946), the finance minister Eduardo Suárez announced that Mexico would manufacture "a good portion of the articles which she now imports, in order to reduce . . . her outlays abroad" (quoted by Gil 1992: 27). The favourable conditions generated by the war were seen within and without government as a great opportunity for the country to become a modern industrial society. In 1942, *Altos Hornos de México* was created to produce "all the steel" required. In this way, Mexican government began its first serious investments in manufacturing enterprises. Heavy public investment in basic infrastructure, with a set of miscellaneous fiscal and financial incentives, was gradually set in motion to promote private investment.

Obviously, industrialisation needed not only abundant resources, but time to yield results. Continued investment in irrigation and agriculture since the 1930s explains why the latter was the most dynamic sector between 1940 and 1955 (Solís 1991: 169). Due to the external demand for agricultural products and manufactures, Mexico's exports doubled between 1939 and 1945 (Vernon 1963: 95). This situation helped financing industrialisation by increasing the country's import capacity. Driven mostly by the agricultural sector, the real GDP grew at annual rates of 6.2 per cent from 1941 to 1951. However, since industrialisation was partly achieved through deficit financing, the result was severely inflationary (Reynolds 1978: 1006). Pressures on the exchange rate led to three devaluations of the currency during the Alemán's years. More worrying, in 1952 and 1953 economic growth sharply declined.

To tackle this problem, incoming president Ruiz Cortines (1952-1958) gradually reduced general public investment, while increasing the proportion of that devoted to industry (mostly at the expense of agriculture). Investment in state-owned industrial enterprises meant more cheap goods and services to stimulate the private sector. Low taxation and abundant subsidies, together with deficit financing, caused the devaluation of the *peso* in April 1954.

This devaluation had disastrous economic and political effects (Vernon 1963: 110; Enríquez in Philip 1988: 12). At the time, a substantial and disruptive outflow of short-term funds was regarded as one of its most visible causes and effects (Sedwitz 1956: 33). The severity of this capital flight forced government to adjust again not only its economic strategy, but the way of financing it. On the one hand, though public investment was reduced even further, the single-minded emphasis on industrial growth became even more marked after 1954. On the other hand, government began relying heavily on foreign borrowing to finance public deficit. This is explained by the fact that neither price increases in the goods and services provided by the state, nor a tax reform was intended. For instance, the net ordinary revenues of both the federal and local governments rose from 9.9 percent of the GDP in 1950 to only 10.2 percent in 1960 (Alejo in Wionczek *et al.* 1971: 131).

Since economic growth steadily declined from 1954 to 1959, government was forced again to rectify its economic policy. At the beginning of the López Mateos administration (1958-1964), some important policy changes were carried out. First,

government geared its monetary policy toward price and exchange rate stability. It was thought, at least within some bureaucratic circles, that economic stability (or the lack of inflationary pressures), was *sine qua non* for restoring economic growth. Second, the inward-orientated production of intermediate and capital goods was greatly encouraged. Third, regarding the public sector, economic policy was based on the idea that deficit financing of public expenditure was if not the ultimate cause for inflation, at least the main one. This set of policies characterising the second stage of the ISI strategy would be christened by the finance minister Antonio Ortíz Mena (1969) as 'stabilising development' (*desarrollo estabilizador*).

At the core of this strategy was the aim of using domestic savings not only for financing the public sector, but also for fostering private investment (Enríquez in Philip 1988: 18-19). This goal, however, was only partly achieved between 1958 and 1970, for government had to resort to heavy foreign indebtedness to finance growing public deficits. Mostly because of López Mateos's stepping up public investment, president Díaz Ordaz (1964-1970) inherited a public debt 150 percent higher than his predecessor (Teichman 1988: 38). Continued heavy investment in industry, together with modest government revenues, accounted for the Mexican public debt rising from \$810 million in 1960 to \$4,262 million in 1970. In general, the era of 'stabilizing development' gave industrialisation its ultimate impetus. It is illustrated by the fact that in the period 1965-70 industry took the historic figure of 40 percent of total public investment (Levy and Székely 1987: 134).

Measured in terms of economic growth and control of inflation, the outcomes of the 'stabilizing development' strategy are remarkable. In a context of a more stable performance of the world markets (Aspe 1993: 11), the GDP grew up at annual rates of 7 percent between 1960 and 1970 (Looney 1985: 5), while inflation stayed below 3 percent (Basáñez 1991: 164). However, the economic strategy had also a number of side-effects. At the institutional level, it was associated not only with the public sector rapid growth, but with the *way* this process took place.

Industrialisation and government expansion

In the period 1917-1934, the federal government grew in strength rather than in size (Vernon 1963: 69). A trend towards public sector growth, however, began to emerge after 1934. Together with the 1917 constitution, the Keynesian thought, fashionable after

the Great Depression, represented a strong argument for both active state intervention in the economy and public sector expansion. An innovation was introduced by granting most of the newly created agencies a semi-autonomous character. The distinction between these agencies (called parastate entities from now on) and the traditional ministries provides two completely different pictures of government growth. As table 2.1 reveals, the total number of *Secretarías de Estado* and *Departamentos Administrativos* (called here ministries because of their in-line character) increased little after 1917, while remaining practically constant from 1958 onwards.

TABLE 2.1 Number of the federal ministries, 1917-1982 ⁽¹⁾
(Selected years)

	1917	1932	1935	1940	1946	1958	1976	1982
Secretarías	7	7	8	11	13	15	16	18
Departamentos	5	6	7	4	2	3	2	1
<u>Total</u>	12	13	15	15	15	18	18	19

⁽¹⁾ The table only includes the agencies considered secretariats and administrative departments by the corresponding organic laws. As a result, 1917 does not consider the Government for the Federal District. For similar reasons, neither the Department for Military Industry, created in 1947, nor the attorneys are computed for 1958 onwards.

Source: José Attolini (in *Aportaciones*, 1976: 65-67), the federal organic laws of 1958 (DOF 24/12/58) and 1976 (DOF 29/12/76), and *Proceso Legislativo* (n.d.: 19-20).

As the same table suggests, one of the few major qualitative transformations affecting the agencies under discussion was the steady transformation of *departamentos administrativos* into secretariats. In theory, the former had been conceived by the constitution-makers as technical entities, while the latter as ministries in the Western sense. However, the impossibility of drawing a clear dividing line between them, with the use of the parastate formula, explains the trend observed.¹⁸ A less visible quantitative change was the internal growth of some ministries.¹⁹

¹⁸ Since 1982, the *Departamento del Distrito Federal* (DDF), in charge of the government of the country's capital, is the only survival department.

¹⁹ Although the total number of federal civil servants went up from 278,698 in 1959 to 394,204 in 1964, the ministries for finance and education absorbed two thirds of this increase (Alejo in Wionczek *et al.* 1971: 107), while the other third went mostly to the largest decentralised agencies.

Differently, table 2.2 shows the explosive growth of the parastate sector after 1940.²⁰ A careful look at the *manner* in which this sector grew provides a link between this process and the ISI strategy. It shows that the parastate sector growing 6.8 times between 1940 and 1970 was the result of the creation of entities *directly* related to industrial promotion and its financing, rather than with social welfare or agriculture (see Carrillo Castro, table 2, in *Empresas Públicas* 1978: 20). In particular, the rapid proliferation of state-owned credit institutions formed reflected the high priority the first post-revolutionary governments gave to economic promotion. This trend did not change despite the objectives of the public enterprise broadening considerably since the Avila Camacho years.²¹

TABLE 2.2 Number of parastate entities, 1921-1982
(Selected years)

	1921	1930	1940	1950	1959	1970	1976	1982
Number of agencies	2	12	57	158	259	391	854	1,155

Source: Carrillo Castro (in *Empresas Públicas* 1978: 17) and Marum Espinosa (in Alonso *et al.* 1992: 204-209).

It could be argued that the rapid growth of government machinery had both the purpose and effect of strengthening the role of the Mexican state (Ruiz Massieu 1980: 105-106). This statement, however, obscures various relevant developments. First, it is clear that the main beneficiary of public sector expansion was not Mexican government as a whole, but the federal executive branch. This situation aggravated the traditional imbalances not only between this branch and its counterparts, but also those between federal and local government. Public expenditure is a good indicator of this phenomenon. Between 1947 and 1964, federal government (excluding the DDF), was responsible for about 90 percent of the national public expenditure (Alejo in Wionczek *et al.* 1971: 90).

²⁰ Interesting enough is the fact that president Avila Camacho created more parastate entities than president Cárdenas whose pro-interventionist orientation is often stressed (see Ruiz Massieu 1980: 197-199).

²¹ This practice began in 1944 when the state bought the *Estudios Churubusco-Azteca*, thus becoming film producer.

Most of this percentage corresponded to the executive branch, for the budgets of the federal legislature and judiciary have always been marginal.²²

Second, inside the federal executive branch the impact was not even either. The marked differences in the rates of growth between the central and parastate sectors had the effect of eventually altering the balance of power between them. The following fact makes our point clear: The amount of public investment channeled through the parastate sector went from 42 percent in the period 1939-1945 to 54 percent in the period 1949-1960 (Wionczek in Flores de la Peña *et al.* 1986: 31). This development would modify the role and status of the conventional ministries.

Third, within the parastate sector there were even more marked contrasts. A careful look at the entities entering this domain confirms the existence of enormous differences between entities in terms of status, size, and budget requirements. Therefore, the quantitative picture of this sector as a whole leads to misleading conclusions. Moreover, government economic and investment policies would deepen those initial differences even further, thus giving the parastate sector its long-lasting characteristics. Inevitably, the impressive amounts of resources devoted over the years to a handful of parastate entities dealing with industrial promotion would eventually bring them to the fore. Regarding the credit institutions, this was the case of NAFINSA (Tucker 1957: 207-209).²³ In broader terms, however, the trinity of PEMEX, CFE and the Railroads were the true stars of the ISI strategy (see Philip 1884).

Beyond a doubt, the huge share of the budget allocated to the entire parastate sector corresponded to this trinity virtually since its early inception. This way of allocating resources was not accidental considering that oil, electricity and transportation are essential inputs to industry. Interesting enough is the fact that the multiplication of parastate entities from 1940 to 1976 did not alter this basic picture. Rather the increasing emphasis on investment in oil and electricity enhanced it as will be seen in due course.

²² These branches together received, on average, about one percent of the annual federal budget during the 1960s (calculation based on data from NAFINSA 1977, table 6.30: 363-365).

²³ The amount of credit canalised mainly to industry by this institution, for instance, increased from \$506 million in 1955 to \$2,892 million in 1968 (NAFINSA 1971, table 85: 356).

2.3 POLITICAL AND ECONOMIC MANAGEMENT

The early institutionalisation of the Mexican political system is at the core of a long period of sustained political stability (Calvert 1969: 112-113; Cothran 1994; Whitehead in Harvey and Serrano 1994: 112-114).²⁴ Emerging institutions and rules played a crucial role in consolidating the regime, in regulating group politics, and in providing a frame for sustained economic growth. Although a strong presidential institution greatly contributed to these outcomes, they cannot be fully understood without considering the emergence of two complex institutional networks in charge of the management of politics and economics respectively. The evolution of this dual arrangement implied a substantial delegation of presidential authority, and also a permanent process of allocation and re-allocation of institutional resources among the agencies making up the two networks. In essence, it explains their distinctive features.

The network for political control

Up to the 1970s, observers usually considered the interior ministry (*Gobernación*) to be the chief cabinet office.²⁵ The context of violence during the 1920s and 1930s sheds light on this preeminence. This particular context, together with the priority given to political stability, encouraged the emergence of a refined machinery for repression and political control. At first, this machinery was virtually limited to that of the Defence Ministry (SDN). This agency's potential for disruption, however, was proved by most uprisings being organised by ex-high rank SDN officials (e.g., Serrano in 1928; Cedillo in 1938). Concentration of strategic military resources, in a context of weak institutions, was at the core of the problem. Presidents after Obregón sought to neutralise the salient role of the SDN by favouring the emergence of new institutional poles of power. The appointment of Calles, former war minister, as head of *Gobernación* in 1920 proved decisive to achieve this goal.

By delegating considerable authority to *Gobernación*, president Obregón enhanced considerably its counterbalancing role. Overt confrontations between this agency and the SDN characterised the period 1920-1924, mainly because of the growing

²⁴ A different interpretation is provided by Purcell Kaufman and Purcell (1980).

²⁵ For instance, Tucker (1957: 139), Camacho (1977: 619), and Needler (1990: 93).

involvement of *Gobernación* in matters of 'national security'.²⁶ Presidential ambitions added fuel to the fire. Calles's selection as the presidential candidate by Obregón greatly influenced the future roles of both ministries. As president and later as *Jefe Máximo*, he continued the strategy of getting the military out of politics by further strengthening the role of *Gobernación*.

The PRM introduced new and more sophisticated mechanisms into the emerging apparatus for political control, while broadening considerably this party's scope for action. Central control over its heterogeneous membership was achieved in various steps. First, a massive enrollment was further encouraged. Second, the emergence of a *limited* number of coordinating mass organisations, a development promoted by the state, eased the control of large social sectors by fragmenting and counterbalancing their political activity. Outstandingly, they included the Confederation of Mexican Workers (CTM) and the National Peasant Confederation (CNC).²⁷ Third, generous political and material rewards to their leadership and a more extensive system of "distributive populism" consolidated the ruling party as an efficient corporative control machinery. Earlier and less visible changes in the structure of the federal public sector had announced this development.²⁸ Because of their sharing the same clienteles, the control machineries of both government and the ruling party became not only intertwined, but inseparable.

President Alemán introduced two important changes affecting the network for political control. First, he created the *Estado Mayor Presidencial*, a military corps charged with the personal security of the president and his family. This measure would contribute to the consolidation of Mexican presidentialism, and to the further decline of the military. It was assured by both keeping the *Estado Mayor Presidencial* outside the formal structure of the SDN and including its budget in the presidency's payroll. Second, he established the *Dirección Federal de Seguridad* (DFS) under the umbrella of *Gobernación*. Formally, the DFS was charged with national security and political

²⁶ According to Rojas (1975: 259), Calles was behind the death of Benjamín Hill, Obregón's close friend and his first minister of war. The novel *La Sombra del Caudillo* by Martín Luis Guzmán, first published in 1929, dramatically illustrates the troubled relationship between the SDN and *Gobernación* at the time.

²⁷ With the support of president Cárdenas, the CTM was formed in 1935, thus bringing together about 3,000 unions and 600,000 workers; and so was the CNC in 1938 by uniting the *ejidatario* leagues already operating in each state (Story 1986: 24-25).

²⁸ For instance, the Labour Department was created in 1932, while Agrarian Department in 1934. During Cárdenas administration, both agencies were several times reorganised along clear corporatist lines.

intelligence functions. The later creation of the Directorate for Political and Social Investigations improved considerably *Gobernación's* intelligence-police apparatus. Working usually in tandem, these bureaux were "to observe and infiltrate organisations formed outside the realm of the PRI, and, where necessary, to imprison, kidnap, torture, and murder adversaries" (Reding 1989: 707).

Moreover, they also observed the behaviour, and spied the background out, of political leaders and politicians working inside the system. Like in Fouche's days, little having the slightest political implication seemed to escape from the 'ears and eyes' of *Gobernación's* extensive nationwide investigatory network.

A steady concentration of extensive *strategic* resources explains *Gobernación's* key institutional role. Apart from its intelligence powers, this agency became the main presidential channel for conducting most of the legal and extralegal relations with the states and municipalities, the federal Congress, the PRI, and the opposition parties (see Tucker 1957). The threat posed by the regional military leaders may explain not only "much of the political control exercised so ruthlessly over state governments by the Secretaría de Gobernación" during the 1920s (Scott 1964: 272), but also much of the manner in which central-local relationships were carried out afterwards. For instance, this agency retained, clearly until the mid-1970s, its powers to intervene in the removal of governors and to influence the fixed allocation of federal funds at local level, when a 'political' problem arose.

Legally, *Gobernación* advised the president on the need for legislation, and served as a liaison between the executive and the federal congress. These relations, however, were far more complicated, for they involved the ruling party and the registered opposition parties. As noted by Scott, the law tended "to centralize the whole party system in *Gobernación*" (1964: 153). This arrangement assured government's control over the elections and the hegemony of one-party system.²⁹

By the 1950s, the highly sophisticated, and efficient, network for political control was fully institutionalised. Led by *Gobernación*, this network included a set of

²⁹ *Gobernación* had the function of approving the registration of new parties and the cancellation of granted registrations. Distribution of financial funds to the leaders of the registered opposition parties was an effective stick-and-carrot mechanism to assure both their compliance and a legitimising democratic image. Taxes (*derechos*) on gambling, deliberately kept out the formal budget, was one source of these funds.

heterogeneous ministries connected to each other by 'resource dependencies', which stemmed from their involvement in the same broad function of political control.³⁰ Some examples illustrate our point. *Gobernación* used to play a more important role in foreign relations than it is usually thought, thus having a close link with the ministry formally in charge of this function: the SRE. A tacit agreement between the US and Mexico that allowed the latter the right to dissent in foreign affairs (Serrano in Serrano and Bulmer-Thomas 1996: 7) could have enhanced *Gobernación's* powers having an impact on foreign policy, such as that of expelling 'unwanted' foreigners and drugs control. Similarly, the technical limitations of other law enforcement agencies, together with *Gobernación's* broad powers on national security, paved the road for this ministry to intervene in the solution of selective police problems such as kidnappings and bank robberies. It favoured its de facto authority over the federal and local attorneys and police units.

In particular, the 1954 devaluation triggered many opposition movements (see Pellicer and Reyna 1978; Gil 1992: Chapter 2). It put to the test not only the corporatist government-PRI machinery, but also that for repression. On the one hand, the dealing with labour demands made apparent the symbiosis between the largest unions' leaders and *both* the labour sector of the PRI and the Labour Ministry (STyPS).³¹ These institutional links had made possible an efficient control of the demands for higher wages, the occurrence of strikes, and the registration of new unions (Bortz 1987: 106-107). A similar mechanism was in force regarding the PRI-controlled peasant organisations that involved the Agrarian Department in controlling the land-distribution process. When negotiations failed, *Gobernación* was always nearby to arbitrate disputes or to use selective repression when necessary.

Government's sophisticated apparatus for political control, however, could not prevent popular discontent steadily growing. As in other Latin American countries, the Cuban Revolution served as a catalyst (Gil 1992: 34-35). The process reached its peak in October 1968 when a peaceful student demonstration was ruthlessly repressed by the

³⁰ The possibility of grouping together *Gobernación*, the SDN, and the ministries of Navy (SM), and Foreign Relations (SRE) for analytical purposes was first noted by Tucker (1957: 173).

³¹ In 1946, president Alemán transformed the Labour Department into *Secretaría del Trabajo y Previsión Social* (DOF 13/12/56), thus suggesting the importance of organised labour within his economic strategy and the country's corporative system.

military. Although the great significance of this dark episode has been extensively studied (e.g., Camp in Rodríguez 1993; Shapira 1978: Chapter 2), some points need to be emphasized to understand better the operation of the network under scrutiny. First, the gravity of the 1968 events represented a turning point in the role of the military within the political system (Williams in Camp 1986: 144-145). At the time, they created dangerous tensions between the heads of *Gobernación* and the defence ministry unseen in over 30 years. Second, those events further consolidated the repressive role of the DFS and also the fame of its director at the time, namely Fernando Gutiérrez Barrios³².

As a whole, the network for political control used to have four main distinctive features. First, it was better characterised as a policy network than as a policy community (see chapter one). More precisely, various sub-policy networks and 'issue networks' as well as a 'territorial community' (DDF) can be distinguished within this network.³³ In other words, there were usually low levels of both agency integration and stability of relationships. Yet, variable 'resource dependencies' kept the network together and relatively articulated especially on an issue basis. These institutional linkages determined a complex system of check and balances which constrained the action and performance of individual institutions. For example, despite the decline of the army, the SDN never lost control of its core military 'resources', which meant that *Gobernación*, despite its powerful intelligence resources, did not have the troops when required.³⁴

Second, because of being headed by the presidency (usually acting through *Gobernación*), the network tended to have a marked vertical structure. In other words, presidential delegation of power, with its holding of fundamental legal and political resources, may explain *Gobernación* preeminence within the network. Third, this network was deliberately excluded from economic decision making. Four, not only were there high rates of both turnover and personnel mobility within this network, but more important the latter produced *all* the presidents from 1940 to 1970.

³² After joining the DFS in 1952, this ex-military man was appointed director of this bureau by Echeverría in 1964, and promoted to under-secretary of *Gobernación* by the same person in 1970.

³³ For the definition of the concepts used here, see Rhodes (1985: 17-19) and Marsh and Rhodes (1992: 13).

³⁴ During the late 1950s and 1960s, the use of the military even for police purposes was not rare. They include actions against the following sectors of civil society: students in Mexico City (1956, 1960, 1968), Michoacán (1966), and Sonora (1967); organised telegraphists and railwaymen in Mexico City (1958-59); peasant leaders in Morelos (1962); and teachers in Guerrero (1967).

The economic-policy network

In the same way that the preeminence of *Gobernación* was observed, Vernon would note that the finance ministry (SHCP) stood out as *primus inter pares* (1963: 12). Allowing for the existence of two differentiated policy networks, both observations are not antagonistic. The 1910 Revolution did not affect the dominant role of the SHCP in the economic policy making since the independence years. Though the industrialisation process led to the creation of many economic agencies, it did not challenge the finance ministry's status until at least the 1958 administrative reform. The advantages of this agency over its competitors explain this fact. Apart from being one of the longest-lived and most stable bureaucratic organisations in Mexico, the SHCP had a key asset, namely, its institutional resources. As virtually everywhere, this ministry was charged with the control over public money and, more important, over its allocation. For these reasons, the post-revolutionary economic policy network had to evolve having the SHCP as its cornerstone.

According to Gross, instead of establishing a single, central planning agency, president Cárdenas opted for a "flexible network of central guidance institutions" composed of three powerful entities, namely the SHCP, the Bank of Mexico, and *Nacional Financiera* (in Shafer 1966: xvi). Even though this observation is essentially correct, it should be added that the higher status of the first institution, both *de jure* and *de facto*, was never in question. Early, this trinity developed as a 'policy community' in which the main actors "sometimes in conflict, often in agreement . . . [were] in touch and operating within a shared framework" (Heclo and Wildavsky quoted by Marsh and Rhodes 1992: 8).

Because of its control over the budget, the SHCP soon took on the leadership of sectoral sub-policy networks dealing with economic development such as those for industry, public works, and agriculture. From the mid-1940s onwards, the articulation and operation of economic policy network as a whole improved notably. However, as both the state intervention in the economy augmented and the structure of this network became increasingly complex, problems such as lack of coordination and overlapping of functions began to emerge. In any event, the network retained its basic distinctive features until 1976 as will be discussed in the next chapter.

To sum up, as compared with its counterpart, the economic policy network was characterised by (i) its much more dynamic development; (ii) its better integration, and more stable and permanent internal relationships; (iii) its stronger and more horizontal 'resource dependencies' as more policymaking centres emerged; (iv) its lower rates of internal turnover and personnel mobility; (v) its early development of 'efficiency pockets' in many key areas; (vi) its organisation around technical professions; (vii) its isolation from political influences, including the succession process.

Professions, ideology, and policy networks

As defined by Dunleavy, "professions are 'special occupations' with relatively high degrees of internal specificity and identity" (1981: 8). In Liebman's view, they do exert an ideological influence "because they provide a social and physical environment within which students with similar backgrounds and interests group together" (quoted by Camp 1975: 142). The same can be said regarding public organisations, for their institutional roles can also affect the attitudes and values of the individuals who work in them (Harmon and Mayer 1986: 14). Furthermore, it can be argued that professions concentrating in certain ministries or agencies for a long time may enhance the socialisation role of both professions and public organisations. Evidence supports the validity of this statement in the Mexican context.

Lawyers becoming the dominant professional cluster in power explains their presence at the highest echelons of the Mexican government, and their high degree of mobility within it. This picture, however, did not last long. Functional specialisation gradually divided lawyers into three main groups. First, the 'technicians' were made up of the law experts traditionally recruited by the judicial branch. Second, the 'generalists', the group really in power, tended to concentrate heavily within the network for political control where they moved with ease from one agency to another. This was not accidental, for their prime goal since the 1930s had been displacing revolutionary, military men from their power reserves. This pattern was greatly encouraged by the ascending path to the presidency inaugurated by lawyer Alemán in 1946, and reproduced by his three successors (see Story 1986: 126-131). Pragmatism may explain empowered lawyers' eclectic ideological beliefs and their loose use of the Revolution's imagery.³⁵

³⁵ For a extensive discussion of the ideology of Mexican political leaders see Camp (1984: Chapter 7) and Suárez (1987).

Last, but not least, the lawyers with financial experience composed a more identifiable and cohesive cluster. The fact that most of them had made their way to the top predominantly within the bank of Mexico and the SHCP -the key agencies of the economic policy network- is responsible for influencing both their fields of expertise and way of thinking. At first at least, their economic views were difficult to harmonise. For example, they usually endorsed a bold strategy of industrial development and expansion within a 'mixed-economy' frame, while sharing the more conservative values attributed to treasury officers elsewhere. Two events 'tuned up' their views, thus improving their cohesiveness as a group. They were the 1954 devaluation and the twelve-years tenure of Antonio Ortiz Mena as head of the SHCP (1958-1970). At this point, it is convenient to bring government economists into the picture.

Formal education is one of the most important sources of ideology. According to Leopoldo Solís, the study of economics in Mexico inherited from the UNAM's Law School "the humanistic tradition which became linked to a Marxist ideology and the rejection of mathematics and quantitative methods" (1971: 60). Up to the 1960s, however, Marxist economists were a tiny minority within government; a much larger number was willing to subscribe to the 'mixed-economy' notion with increased emphasis on the importance of the public sector (Vernon 1963: 137). Moreover, it was observed that economists in the industrial sector put priority on industry, those in agricultural services on agriculture, those in the central bank on monetary and fiscal restraints, and so on (Vernon 1963: 137).

Like education, major economic crisis or events may have an immediate impact not only on predominant paradigms, but also on organisational settings.³⁶ By favouring the adoption of control of inflation as a prime goal, the 1954 devaluation had the effect of polarising both government economists and agencies. On the one hand, this policy enhanced the traditional role of the finance ministry in limiting expenditures and avoiding inflation at all rates. On the other hand, it united the spending agencies in the defence of their budgets. External factors deepened this attitudinal gap, important *per se* in context of government expansion. In the late 1950s, the development of the structuralist current by Prebisch, under the auspices of ECLA, gave those in favour of expansion a doctrinal

³⁶ For instance, his opposition to the balanced-budget tenet took Alberto J. Pani to the SHCP in 1932 (Ibarra and Alberro 1989: 152).

tool. By contrast, the officials linked to the SHCP and the Central Bank were more willing to accept the doctrines adopted by their external 'clienteles': the international financial institutions.

What is worth stressing here is not the debate between monetarists and structuralists becoming fashionable, but its institutional implications. Apart from encouraging differences over public policy, the debate divided the economic-policy network into two identifiable groups, the agencies in charge of the 'stabilising' strategy and those that benefitted from government growth.

2.4 THE RISE OF THE GOVERNMENT TECHNOCRAT

What is commonly described as technocrat is a product of every country that has undergone some form of economic transformation (Centeno 1993: 308). Though Mexico went through such a transformation since the 1940s, the emergence of the technocratic phenomenon only began to be discussed very recently. Vernon (1963) is among the first to have distinguished two different kinds of public officials, namely politicians and technicians. Still, it was thought that technicians lacked a fundamental element to be regarded as technocrats: power. The term technocrat began to be used as scholars noted that technicians were attaining middle-rank offices (e.g., Camp 1972). By the early 1970s, however, engineering had emerged as the second most important profession after law. Similarly, the presence of trained economists in government "doubled in each administration from 1952 until it reached 18% of Echeverría's cabinet" (Levy in Camp 1986: 25).

Government growth and the rise of the *técnico*

Many reasons account for government technicians becoming an essential element in the decision-making process (see Centeno 1993). To begin with, their field of expertise was enhanced by both the rapid introduction of new functions into the public realm and the intrinsic complexity of some of those functions³⁷. Government technicians gathering around certain agencies, together with their low inter-agency mobility, encouraged not only further specialisation, but also the emergence of 'bureaucratic clusters' organised

³⁷ It is clear that the technics of oil extraction, dam building or financial management, for example, are usually beyond the easy understanding of non-experts.

around professions. These factors allowed their gaining gradual control over important segments of the policy-making process. As noted by Vernon, at first, the power of government technicians stemmed less from their powers to shape policy directly, and more from their capacity to choose the alternatives (1963: 137). This was enhanced by the fact that political leaders used to be 'generalists' as opposed to experts.

As recognised by president Calles, one central constraint on the implementation of the economic programme was the lack of technically-trained "human resources" (quoted by Ruiz Massieu 1980: 95). This constraint became more apparent when PEMEX, the CFE, and the mushrooming financial institutions started operating.³⁸ In particular, experts on economics and engineering were urgently demanded by these and new agencies. Two measures were taken to tackle this problem. First, the National Autonomous University of Mexico (UNAM) offered the country's first degree-granted programme on economics in 1929. Second, during Cárdenas administration, the *Instituto Politécnico Nacional* (IPN) was created, and so was the National School of Economics (ENE) as a UNAM's full-fledged branch. The small number of technicians produced by the educational system, together with the weakness of the private sector, explains why most of them were eagerly recruited by government.

As a result, holding a university degree became gradually a sine qua non for joining government at *confianza* level.³⁹ In this context, the kind of degree held was not irrelevant. The arrival of Alemán to power in 1940 had the effect of consolidating UNAM as the main source of government officials and the law profession as the dominant one (Camp 1976a). This fact gave scholars the impression that *técnicos* were bound to middle-rank positions within government (e.g., Vernon 1963: 149; Camp 1971 and 1972). This view was not totally accurate. As showed by Camp (1975), an impressive number of ENE's directors, professors, and graduates began early occupying high-rank posts, and even cabinet portfolios.⁴⁰ Considering the size of this school and the tiny

³⁸ Regarding PEMEX, most of its senior technical staff were foreign and left the country following the 1938 expropriation (Philip 1982: 329).

³⁹ Federal bureaucrats are legally divided into two main groups: *trabajadores de base* and *trabajadores de confianza*. The second group has higher status than the first one and its members enjoy much better salaries and possibilities of promotion, though there are also higher risks of dismissal (see Torres 1992: 40-41).

⁴⁰ For instance Mario Souza, Secretary of Industry (1940-46) and Ramón Beteta, head of the SHCP (1946-52). It is worth nothing that they also held law degrees from UNAM and had taught at the ENE.

number of graduates⁴¹, this fact is outstanding. An interesting symbiosis may be partly responsible for the future success of government economists.

Not only had the ENE begun as a part of the UNAM's Law School, but the presence of lawyers teaching economics continued to be relevant for quite a few years (Camp 1975). This was so because of the virtual lack of university-trained economists in Mexico. The economic knowledge of these teachers came not only from teaching itself, but from practical experience. Amid a lawyer-dominated environment, this knowledge would have helped them to make their way to the top. Outstandingly, they include Antonio Carrillo Flores, head of NAFINSA (1945-52) and the SHCP (1952-58); and Gilberto Loyo, head of the *Secretaría de Economía* (1952-58). What is important to emphasize here is that they represented the birth of a hybrid profession that would dominate the leadership of the main economic ministries and agencies until the 1970s.

Providing some qualifications, the view of *técnicos* being bounded to middle levels was not totally baseless. As said earlier, the 'new professions' tended to gather around specific ministries. Economists, for instance, concentrated in the *Secretaría de Bienes Nacionales e Inspección Administrativa* (Tucker 1957: 128), and the *Secretaría de Industria y Comercio* (SIC) (Camp 1975: 147). As a result, a clear connection between specialities and organisation profile emerged. This fact, which exhibited rational signs in the way government was dealing with its pressing technical problems, often gave low- and middle-rank *técnicos*, the feeling of being bounded or constrained. Frequently, however, high-rank technicians themselves were responsible for the promotion 'bottlenecks'. Saturation, together with low rates of turnover, may have aggravated the situation.

To briefly recapitulate, though *camarilla* considerations may have favoured the recruitment of technicians and their rapid promotion, state growing intervention in the economy needs to be seen as a more decisive factor. The emerging link between professions and organisational settings is relevant for agencies organised around occupations tend to function as interest groups, thus encouraging politics (Heffron 1989: 202). A good example is the so-called '1938 generation' of engineers which after 1938 took full control of PEMEX's technical areas (see Philip 1982: Chapter 17). In a way not

⁴¹ Up to 1952, there were 56 teachers at the National School of Economics, while the number of students enrolled did not exceed 250 (Camp 1975).

immediately apparent, the industrialisation strategy in practice since the 1940s would gradually alter the role of professions within government. As demonstrated by Cochrane (1972), technicians got around 50 percent of the posts in Díaz Ordaz's cabinet.

Thus, what happened in the years to come would have more to do with the balance of power between professions acting within specific organisational settings rather than with *camarillas* or individual political abilities. As a result, the discussion of the first issue is by far more relevant than that of the role of the *técnico* vis-à-vis the *político* in isolation from those settings.

Presidentialism and the economic-policy network

In the period 1946-1970, the policy network for political control was the only institutional path to the presidency. Presidential efforts at keeping the bureaucracies associated with the economic-policy network under control characterised this period. This was so because the ISI strategy gradually brought to the fore the agencies dealing with its implementation. This fact had important implications in terms of power allocation within the public sector. Two examples involving PEMEX illustrate our point. According to Antonio Bermúdez (PEMEX's director from 1946 to 1958), he continued the expansion of the Azcapotzalco refinery in 1955, against the decision of some ministers to stop it; even more, he authorised a price increase of oil products in November 1958 without consulting president Ruiz Cortines (quoted by Philip 1982: 339-340). As noted by Vernon, in the 1950s, the larger decentralised agencies represented already an important source of economic power (1963: 12).

As the federal executive branch grew, so did the problems of central control and coordination. Until 1946, the presidency resorted to a combination of three general mechanisms for controlling the operation of the economic-policy network, namely, direct personal supervision, legal regulation, and delegation of authority to existing ministries. In particular, authority was increasingly delegated regarding the control of highly technical areas (Tucker 1957: 125, 207).⁴² Gradually, the finance ministry was granted powers to oversee the financial operation of the parastate sector as a whole.

⁴² That was the case of the fledgling banking system, including the central bank, whose supervision was given to the SHCP since the 1930s. A complex legislation soon consolidated the supervisory role of this ministry on this matter.

By establishing the *Secretaría de Bienes Nacionales e Inspección Administrativa* (SEBINAL) in 1946 (DOF 13/12/46), president Alemán substantially changed government's approach to the problem of central control. The creation of this ministry as a watchdog of the parastate sector suggests not only the increasing difficulties in controlling this sector, but the issue reaching the presidential agenda. Paradoxically enough, this innovative formula would introduce serious deficiencies into the control function, the most important being resource diffusion. At the heart of the problem was the way powers were allocated. In late 1947, the *Ley para el Control de Organismos y Empresas de Participación Estatal* was published. This federal law gave the SHCP extensive powers over the operation of the parastate sector, including that of *technical inspection*. That is, the very function indicated in the name of SEBINAL. This accounts for this ministry's limited success.

Making full use of its legal powers, the SHCP created the *Comisión Nacional de Inversiones* in 1948. However, this commission, charged with programming public investment, "never functioned more than formally" in its two-year existence (Wionczek in Flores de la Peña *et al.* 1986: 32). The main reason was strong bureaucratic opposition to the finance ministry SHCP exercising additional powers (Shafer 1966: 53). This frustrated experiment was responsible for modifying again the supervisory mechanism this time towards *direct* presidential involvement.

Following the 1954 devaluation, the SHCP investment commission was replaced by the *Comisión de Inversiones* now under the direct dependency of the president. It was set up with the exclusive purpose of studying, evaluating and determining priorities among public investment projects.⁴³ The commission was criticized "for having satisfied itself with the mere job of sorting out the investment projects prepared by the numerous state agencies and enterprises" instead of trying to implement multi-year investment planning (Looney and Frederiksen 1982: 4). In any event, three main reasons account for the success of this commission in achieving its *formal* objectives. First, its institutional location and the presidential support to its director Raul Salinas Lozano gave the commission authority. Second, being a technical unit the decision-making corresponded to the president, which prevented cabinet rivalries. Last, but not least, the commission

⁴³ For a description of the organisation, functions and achievements of this commission as seen by its director see Salinas Lozano (in *Aportaciones* 1976: 327-332).

was "careful not to infringe on the prerogatives of the Finance Ministry" (Benveniste 1970: 83).

This successful experiment, together with the never-ending problems associated with an explosive public sector expansion, is responsible for a more ambitious attempt at presidential control over the economic-policy network. In December 1958, president López Mateos carried out the most comprehensive reform up to that year. As a result, the *Secretaría de la Presidencia* (SPre) was created. The central purpose of this ministry was "to serve not only as a liaison between the presidency and other federal agencies on political and economic matters but also as the main economic agency" (Wionczek in Flores de la Peña *et al.* 1986: 42). According to Pichardo Pagaza, the lack of a coordinating organ at cabinet level, "a weakness of all presidential regimes", was at the core of the decision (1972: 20). Although this view provides some insights, the lack of that organ in the Mexican context should not be taken for granted.

In Mexico, the coordination of both agencies and policies has traditionally been highly centralised in the hands of the president. It explains his titanic efforts at personal supervision, despite the increasing difficulties imposed by a context of big government. This persistent practice sheds light on Tucker's observation that the president's private secretaries "have become almost ministers without portfolio" (1957: 140). Sharply put, what president López Mateos did when creating the SPre was to provide that portfolio in an effort to overcome the limitations of presidential supervision. Its links with the presidency explains why this ministry would become a powerful political actor almost since its inception. As a result, its three successive heads: Donato Miranda Fonseca (1958-1964), Emilio Martínez Manatou (1964-1970), and Hugo Cervantes del Río (1970-1975) were reputed as strong presidential pre-candidates (Camp 1982). The SPre's high political status, however, contrasted with this agency's "modest technical role" (Wionczek in Flores de la Peña *et al.* 1986: 43).

To supervise the parastate sector, the 1958 administrative reform created a more technical ministry: the *Secretaría del Patrimonio Nacional* (SEPANAL). What is relevant about this change was not SEBINAL being renamed SEPANAL, but the fact that the latter ministry did receive from both the SHCP and the *Secretaría de Economía* most of their control powers over the powerful parastate sector. This concentration of functions, in a context of the parastate sector's growing in both size and importance, proved

fundamental to the rapid consolidation of SEPANAL as a key ministry during the 1960s and 1970s.

Bureaucratic balance of power

Because of its severity in reallocating functions, López Mateos's comprehensive public sector reorganisation gives important insights into the existing balance of power within the economic-policy network. As a whole, the reform suggests the salient position reached by the bureaucratic clusters favouring government interventionism. For example, their power to shape policy may, partly at least, account for Mexico's decision not to join the General Agreement on Tariffs and Trade (GATT) in 1950, the emphasis on industry rather than on agriculture, and the implementation of programmes such as the tax-exemption scheme for 'new and necessary industries'. It should be stressed, however, that the 1958 administrative reform did not go unnoticed. On the contrary, it encountered fierce resistance from "older departments and agencies" (Shafer 1966: 101).

In broader terms, the 1958 administrative reform made apparent the fact that the ISI strategy had produced two antagonistic sets of institutionally-grounded bureaucratic interests within the economic policy network. The first set gathered around three main agencies: NAFINSA, SIC, and SEPANAL after 1958, and was in favour of increasing state-led industrialisation along 'import-substitution' lines. While the second set nestled in the SHCP and the central bank, and advocated financial discipline and moderation. Ironically enough, the economic policies of 'stabilising development', designed and promoted by the SHCP, would have the effect of aggravating the intrinsic tensions between the institutional blocks under discussion. Furthermore, these policies would also contribute to government's structuralists⁴⁴ gaining momentum during the 1960s and the 1970s. From a political perspective, the 1958 presidential reform proved instrumental to the former development.

As noted by Vernon, since 1958 the *Secretaría de la Presidencia* allowed many technicians to jump "the fence into the higher and lusher pastures of the politicians" (1963: 137). This was so because of this ministry's institutional links with the presidency. The political significance of the ascending path to political office inaugurated by the SPre

⁴⁴ The terms *structuralist* and *monetarist* will be frequently used in this thesis with the only purpose of identifying bureaucratic clusters within the federal government. As a result, their meanings do not necessarily coincide with the conventional definitions of the bodies of theory involved.

stemmed from this fact. In other words, the SPre established the foundations of a virtual bridge between the presidency and the economic-policy network. The first beneficiary of this new ascending route was the structuralist bureaucratic cluster. SEPANAL would have played a similar role in the rise of this cluster, though for different reasons.

In these adverse conditions, what saved the SHCP from losing control over the macro-economic policy process?⁴⁵ Even more important, what explains its growing strength? The combination of this agency's four major sources of power provides a plausible explanation. They are control over the national budget (which was greatly enhanced by government expansion); support from its influential domestic clienteles; access to foreign sources of credit; and the development of an informal, but effective internal civil service⁴⁶. A couple of examples illustrate the strategic importance of these institutional resources. First, López Mateos's inauguration seemed a signal for every "agency to exercise its autonomy to the full" (Vernon 1963: 118). Government finances being gradually brought back under control suggests the power of the SHCP to restore financial discipline. Second, the way the 'stabilising development' strategy was financed enhanced the importance of foreign credit, and consequently the role of the SHCP in this field.

To sum up, by the 1960s the ISI strategy had produced both a powerful private sector, and a set of influential pro-business bureaucratic interests. However, as this chapter has argued, the same strategy also encouraged the emergence of equally influential pro-statist forces within government. Presidentialism, together with contextual factors, would have a decisive impact on this fragile balance of bureaucratic power.

CONCLUDING NOTE

As still stands today, the Mexican political system is a product of the 1917-1940 period. Military challenges had a paramount impact in shaping the main features of that system. It was not until the Cárdenas years that the presidency emerged as the most

⁴⁵ Tucker early noted that the SHCP intervened in the work of the other agencies to a greater degree than its counterpart in the United States (1957: 154).

⁴⁶ The major features of this civil service traits can be summarised as follows: personnel went through a usually long process of in-office training before reaching the highest echelons of the ministry; recruitment and promotion were increasingly based on technical and merit considerations; foreign training was encouraged. A clear division of labour emerged. For instance, lawyers (who dominated the agency) were in charge of Public Credit, while accountants of Expenditures.

important political institution. In this context, not only the PRI, but also the central bureaucracy came to be the most important pillars of Mexican presidentialism. An early process of institutionalisation triggered by political instability played a fundamental role in consolidating a strong presidency. In addition, this process implied the development of a peculiar set of well-rooted rules and practices, both written and unwritten, governing political behaviour both individual and collective.

Presidential stress on political stability and economic growth, together with functional differentiation, is responsible for the development of two distinctive policy networks. They differed not only in their roles and personnel composition, but also in the rules regulating their operation. During the period under scrutiny, the network for political control, in charge of managing politics, provided the only path to the presidency. By contrast, the economic-policy network was deliberately excluded from the succession process. This division of labour, including the mechanism of succession to the presidency, may have eased economic reconstruction since the 1940s.

Since 1940, government adopted a bold strategy of state-led industrialisation to achieve fast economic growth. Public sector growth, however, was aimed primarily at easing private capital accumulation rather than at strengthening the role of the state in the economy. This strategy is directly associated with significant quantitative and qualitative changes affecting mostly the composition and operation of the economic-policy network. These changes had important political implications. By bringing the agencies in charge of the implementation of the economic strategy to the fore, increasing state interventionism favoured the development of 'technocratic roles'. Resource redistributions had a significant impact on the institutional balance of power within the economic-policy network.

Though public sector growth strengthened presidentialism, it did not come without costs. A long list of efforts at keeping the rising economic bureaucracies under presidential control characterised the period 1946-1958. Ironically, López Mateos's administrative reform would have the effect of favouring the rise of the government technocracy that had gained momentum because of government expansion. By the 1960s, the ISI strategy had generated two institutionally grounded, antagonistic bureaucratic blocks within the economic-policy network. The key difference between them was the source of their power. Still, these developments did not have a visible impact on the

policy network for political control, mostly because of its insulation from economic policy-making.

As it will be discussed in the next chapter, in the late 1960s Mexico approached a new and difficult stage in her evolution. Growing dissatisfaction with the performance of the country's economy, together with clear signs of political instability, demanded again the adjustment of the economic model. Higher presidential involvement in the economic policy-making being government's response would have not only relevant bureaucratic consequences, but also unexpected political implications. It is here that the SPP comes into the picture.

Consolidating state intervention: The emergence of the SPP

The ISI strategy accounts for dramatic transformations of the country's economic and social structure. To begin with, the single-minded emphasis on industry, together with the geographical concentration of this sector, was a major driving force for Mexico moving rapidly from an agrarian to an urbanised society.¹ This phenomenon would exert increasing pressure on public expenditure for *urban* infrastructure, schooling, housing, and health. Urbanisation and better health services are linked to the country's population going from 19.6 million in 1940 to 49.3 million in 1970 (data from Wilkie 1985: 880). In addition, the development strategy, and in particular the protectionist policies set out during its implementation, fostered the emergence of a politically vigorous, though economically inefficient, indigenous business community. Each of these developments had a dramatic impact on the structure and role of the central bureaucracy.

To a great extent, the high degree of political stability enjoyed by the country until the late 1960s was the result of both sustained economic growth and the regime's corporatist machinery for political control. The 1954 devaluation put this "marriage of finance and order" (Centeno and Maxfield 1992) to an acid test. Government's response to the political effects of this event was traditional populist rhetoric and selective repression in combination with substantial adjustments to the ongoing economic policies. Control of inflation became an article of faith. Despite the success of the so-called 'stabilising development' strategy (1958-1970) in achieving economic growth and price stability, there is agreement that it aggravated many structural problems. The major

¹ Between 1940 and 1970, the urban population increased from 35 percent of the total population to 58.6 percent (Ryal 1985: 370).

criticism is directed to its negative effects on income distribution. For the gap between the rich and the poor broadened considerably, despite high rates of economic growth.

It has been noted that the "genius" of the Mexican political system is that "it contains antagonisms of principle, leaving contradictions unresolved" (Needler 1990: 7). Government's repressive response to student protests in 1968 crudely exhibited the increasing incapacity of the Mexican state to maintain conditions for private capital accumulation, while appearing to "side with subordinate groups and classes in the class struggle" (Hamilton 1982: 285). Similar to the 1954 devaluation, the 1968 events were followed by renewed populist rhetoric and a departure from the central tenets of the ongoing economic strategy. This time the policy shift pointed towards a more active role of the state in the economy. Both international and domestic factors explain this shift. They include prevalent developmental schemes, global recession (Duvall and Freeman 1983: 585), domestic historical interventionist trends, and pro-statist bureaucratic interests. In these conditions, the 1968 political crisis acted as an important catalyst.

This chapter argues that president Echeverría (1970-1976) attempted to go back to the deficit financing policies characterising the first stage of the ISI strategy, while advancing considerably the role of the state in the process. The emphasis on industry during the 'stabilising development' era, however, not only remained untouched, but public expenditure in this sector became more marked than ever before. As far as the central public sector is concerned, Echeverría's statist economic policies had the effect of accelerating the trends analysed in the previous chapter, thus magnifying bureaucratic dysfunctions already apparent. In this context, the creation of the SPP in 1976 needs to be seen as a crucial stage in the state-led industrialisation process that began in 1940. The central argument developed throughout the chapter is that there is a direct connection between three main issues, namely, the 1958 administrative reform, Echeverría's statism, and the emergence of the SPP.

To contextualise the birth of the SPP, section one provides a brief overview of the Echeverría administration. Here, special attention is paid to the bureaucratic dimensions of the shift towards statism, and the selection of López Portillo as the PRI presidential candidate. Section two looks at the effects of both increased public expenditure and public sector growth on bureaucracy. Section three discusses the 1976 administrative reform. The focus here is on the antecedents and rationale of the reform cornerstone: the

SPP. Finally, section four contrasts the expected role of this fledgling ministry with the initial practical problems it faced.

3.1 THE 'SHARED-DEVELOPMENT' EPISODE

Until the early 1970s, the role of the Mexican president in the economic policymaking process had normally been limited to endorsing the broad goals and policy guidelines of the ISI strategy as established by the finance ministry. President Echeverría inaugurated an era of higher presidential intervention in that process. Besides, his economic policies are usually considered as a sharp departure from those of the 'stabilising development' era.² As far as control of inflation is concerned, there was certainly a clear-cut policy shift. However, as a whole, Echeverría's economic policies fit well into the general industrialisation trends observed since the 1940s. As before 1954, his stepping up public expenditure had the central purpose of achieving high rates of economic growth through industrialisation, without paying much attention to the risks often associated with expansion.

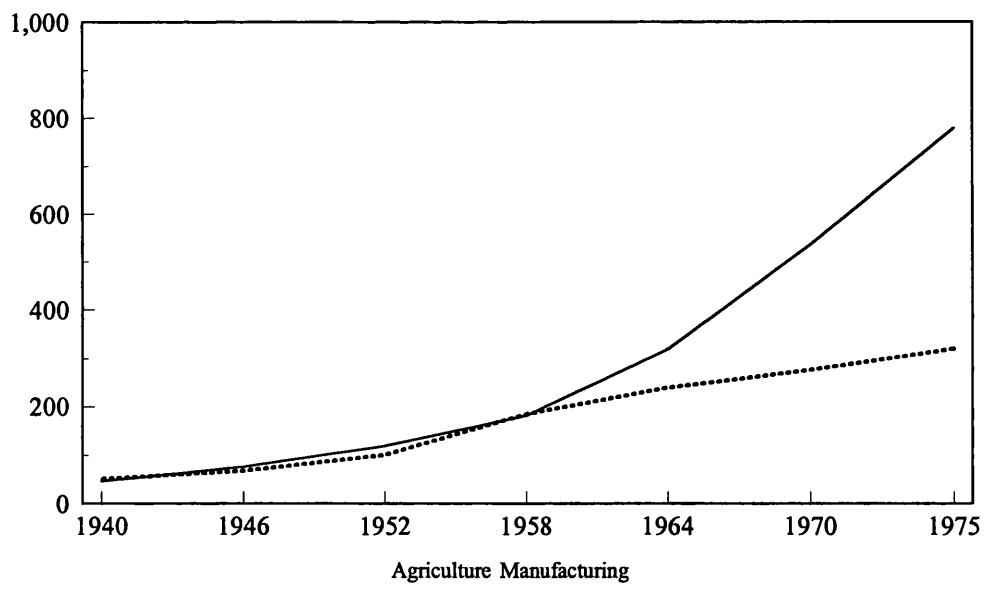
Echeverría and the legacy of *desarrollo estabilizador*

The administrations of presidents López Mateos (1958-1964) and Díaz Ordaz (1964-1970) were "periods of relatively conservative economic policies favouring the private sector" (Reynolds 1978: 1006). To be sure, high rates of economic growth were achieved, but not without costs. The way this outcome was attained provoked, or at least aggravated, various structural problems. They include mounting dependency on foreign imports and investment (Looney 1985: 9-13); a growing trade deficit which was financed by foreign capital (Reynolds 1978: 1007-1009); high rates of tariff protection and restrictions on imports which posed severe problems for industrial development (Solís 1971: 6); and a deliberate system of low taxation that increased pressures for public borrowing. In addition, the financial policies during the 'stabilising development' era were a major cause of foreign public debt growing from \$810 million in 1960 to \$4,262 million in 1970 (Levy and Székely 1987: 138).

² Echeverría's both *sexenio* and policies have been extensively studied. Specialised works include Blair (1977), Solís (1981), and Tello (1983) on economic policy; Martínez Nava (1984) and Arriola (1988) on the state-private sector relationships; Aguilar-Barajas (1989) on industrial decentralisation; Shapira (1978) on foreign policy; Grindle (1977a) on authoritarian traits; Suárez Farias (1989) on political elites; Schmidt (1991) on the presidential institution; Cosío Villegas (1974) on the president's personal style.

Another problem generated by government's commitment to industrialisation was the dangerous neglect of the agricultural sector (see Solís 1991: Chapter 4). As shown in figure 3.1, by 1958 the volumes of agricultural production began to stagnate after this sector had showed annual growth rates of 7.4 percent between 1940-1955. The decline of agriculture would have serious implications in terms of both income distribution in rural areas and further migration to the few industrial poles. In broader terms, this capital-intensive pattern of industrialisation is associated with a very skewed distribution of income (Ramírez 1993: 176). In 1969, for instance, the highest 10 percent of the Mexican households took 51 percent of the total income, while the lowest 60 of them received only 20 percent of that income (data from Tello 1983: 18). Not surprisingly, by late 1960s, many Mexican scholars were detailing the high social costs of the 'Mexican Miracle'.³

FIGURE 3.1 Index of the volumes of manufacturing and agricultural production, 1940-1975
(1950=100)



Source: NAFINSA (1977: 107 and 146).

Earlier signs of social unrest had been provided by the teachers' demonstrations in 1958, the railroads workers' strike in 1958-59, and the medical interns' protests in 1964 (see Gil 1992: 30-34). The likelihood that these developments occurred because of the 1954 devaluation shed light on the selection of *labour* minister Adolfo López Mateos as

³For instance, Padilla (1989), Carmona *et al.* (1990), Wionczek *et al.* (1971), and Aguilar and Carmona (1972).

the PRI presidential candidate in 1957. For various reasons, this choice resembles that of the interior minister Echeverría in 1969. In both cases, the population's purchasing power had been severely affected, and an atmosphere of social dissatisfaction surrounded the succession process. Moreover, selective repression was a common feature in dealing with growing opposition during both administrations.

The economic policies of the 'stabilising development' era did not emerge from the brains of the presidents between 1958 and 1970, but from those of the SHCP economic technicians led by minister Ortiz Mena. During this period, this ministry became a crucial liaison between government and the domestic business community. As the presidential transition approached, the latter sector not only regarded Ortiz Mena as the best candidate to succeed Díaz Ordaz, but pushed hard to make it possible. The massacre of students in the eve of the 1968 Olympic Games, however, hampered this possible course of events. This benchmark in Mexican history was an starting point for change. Roderic Ai Camp distinguishes seven political effects stemming from the Tlatelolco events (in Rodríguez 1993: 247-252). One of them is worth noting here: the revival of the populist thread in government economic-decision making.

From a narrower political perspective, the 1968 repression is difficult to dissociate from the process of presidential succession. However, president Díaz Ordaz publicly assuming *all* the responsibility for the decision has usually diverted the attention from the domestic political and bureaucratic context. To begin with, 1968 was a crucial year in the selection of the PRI presidential candidate. The fact that most criticism from both students and scholars was directed to the flaws of the political system rather than to those of the economic model did not benefit the interior minister's presidential aspirations. The conflict getting out of control might do so, and this is what actually happened. Echeverría's personal participation in the decision making during the 1968 events, however, remains a controversial issue.⁴ What seems to be clearer is that the adverse climate generated by the brutal response to the demonstrators, with its immediate political consequences, made the selection of minister Echeverría a rational, almost logical decision.

⁴ Jáquez, for example, contends that Echeverría not only isolated and kept the president uninformed during the 1968 events, but also that he advocated the use of repression (in *Proceso* 884, 11/10/93: 6-11). The view that the interior minister played a marginal role is suggested by Scherer (1986: 20, 43-44).

One of the major political consequences of that 1968 crisis was the presidency's dramatic loss of legitimacy. The way candidate, and later president, Echeverría dealt with this problem was to dissociate himself from the government he had so diligently served. A fracture only comparable with that between Cárdenas and Calles broadened the gap not only between Echeverría and his predecessor, but between their administrations.

The Echeverría years

Apart from his concern about the need for "a more democratic society", one theme dominated president Echeverría's inaugural speech of December 1, 1970. It was the flaws of 'stabilising development', especially that of income maldistribution. As he put it, "the excessive concentration of income and the marginal position of large groups of population threatens the harmonic continuity of development" (quoted by Solís 1981: 199). By offering to build "a vast and solid popular alliance" on a more egalitarian basis, the president intended to reestablish a working relationship with the alienated leftist sectors within and without government. His metamorphosis "from repressive *secretario de gobernación* to progressive, democratizing president" had begun (Shapira 1978: 71). And so had, at least rhetorically, the era of 'shared development', for president Echeverría started his administration with essentially good relations with the business community despite his inflammatory discourse (Bailey in Camp 1986: 123).

Echeverría's first budget represented an unsurmountable obstacle to any attempt at expanding the economy, let alone at redistributing income. The austerity programme underpinning this budget led in 1971 to the lowest rate of economic growth since 1959 (see Blair 1977: 125; Tello 1983: 48). His future budgets would show, however, a dramatic departing point from this short-lived experiment. The total federal government expenditures went from 11.5 percent of GDP in 1972 to 14.6 percent in 1975 (as compared with 9 percent in 1971) (Reynolds 1978, table 3: 1009). It meant that president Echeverría had decided to abandon the financial and monetary stability that had characterised the 'stabilising development' era. Not surprisingly, it brought the brief 'honeymoon' between him and the private sector to an end. Nevertheless, the latter sector could successfully oppose almost all the government's actions considered against its interests (Martínez 1984: 170).

Though public expenditures were going up, revenues failed to keep pace. Two weeks after Echeverría's inauguration, a proposal of tax reform provoked the angry

reaction of the private sector (see Green 1981: 82-83; Tello 1983: 44-45). Influential business leader Roberto Guajardo complained that the government had broken the "healthy" rule of consulting the business organisations when taking decisions that could affect their interests. Eventually, a diminished tax law proposal was sent to Congress for approval. A very similar history characterised the 1972 and 1975 attempts at tax reform (see Solís 1981: 72-76; Martínez 1984: 190-196). Apart from the business opposition, these outcomes were the result of the weak support government gave to the reforms. As Elizondo wrote, "Echeverría never wholly supported the [tax] reform, and important government agencies were openly against it, which made the position of business stronger" (1994: 187). The most important of these agencies was the SHCP.

Not surprisingly, total federal revenue, as percent of the GDP, increased from 8.02 in 1971 to only 10.37 in 1975 (Reynolds 1978, table 3: 1009). This two-point increase was the result of taxes affecting mainly the middle class (Shapira 1978: 31-32). To tackle the lack of enough fiscal revenue, government resorted to money supply⁵ and, above all, to external borrowing to finance public sector growing deficits. Inflation jumped from 5.6 percent in 1972 to 24 percent in 1974. A healthier option could have been raising public sector prices. However, the policy of subsidised oil products was kept virtually untouched, thus aggravating public finances even further.

As time went by, Echeverría's policies began resembling those of the late 1940s and early 1950s, "when the economy was overheated to expand infrastructure and production capacity" (Reynolds 1978: 1015). This time, however, the external context was particularly adverse. World-wide inflation and economic recession in 1973 and 1974 meant higher prices and a weak export demand. Moreover, between 1972 and 1974, the annual rates of interest charged by the US banks had gone up from 5.25 to 10.81 percent, and remained high during 1975 and 1976 (SALA 24, 1985, table 3227: 807). Furthermore, as table 3.1 reveals, between 1971 and 1974, Mexico became an importer of crude oil, precisely when international prices were going up.

On the political side, the panorama was not promising either. In June 1971, six months after the beginning of the *sexenio*, a student demonstration was repressed in Mexico City by the *Halcones*, a paramilitary group reportedly on the DDF's payroll.

⁵ Money supply annual rates increased from 21 percent in 1971 to 24 percent in 1975 (Blair 1977: 125).

Resignations of high-rank officials and an official inquiry could not repair the early political damage done to the regime's credibility. Despite efforts at coopting some activists in the 1968 events and the following "softening of the system" (Gil 1992: 38), government hard-line response had the effect of spurring opposition outside the system. Thus, more politically relevant than the emergence of some leftist parties was that of urban and rural guerrillas. It triggered a permanent, though usually invisible, highly repressive government response.

TABLE 3.1. Mexico oil trade and crude oil international prices, 1964-1982
(Trade oil in thousands of barrels and oil prices in dollars per barrel)

Year	Exports		Imports		
	Crude	Refined	Crude	Refined	Price
1964	7,621	9,545	577	2,606	1.80
1965	4,800	15,045	0	1,255	1.80
1966	0	17,057	0	3,525	1.80
1967	0	17,984	0	3,624	1.80
1968	0	16,094	0	3,619	1.80
1969	0	16,263	0	8,652	1.80
1970	0	22,413	0	9,312	1.80
1971	0	17,079	672	17,088	2.23 (a)
1972	0	9,448	10,776	16,291	2.48
1973	0	8,699	23,613	24,159	3.62 (a)
1974	5,804	6,659	6,557	16,019	11.45 (a)
1975	34,382	2,568	0	18,152	11.25
1976	34,470	1,220	0	9,285	11.50
1977	73,736	1,652	0	3,466	12.35 (a)
1978	133,247	673	0	10,616	13.57 (a)
1979	194,485	3,701	0	9,877	30.50 (a)
1980	302,957	17,543	0	5,429	36.00 (a)
1981	400,778	24,206	0	3,705	35.50 (a)
1982	544,614	15,357	0	3,017	33.00 (a)

(a) means average annual price.

Source: On oil trade, Wilkie (1988, table 3518: 932); on oil prices, Jenkins (1986, table 1: 3).

The violent climate during Echeverría's first years in office is responsible for a turning point in the role of the military within the political system. Contrasting with its steady decline in previous decades, the military began to regain influence during the 1970s as its involvement in both anti-guerrilla and anti-drug campaigns grew (see Williams in Camp 1986: 144-146). The same conditions also enhanced the role of *Gobernación*'s police-intelligence apparatus. Since December 1970, former DFS's director Gutiérrez Barrios had been appointed under-secretary of national security.

Besides, two appointments deserve special attention, namely those of Javier García Paniagua, who had succeeded him as director of the DFS, and that of Miguel Nazar Haro as his deputy director. This triumvirate was "the force behind the formation of the White Brigade, a clandestine paramilitary police unit that was responsible for the 'disappearance' of thousands of opponents of the regime between 1972 and 1980" (Reding 1989: 708).

As noted by Yoram Shapira (1978: 71-72), the abundant domestic difficulties being faced by president Echeverría are responsible for his second political transformation, namely "from domestic reformer to foreign policy innovator". This shift, beginning with his first *grand tour* in early 1973, allowed him to divert attention to a "less conflict-prone" arena. Evidently, foreign policy was used by the president "as a major source for internal revolutionary legitimization".⁶

President Echeverría versus the Finance Ministry?

During the 'stabilising development' years, the SHCP consolidated an enormous power and a considerable degree of autonomy over economic policy-making. While presidents López Mateos and Díaz Ordaz opted for backing the economic policy options offered by the SHCP, president Echeverría decided to alter this course of action by participating actively in the realm of economic policy and public finances (Bailey 1984: 79; Ibarra and Alberro 1989: 159), thus inaugurating what Zaid (1990) first called *economía presidencial*. This unprecedented move has at least three possible explanations, which are not necessarily mutually exclusive. First, Echeverría may have reacted to the financial group leaded by Ortiz Mena because it was associated with the economic strategy, and its shortcomings. Echeverría's inaugural speech provides a clear criticism of the way the economy had been managed by the financial group of the SHCP:

"It is not certain that there is an inevitable dilemma between economic expansion and income distribution. Those who preach that we have to grow first in order to distribute later are mistaken or lie because of their own interests." (quoted by Solís 1981, Appendix B: 200)

A more political interpretation is related to the succession battle. It was only logical that the winner got rid of the other serious contenders for the presidential nomination. They included the secretary of the *Presidencia* Emilio Martínez Manatou, and Ortiz Mena whose candidature had been visibly supported by the private sector. A

⁶ It is worth noting that exactly one decade earlier, president López Mateos had visited Yugoslavia and Poland in a "move designed to achieve similar objectives" (Shapira 1978: 41-42).

different political interpretation is related with the momentum gained by the government structuralists represented by Horacio Flores de la Peña, himself an outspoken critic of the SHCP's policies (López Portillo 1988: 350). His appointment as head of SEPANAL was a clear victory for those advocating expansion of public spending. Former dean of the UNAM's ENE, he was linked not only with the reformist academic circles of UNAM, but also with the progressive wing within government. During the tenure of Eduardo Bustamante (1958-1964), SEPANAL housed most government structuralists. Because most radical members of the Bustamante's team were shifted out of that ministry in 1964, the appointment of Flores de la Peña, Bustamante's student at UNAM, meant the revival of the reformist thread in SEPANAL.

In the last months of the Díaz Ordaz administration, Ortiz Mena was replaced by lawyer Hugo B. Margáin at the SHCP. According to the latter, the replacement had the purpose of allowing the preparation of the 1971 Budget to be carried out by personnel of the incoming administration (Margáin quoted by Ramírez in Colmenares *et al.* 1982: 116). It seems to be clear that the finance minister Margáin was neither a member of Ortiz Mena's inner circle, nor of that of president Echeverría. Having served as director general in the SHCP's revenue branch for twelve years, he had left that agency as early as 1959, that is, one year after Ortiz Mena's arrival at this ministry. During the López Mateos administration, Margáin occupied high posts in the more progressive SIC⁷, and in the following administration he was appointed ambassador to the US where he stayed till late 1970. This balanced background, with his links with the domestic and foreign capitals, made him a good candidate for the SHCP.⁸

Margáin had two main tasks, namely, to get approved a 10 percent tax on luxury goods and to cope with the economic stagnation observed in 1971. For the reasons already discussed, he failed to achieve the first task as the original list of items to be taxed was drastically trimmed. Clearly, failing to cope with economic stagnation had more complex causes. Domestically, president Echeverría had promised to reduce the deficit

⁷ It has been observed that, before 1970, there was "a good deal of political bickering" between the SHCP and the SIC, stemming from the more progressive 'import-substitution' approach of the latter (Solís 1981: 45).

⁸ A more radical interpretation of this appointment is provided by Erfani. In her opinion, it was influenced by "large-scale private business preferences", which reflected the lack of president-elect's autonomy regarding private investors in 1969 and 1970 (1995: 110). This interpretation fails to satisfactorily explain Margain's resignation in 1973.

of the balance of payments and to control inflation (see Whitehead 1979-1980). Externally, apart from effects of the recession in the US, Nixon's ten percent tariff on imports decreed in August 1971 had a significant negative impact on the performance of the Mexican economy (Basañez 1991: 172).

In any event, the growth slowdown and the rise of unemployment caused by the austerity experiment not only discredited the SHCP and its head, but enhanced the alternate strategy being proposed by SEPANAL. Certainly, since his first day in office, Flores de la Peña and his team had begun to advocate the need for both major economic changes and expansionist spending policies in order to reactive the economy. Persuaded by him and other influential neo-Keynesians that the SHCP's policies were the main cause of the economic setback, president Echeverría shifted his economic strategy. This shift was reflected by the 1972 Budget, and publicly announced in mid-1972. Julie A. Erfani describes these institutional developments as follows:

"Luis Echeverría's presidency became a battleground between two rival central secretariats, Patrimonio [SEPANAL] and the Treasury [SHCP]. This battle was less a product of the president's own personal initiatives to reform the economy than of the initiatives of reformist technocrats who were spurred to action by economic and political crisis and eager to take advantage of crisis conditions to undercut the Treasury's inordinate governmental authority." (1995: 102)

Stepping up public spending raised the problem of how to finance it. The failure to carry out a comprehensive tax reform in 1972 not only increased the ongoing tensions between the presidency and the SHCP, but led to Margain's eventual firing in May 1973. This decision would generate Echeverría's famous expression that "the economic policy is made at *Los Pinos*". By underlying this fact, the president was implicitly recognising that in the past that policy had been produced by SHCP without great presidential involvement. As this agency's grip on economic policymaking and on control of public spending was weakening, Echeverría's government faced growing private sector opposition.

3.2 PUBLIC EXPENDITURE AND BUREAUCRACY

The Echeverría administration is associated with both high rates of public spending and a striking expansion of the government's apparatus. Besides, it is usually asserted that spending on social programmes considerably increased, thus marking an important departing point from previous administrations. In this section, we argue that,

despite the inflammatory rhetoric and the turmoil that characterised this *sexenio*, Echeverría's general economic strategy not only followed the general trends of state-led industrialisation going on, but accelerated them. This fact being reflected by the expanded government structure intensified the institutional and bureaucratic trends discussed in the previous chapter.

Towards industrial statism

In the aggregate, the growth of the federal public sector during the Echeverría years is notable. As a result, the number of people employed by government increased from around 530,000 in 1970 to 900,000 in 1976 (Solís 1981: 145). And bigger government meant higher budgets. Regarding the latter, some comments are at point. Because of the austerity programme, public expenditure as percent of the GDP decreased in 1971 (as compared with that in each of the previous six years). This was so despite an astonishing 81 percent excess of actual over projected expenditures (see Cothran and Cothran 1988, table 9: 334). Interesting enough is the fact that from 1972 onwards the gap between actual and projected expenditures settled down to about 'normal' budgetary practices in a developing country.⁹ For instance, the percent change from projected to actual gross central expenditure (excluding the parastate sector) dropped to 41.1 in 1972, and to 14.4 in 1973 (Wilkie 1985: 872).

TABLE 3.2 Federal expenditure by type of emphasis, 1953-1976
(Average percentages by administration)

	Economic	Social	Administrative
Ruiz Cortines (1953-58)	53	14	33
López Mateos (1959-64)	39	20	41
Díaz Ordaz (1965-70)	41	21	38
Echeverría (1971-76)	45	24	31

Source: Cothran and Cothran (1988: 332).

⁹ The end of the budgetary-secrecy era is associated with Wilkie's classic book on Mexican federal expenditures published in 1967 (Wilkie 1985: 864; Cothran and Cothran 1988: 335).

Table 3.2 shows that central government's economic expenditure grew steadily in the period 1959-1976, and so did social expenditure in the period 1953-1976.¹⁰ Because its headings are too broad, these trends can lead to misleading conclusions. A clearer picture of the spending policies and priorities of the Echeverría administration is provided by the way funds for public investment were allocated. As table 3.3 reveals, beginning in 1941, there is a clear trend towards higher investment in industry at the expense of other sectors (especially communications and transport). During the Echeverría years, industry took 40 percent of the total investment, that is, the same percentage devoted to that sector by the Díaz Ordaz administration. The same table also shows that Echeverría's social investment was actually lower than that of his two predecessors, while investment in agriculture increased from 14.5 percent in the period 1941-1970 to only 15.6 percent in the period under discussion. In combination, these facts suggest no major shift from the development priorities of the 'stabilising development' era. As in the past, federal expenditure was used to achieve industrial expansion rather than income redistribution.

TABLE 3.3 Public sector investment by selected sectors, 1941-1982
(Percentages of total investment by administration)

	Agriculture	Industry	Communications and Transport	Social	Defence and Administration
Avila Camacho (1941-46)	15.7	10.2	51.6	12.9	1.8
Alemán (1947-52)	22.0	18.9	40.2	13.3	0.2
Ruiz Cortines (1953-58)	13.0	30.2	36.3	14.3	3.0
López Mateos (1959-64)	10.6	37.5	24.9	24.2	2.8
Díaz Ordaz (1965-70)	11.0	40.0	22.0	25.0	2.0
Echeverría (1971-76)	15.6	40.0	21.7	19.0	2.8
López Portillo (1976-82)	19.8 ⁽¹⁾	51.8	15.1	10.4	2.3

⁽¹⁾ Since 1981, this figure includes investment for regional programmes in the past regarded as social investment.

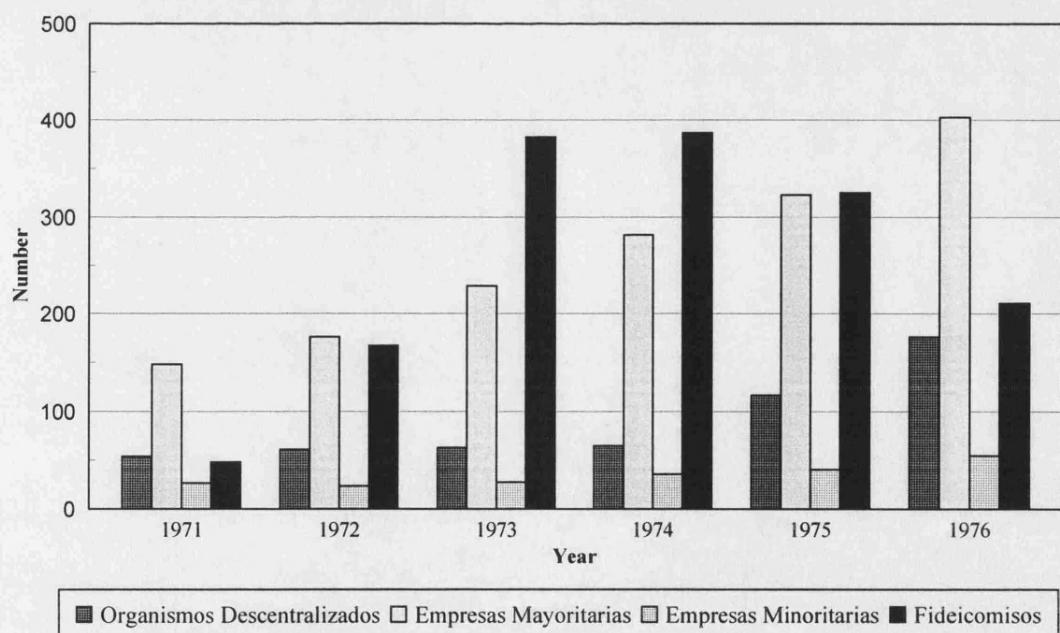
Source: Levy and Szekely (1987, table 5.2: 135), calculations based on official figures.

The kind of parastate entities created during the Echeverría years tells us interesting things about how government expansion took place. Figure 3.2 shows that the

¹⁰ The table being analysed is based on Wilkie's data and classification of expenditure. Roughly speaking, economic expenditure includes industry, commerce, agriculture, tourism and investment; social expenditure education, health, welfare, and urban infrastructure; and administrative expenditure public debt, current expenditure, and wages. See table I-4 in Wilkie (1967: 13) for details.

number of enterprises owned or controlled by the state (*empresas de participación estatal mayoritaria*) steadily grew from around 150 in 1971 to around 400 in 1976. Regarding the decentralised entities (*organismos descentralizados*), a similar trend is observed after 1974. The creation of *fideicomisos* (roughly trusts), however, followed a totally different pattern. This pattern reflecting the presidential cycle may be explained by the fact that to form a *fideicomiso* there was virtually no other formality than the president's decision to do so. President Echeverría used this particular sort of entities with clear political purposes. Apart from serving as a means for personal enhancement, their creation, usually on the spot throughout the abundant presidential trips around the country, was one of the most apparent ways the president bypassed the traditional expenditure control of the SHCP. Yet, what worried observers the most was the first patterns mentioned, since they involved more substantial and permanent allocation of public funds.

FIGURE 3.2 Parastate entities registered in SEPANAL, 1971-1976



Source: *Empresas Públicas* (1978: 23).

Because its rate accelerated, government industrial expansion during the Echeverría administration aggravated the institutional imbalances discussed at length in the previous chapter. By 1972, for instance, central government was involved in about

50 percent of the twenty largest industrial national enterprises (Carrillo Castro in *Empresas Públicas* 1978: 21). The analysis of the about 850 parastate entities existing at the end of the administration shows, beyond doubt, that more than half of them were *directly* connected with industrial development and its financing (see table 3.4 below). To be sure, various important welfare institutions and agencies to promote agriculture were created. However, as in the past, emphasis on industry further consolidated the role of two components of the 'familiar trinity', namely the CFE and PEMEX.

At the beginning of the Echeverría administration, Mexico became importer of crude oil for the first time since 1965 (see table 3.1 above). By 1973, there were various indicators that oil might be used, in the near future, to finance development. Following the oil discoveries in Tabasco and Chiapas in 1972, PEMEX's total investment increased significantly (see Philip 1982, table 17.5: 355). As result, in 1975, the oil production reached 700,000 barrels per day (as compared with 240,000 bpd in June 1974). It allowed the export of a substantial amount of crude after that year (see again table 3.1). Another indicator that the issue of increasing oil exports was in the presidential agenda is provided by Echeverría's declaration in mid-1974 that Mexico would become a member of OPEC "if it was officially invited".

In a context of international oil prices going up since 1972, a more active oil policy was not only rational, but tempting. There was, however, a severe constraint. To further increase oil production huge investments were necessary. Even having easy access to the resources required, it is clear that the results of such a policy would not be seen during the Echeverría administration, but during that of his successor.

López Portillo in the presidential race

After the resignation of Margain, CFE director López Portillo was appointed head of the SHCP in May 1973. The rationale of this appointment cannot be understood without considering the new finance minister's background. Although Echeverría and López Portillo were friends since their adolescence and classmates at UNAM, they followed totally different careers. While the former early joined government, López Portillo opted for becoming a practicing lawyer, and virtually by chance became a public servant. During López Mateos's presidential campaign, he joined the PRI's *Consejos de Planeación Económica y Social*, under the direction of Guillermo Rossell (López Portillo 1988: 258-261). These bodies had been established with the purpose of preparing the

national plan of the incoming administration. When Rossell was appointed *Oficial Mayor* at SEPANAL, López Portillo became his legal advisor in 1959, and later head of Federal Boards of Material Improvement in the same ministry until 1964. It is worth bearing in mind that the head of SEPANAL was reformist Eduardo Bustamante.

During the Díaz Ordaz administration, López Portillo was legal director (1965-68) and under-secretary (1968-70) in the secretary of the *Presidencia*. Fate had again placed him in a pro-statist organisational environment. Between 1965 and 1970, he headed the newly created *Comisión de Administración Pública* (CAP). This commission was aimed at carrying out an extensive study of the already congested federal public administration and at proposing the reforms that could improve its operation. As we will see later, the works of the CAP were of paramount importance not only in shaping López Portillo's views of the public sector and its problems, but also in strengthening his emerging *camarilla*.

The arrival of Echeverría in the presidency was good news for López Portillo who was appointed under-secretary of SEPANAL in 1970. Interesting enough is the fact that he not only returned to this ministry, but his new boss Flores de la Peña was personally and ideologically linked with his previous one at the same ministry. One year later, López Portillo was appointed head of the CFE, the second most important agency in the 'familiar trinity'. After about fifteen years of working in agencies favouring state intervention, López Portillo became head of the SHCP in 1973. It was not accidental at all. His working experience had given him the opportunity of observing the frequent bureaucratic battles between the SEPANAL, the ministry of the *Presidencia* and the SHCP, which were invariably won by the last agency (López Portillo 1988: 276).

Gradually, López Portillo became convinced of the necessity of curbing the SHCP's influence over public spending and investment. Moreover, his later heading government's newly created commission for administrative reform gave him a unique opportunity to develop a strategy to achieve that goal. Therefore, it does not come as a surprise that if president Echeverría wanted to neutralise the influence of the SHCP, as he did, López Portillo was the best candidate to replace Margáin. There is, however, some debate on the role played by López Portillo as finance minister.

According to Erfani, his "restrictive" monetary policies counteracted the "expansionist" spending policies that the administration was pursuing in accord with the

plans of Flores de la Peña (1995: 104-105). Moreover, she provides a suggestive "deadlock" model to explain the period 1973-1976 (*ibid*: 115-116). In our view, her ideas overemphasize the issue under discussion. To begin with, López Portillo did have to adapt to his new role. In his memoirs, he recognises the strong influence that the SHCP organisational setting had on him (1988: 363). Moreover, his being a potential pre-candidate to the presidency explains his prudence in dealing with the private sector, and his unwillingness to get involved in a radical tax reform. However, it is a fact that during his tenure both public spending and government expansion flourished. Therefore, it is hard to deny that López Portillo "deferred to Echeverría's wishes in fiscal matters" (Bailey 1984: 79).

In September 1975, José López Portillo was chosen to stand as the PRI's presidential candidate. Many hypotheses have been offered to explain this fact. Interestingly enough, most of them suggest president Echeverría trying to influence the future.¹¹ In addition, two more specific factors might have influenced the succession process. First, despite the risks of disorganisation and inefficiency, the Echeverría administration carried out no administrative reform to organise and give support to the impressive expansion of government structure (Tello 1983: 198). Therefore, the next administration could hardly avoid dealing with this issue. Second, using oil to finance development was already on the presidential agenda. From this perspective, by firing Flores de la Peña from SEPANAL in January 1975, Echeverría would have hoped to calm the business community, while hiding his real statist candidate. Last, but not least, he was convinced that *key* problems for the next administration would be economic, not political. This view was confirmed by the economic developments that took place during the last year of the administration.

As the end of the presidential administration approached, the economy as a whole not only did not improve, but got eventually out of control. After 22 years of a stable rate of exchange, the *peso* was devalued from 12.5 to 26.50 pesos per US dollar between August and October 1976. Some key economic indicators illustrate the prevailing situation at the end of 1976. The growth of GDP decreased to 4.2 percent (as compared

¹¹ For instance, in Reynolds' view, the choice of López Portillo "created the conditions for a policy bridge between the two periods", thus confirming the rumour that another *sexenio* of similar policies was needed to consolidate Echeverría's reforms (1978: 1016). Similarly, Bailey thinks that Echeverría "sought a personal confidant who was a competent administrator and a weak politician" (1988: 38).

with 8.5 in 1972), while the annual rate of inflation rose to 27.2 percent (as compared with 5.5 in 1972) (Basañez 1991: 158 and 164). In 1976, there was a capital flight of \$4 billion, and public sector deficit reached 9.9 percent of the GDP (Ramírez 1989: 83-84). By the end of year, the public debt had risen to over \$22,000 million. (Keesing's 1977: 28169).

Though assessing president Echeverría's policies remains a highly controversial issue,¹² one point seems clear: The objectives of more egalitarian and independent economic growth were not sorted out. This was so despite a more active role of the state in the economy, higher levels of public expenditure, and the various social policies implemented. By 1977, 60 percent of the population shared only 23.8 percent of the national income, while the top 10 percent of the population 40.6 percent (Ramírez 1989, table 4.1: 73). Echeverría's "reformist rhetoric exceeded his ability to deliver: his tax reforms proved modest" (Felix 1977: 136). Not surprisingly, his stormy presidency ended in an atmosphere of social tensions, private sector resentments, speculation, and even rumours of a military coup d'etat. As Bailey notes, Echeverría had destroyed an old order without constructing a new one (1980: 30).

It is unlikely that president Echeverría had foreseen this end of administration when he selected López Portillo. What seems more likely is that this choice sought to perpetuate his policies. In other words, in the president's eyes at least, neither Cervantes del Río nor Moya Palencia -the two *politicians* reputed as front-runners- had the qualifications or the experience to continue making the economic policy at *Los Pinos*. As things turned out, neither did López Portillo. In any case, he assured the continuity of the 'shared development' strategy, this time along more explicit presidential 'indicative planning' lines.

¹² According to Reynolds, the Echeverría's years marked a period of 'destabilising development' rather than of 'shared development' (1978: 1016). Tello considered them as a period of 'shameful (*vergonzante*) stabilising development' (1983: 208). A less critical view is provided by Blair to whom, deficit financing was inflationary, but it was not clear that public spending was "excessive" given the massive unemployment (1977: 126). Similarly, Camp states that today Mexico's political problems did not begin with Echeverría's deficit spending policies, for the roots of the former extend much deeper (in Rodríguez 1993: 246).

3.3 THE 1976 ADMINISTRATIVE REFORM

Intentional public sector reform is a common practice in Mexico (Pardo 1992: 148). Nearly all post-revolutionary presidents have succumbed to the temptation of adjusting the bureaucratic apparatus to fit their government programmes. Without congressional resistance, it has been a relatively easy task. As elsewhere, these usually piecemeal changes have sometimes been supplemented by more grandiose, and more explicit, efforts to review and reorganise the administrative machinery of government (March and Olsen 1989: 69). In Mexico, the 1976 administrative reform that brought the SPP to life is probably the best example of such rare actions. Echoing the prevalent development theories, this reform was justified by incoming president López Portillo as follows: "To organise the country, we first require to reorganise the government". (López Portillo 1976: 4)

Planning and the creation of the SPP

There is a direct link between the 1958 and 1976 administrative reforms, for a planning ministry with budgeting powers was nearly created by the first of these reforms. Instead, the *Secretaría de la Presidencia* (SPre), a ministry with much less ambitious powers, was eventually set up. Eduardo Bustamante, head of SEPANAL between 1958 and 1964, provided in 1966 a crucial piece of information, which sheds enormous light on the real objectives of López Mateos's reform (Bustamante in Flores de la Peña *et al.* 1986: 121-122). According to him, he himself was responsible for proposing to president López Mateos the creation of a *Secretariat for Planning and Budget*. However, though the project was initially approved by the president in December 1958, it suffered two substantial changes. First, the agency's name was changed to give the new ministry "more authority". Second, "minutes before the corresponding *iniciativa* was sent to the Congress", its powers over budget preparation were suppressed because of pressures of "vested interests". Institutionally, these interests had a name: the SHCP.

Tracing the history of planning in Mexico depends entirely on the definition of the term adopted. In a strict technical sense, economic planning up to the early 1970s never went "beyond the level of well-intentioned attempts" (Solís 1971: 56). Yet a remarkable continuity in government's efforts at the attainment of openly stated

objectives can still be found (Gross in Shafer 1966: x). It was particularly clear regarding sectoral planning in irrigation, transportation, education, and electricity (Looney and Frederiksen 1982: 5). These abundant attempts implied carrying out planning of an indicative and pluralistic nature (Shafer 1966; Solís 1971). However, the success in integrated national planning was, on the whole, modest. As Vernon noted, plans often represented "sterile quantitative exercises" of the sort of those promoted by the Alliance for Progress (1963: 8).¹³

If Mexican planning had an indicative nature and its results were limited, why was national planning associated with a high rate of agency mortality¹⁴? One plausible political explanation is that planning implied controlling environments and agents, that is, exercising political power. In a context of high power concentration in the hand of the president, the issue of who-controls-who was not irrelevant. As noted by Benveniste, in Mexico early planning was used by presidents as an "attempt to maintain their influence" over their successors (1970: 81). Much more important, national planning had often implied *real* delegation of presidential power to some ministries and bodies. Thus, since the president could not do everything, questions such as who-receives-what, who-sets-the-objectives, who-supervises-who not only caused considerable tension within the public sector, but led to agency mortality.

Under the 1958 institutional arrangement, the *Comisión de Inversiones* became a unit within the SPre. In its new organisational setting, the commission's previous success in programming public investment was to decline. While the prior advantages were lacking, the disadvantages of a more political ministerial environment were obvious. This is at the heart of the SPre failing to prepare a sound national plan. The need for this plan for foreign aid negotiations explains what followed. In 1962 president López Mateos established an inter-ministerial commission for the "immediate formulation of short- and long-term national economic and social development programmes" (DOF 2/3/62). It was

¹³ The *Plan de Acción Inmediata* (the most ambitious effort at national planning up to this time), for example, was kept in complete secrecy and served only for international aid negotiations (Benveniste 1970: 85-86).

¹⁴ As emphasized by Gross (in Shafer 1966: xi-xii), the list of agencies dealing with planning being created and soon abolished is endless. Apart from the cases discussed above, earlier casualties include the National Economic Council (1928), the National Planning Commission (1930), another National Economic Council (1933), Cárdenas's Advisory Committee for Planning, *Gobernación*'s Planning Division (1938), and the Federal Commission of Economic Planning (1942).

composed of the SPre and the SHCP. This fact meant not only that the former ministry had lost full control over its planning functions, but that the latter had reasserted its authority on economic matters. Though only two meetings were held (Pichardo 1972: 20-21), the 'commission' (read the SHCP) produced in only three months the *Plan de Acción Inmediata* in mid-1962.

The creation of the inter-ministerial commission under discussion represented a backwards movement. In addition, it made once more evident the traditional lack of coordination between ministries in Mexico (Shafer 1966: 69). This problem should not be neglected, for it represented a reflexion of the highly politicized setting in which agencies operated. Sharply put, it was related with a system of marked division of labour by specialities, the ongoing system of presidential-ministerial relationships on *individual* basis, and the ministers' logical political expectations. These features had been at the core of the inter-ministerial coordinating formula often failing to achieve its full objectives (Tucker 1957: 146). At the time, the use of specialised control ministries was producing magnified results, for the lack of coordination between them went far beyond the scope of the ministries involved.

Of course, there were many other factors hampering national planning. They include dispersion of administrative resources for planning and function overlapping. In addition, there were technical obstacles such as poor statistics, insufficient research, lack of technical criteria, and scarcity of technicians (Flores de la Peña quoted by Solís 1971:57). As planning became fashionable, Mexican scholars began to discuss these problems, and to propose possible solutions.

As argued in chapter one, the 1960s were particularly favourable to the notion of economic planning as a condition for both development and modernisation. This explains why both academics and government officials were eager to discuss the innovative conceptions in fashion. Mexico was not the exception. In April 1965, a national seminar on socioeconomic planning was organised under the auspices of the ENE.¹⁵ The importance, and orientation, of the event is suggested by the names of two participants: Horacio Flores de la Peña and Eduardo Bustamante. It is worth bearing in mind that almost simultaneously to this seminar, the CAP began to operate. The influence of the

¹⁵ Even before, the UNAM's School of Law had organised a seminar on the same topic in August 1964 (*Memoria* 1964).

former on the works of the latter is suggested by the participation of Fernando Solana and Pedro Zorrilla, two future CAP's members, in the seminar (see table 4.1 in the next chapter).

The participants in the academic event under discussion arrived at two general conclusions. First, national planning must be adopted. Second, the public sector had to be reorganised accordingly, and a planning body needed to be created. However, one point remained controversial, namely, the administrative nature of the "central planning organ". Three views on this issue were proposed: (i) the establishment of a commission along the lines of the *Comisión de Inversiones*; (ii) the creation of a planning ministry in charge of the elaboration of the budget but not of its execution; (iii) the broadening of the power of the existing SPre (Flores de la Peña *et al.* 1986: 13).¹⁶ After the seminar, the CAP began to develop a variant of the last proposal. In essence, this formula coincided with Bustamante's earlier proposal of creating a ministry for planning with control over public spending.

Rationale of the 1976 administrative reform

It has been suggested that it is unlikely that the 1976 administrative reform would have been carried out, if López Portillo had not become president (Del Villar in *Proceso* 12, 22/1/77: 6-13). This statement is not totally exact, for the impressive growth of the public sector during the Echeverría years made a comprehensive administrative reform almost inevitable. Moreover, the evidence already discussed supports the view that López Portillo's reform was not an isolated project responding exclusively to personal preferences, but the logical culmination of a policy of institutional reform whose roots could be traced to the mid-1940s. Though López Mateos's reform marked a crucial stage in this process, its success was fairly limited. To begin with, the SPre, one of its major contributions, never became an efficient technical agency in its own right (Wionczek in Flores de la Peña *et al.* 1986).

More significant, the reform had produced three ministries with supervisory and control functions: SHCP, SPre and SEPANAL. However, because of the notorious lack of coordination between them, it seemed as if a supra-machinery was required to coordinate the existing one. It was precisely to find solutions to this and other problems

¹⁶ For a further discussion of these views, see Pichardo (in Flores de la Peña *et al.* 1986: 97-110) and Pichardo (1972: Chapter 5).

that the CAP was set up in 1965. Its conclusions, presented some years later in a document entitled *Reporte sobre Reforma Administrativa*, were very simple indeed.¹⁷ The 'efficiency triangle' (as the institutional trinity aforementioned was called) was actually an inefficiency triangle. It was argued that weak coordination impaired not only effective central programming and planning, but also presidential control over bureaucracy. And the major identified cause for this was the overwhelming *de facto* dominance of the SHCP over the other two control ministries. Thus, to make the 'efficiency triangle' work this dominance should be reduced.

Partly because of the 1968 events and partly because of the arrival of Echeverría in the presidency (Cuevas 1987: 245-246; see also Carrillo Castro 1980: 116-119), the CAP recommendations had to wait for better times to be fully implemented. Despite this fact, they never faded away in the mind of their key architect: López Portillo. On the contrary, his experience as finance minister further convinced him that if "an authentic [administrative] reform was wanted, even considering all the risks involved, it had to begin with the *Secretaría de Hacienda*" (López Portillo 1988: 286). Eventually, his reaching the presidency gave him the long-awaited opportunity to take from the SHCP its spending functions and transfer them to an empowered SPre, that is, the plan that had been frustrated in December 1958.

In his inaugural speech, president López Portillo announced the broad lines of his administrative reform as follows: (i) One ministry in control of public spending would be in charge of programming and planning development; (ii) a national plan to be produced by this ministry would be the articulating framework of the various sectoral programmes and their objectives; (iii) for purposes of control and coordination, the parastate entities would be grouped into sectors (López Portillo 1976: 6-7). The reform had two explicit goals: efficiency and honesty. Consonant with these basic ideas, a torrent of laws and fiats was approved in the first months of the administration, to give legal support to the reform (see *Bases* 1977).

The 1958 *Ley de Secretarías y Departamentos de Estado*, regulating the structure and function of the federal executive branch, was substantially modified and renamed, thus becoming *Ley Orgánica de la Administración Pública Federal* (LOAPF) (DOF

¹⁷ For a more extensive account of the works of the CAP, see Carrillo Castro (1980).

29/12/76). This law introduced various significant institutional innovations into the operation 'efficiency triangle', thus altering the existing institutional linkages and distributional features within the executive branch. To begin with, it abrogated the SPre and created the SPP as the ministry responsible for public spending and national planning. As a result, the role of the SHCP was reduced to that of tax collection and credit raising. On the other hand, SEPANAL was transformed into *Secretaría de Patrimonio y Fomento Industrial* (SEPAFIN) as a result of being given the power to intervene in the industrial sector as a whole. This was done to the detriment of the former ministry of industry and commerce which became simply *Secretaría de Comercio*.

TABLE 3.4 Parastate entities by sector in January 1977 ⁽¹⁾

	OD	EPMay	EPMin	Fid	Total
Sectors:					
Industrial (SEPAFIN)	10	218	42	22	292
Financial (SPP/SHCP)	2	80	3	64	149
Human Settlements (SAHOP)	48	6	0	52	106
Agricultural (SARH)	11	54	5	22	92
Communications (SCT)	4	47	6	9	66
Commerce (SC)	8	30	0	3	41
Education (SEP)	15	13	0	13	41
National security (<i>Gobernación</i>)	3	18	0	8	29
Fisheries (DP)	0	22	1	4	27
Tourism (ST)	1	12	2	9	24
Welfare (SSA)	17	0	0	1	18
Labour (STyPS)	3	0	0	3	6
Total	122	500	59	210	891

⁽¹⁾ The table does not include IMSS, ISSSTE, INFONAVIT, DIF and CONACYT for these parastate entities are linked directly from the presidency. OD= Organismos descentralizados; EPMay= Empresas de participación estatal mayoritaria; EPMin= Empresas de participación estatal minoritaria; Fid=Fideicomisos.

Source: Calculation based on the '*Acuerdo por el cual se agrupan las entidades paraestatales por sectores definidos*' (DOF 17/1/77).

Apart from this redistribution of resources at ministerial level, the LOAPF also altered in a significant way the central-parastate relationship. In principle, the direct supervision of the latter was not assigned to one ministry, but to most of the ministries on a sectoral basis. In January 1977, a fiat made public the resulting sectoral grouping of the parastate entities. Table 3.4 summarises the changes introduced by this fiat by presenting the sectors created as well as the number and kind of entities comprising each

of them. The same table also shows, in brackets next to the name of the sector, the ministries responsible for the coordination of each sector. These ministries were designated as "*cabezas de sector*" (sector heads). As the table reveals, SEPAFIN was charged with the coordination of around 33 percent of the total entities, including PEMEX and the CFE. More significant, apart from heading the financial sector, both the SPP and the SHCP were given the higher rank of "*dependencias globalizadoras*" considering their normative functions being related to whole administrative apparatus. Legally, it placed these ministries in the centre of the new sectorisation scheme.

Article six of the LOAPF gave the president the legal right to call meetings with any number of ministers in order to define or evaluate policy matters. In other words, it established the legal base for cabinet meetings. The importance of this change cannot be overemphasized, for it represented a radical departure from well-rooted political-bureaucratic practices. In the past, it was customary that the president held frequent sessions with each minister on individual basis (Scott 1964: 280; Padgett 1966: 159). In other words, collective decision making was virtually nonexistent. The consequences of holding cabinet meetings would be immediately felt as will be discussed later in this chapter.

Regarding national planning, the logic of the reform was to formulate a six-year plan, to translate its specific programmes into operating budgets, and to implement them through the restructured public sector. Thus, there was an attempt, as noted by Bailey, "to move away from the market-orientated style of SHCP toward a style of goal-based budgeting grounded in medium-term planning" (1984: 80). To regulate this variant of the PPB system, the *Ley de Presupuesto Contabilidad y Gasto Público* and the *Ley General de Deuda Pública* were enacted (DOF 31/12/76). There was, however, a problem. The effectiveness of PPB, the leading analytical technique of the 1960s, was not only being questioned, but the American government had stopped using it in 1971 (Schick 1973).

The SPP: A 'presidential liaison'

Beyond doubt, the most significant change introduced by the LOAPF was the creation of the SPP. For the logic of the entire institutional arrangement it established conceived this ministry as its cornerstone. It was early noted that the "importance of this new secretariat to the government can be seen in the powers it possesses" (Rorem 1978:

384). As no other agency, the SPP gathered not only new functions, but also duties formerly attributed to other ministries. Among others, it was given the responsibilities of developing national, sectoral and regional economic and social plans; formulating the public spending programme; supervising all the expenditures and evaluating their results; and dictating practices of outside audits for all the public administration (see LOAPF, article 32). Clearly, the fact that functions which had previously been "diffused among several secretariats" were now concentrated in one raised important questions about the preeminence of the SPP.

Paradoxically, article 10 of the LOAPF came to establish for the first time that ministries had *legally* the same rank. It was naive to consider that the existing ministerial pre-eminent could be affected by decree or fiat. Similarly, it was often pointed out that the grouping of parastatal entities into sectors did not mean political dependence, for they were to maintain their relative autonomy. These legal statements were no more than pure rhetoric which overshadows the real aims of the reform. In brief, the creation of the SPP had the purpose of strengthening the role of the presidency in controlling bureaucracy, and also in directing the country's development process. As noted by Rorem, "it would appear that the government is attempting to control bureaucracy through an on-going focusing of the intent behind government action" (1978: 387).

In essence, what president López Portillo wanted was to replace the "efficiency triangle" with a single, central ministry. As Bailey put it, the SPP was to replace this triangle with "a straight-line concept" (1988: 71). It meant a direct link between this ministry and the presidency. Politically speaking, this hierarchical arrangement had the central purpose of stepping up the 'presidentialisation' of the economy, while allowing the presidency a more direct control of the central bureaucracy.

Legally, the SPP was granted the power to intervene in most areas of the federal public sector operation. A complex combination of legal powers and lines of subordination allowed this ministry to participate not only in the work of its counterparts, but also in that of the parastatal sector through its broad budgeting, supervising, accounting, and planning functions. As a result, the SPP emerged as the overall coordinator of the federal bureaucracy. Obviously, it meant an encroachment on the traditional domains of both the SHCP and the former SEPANAL. Moreover, the

programming units created within the ministries and main parastate entities since 1971 would serve as institutional links in the SPP's chain of command.

Although legally and politically the SPP was subordinated to the presidency, there were some potential risks in creating a super-ministry in a highly centralised, presidential context. Again Rorem gave some insights: "Perhaps the President's authority to establish his own technical support group is one method of insuring that one secretariat does not assume disproportionate powers." (1978: 384).

To begin with, paraphrasing López Portillo, the SPP has to organise itself to reorganise the central public sector. This was relevant for, in the logic of the reform, this agency was not only an outcome, but a key implementing mechanism of the administrative reform. The structure of the SPP followed the general pattern applicable to that of all ministries (see figure 3.3 below). Immediately below the secretary there were three under-secretaries responsible for the same number of core functions, namely programming, budgeting, and evaluation. Almost at the same hierarchical level there was a chief administrative officer (*Oficial Mayor*) and two general coordinators concerned with specific programmes. In each state, an SPP's representation was to be created. What would prove crucial in the first years of the agency, however, was not this particular organisational arrangement, but the origin of the SPP's constituent parts as will be seen later.

Evidently, such an ambitious institutional reform could not be implemented in a short period. Aware of this situation, the reformers conceived the process of administrative reform as permanent, and taking place at various stages. In general, the explicit objectives of the programme of reform for the period 1976-82 were: (i) to adopt programming; (ii) to establish a better personnel system; (iii) to improve coordination between federal and local levels of government; and (iv) to improve justice administration (*Memoria* 1981: 49). In any event, the first stage of the reform was crucial to the success of the complete project.

3.4 REALITY VERSUS THEORY: THE SPP CRITICAL YEARS

As the cornerstone of the 1976 administrative reform, the SPP had the responsibility of putting to the test not only the reform's theoretical foundations, but more important their suitability within the Mexican context. Therefore, crucial to the success

of the reform was not only that this agency began to operate at once, but also that its operation stuck to the original plan. While the first situation did happen, there were from the very beginning relevant timing and operational deviations from what was assumed by the reformers. These problems contrasted with the overwhelming presidential support for the reform. This section explores the main deviations and the initial problems faced by the SPP. In doing so, special attention is paid to the broader context being responsible for or associated to them.

Defining the economic model: Planning versus finance

Before López Portillo took office, one event would greatly affect the future of the still unborn SPP. At the beginning of his political campaign, López Portillo appointed Moctezuma Cid head of the PRI's IEPES and charged him with giving the administrative reform its final shape. According to Bailey, he designed the SPP with the expectation of heading it (1980: 46-47). In Granados Chapa's view, since Moctezuma Cid was sure of heading the SPP, he took important powers away from the SHCP (*La Jornada* 7/1/92: 1). José Ramón López Portillo, a key witness to these events, not only confirms these rumours, but sheds further light on the issue: "Until the last moment, Moctezuma Cid was López Portillo's candidate to the SPP, while Carlos Tello was so to the SHCP". According to him, Moctezuma and Tello's ideological orientations could balance the role to be played by both agencies: "A rightist would have to look for growth and expansion, while a leftist would have to keep expenditures down." A few days before his inauguration, however, López Portillo changed his mind. On the verge of the *Alliance for Production*, he became convinced that the appointment of the leftist Tello at the SHCP might have a negative effect on the business community.¹⁸

In December 1976, Julio Rodolfo Moctezuma Cid was appointed head of the SHCP, while Carlos Tello Macias went to the SPP. It is worth noting that both had participated in CAP and knew each other well. However, their appointments were responsible for their long-lasting relationship deteriorating rapidly "to the point of hatred".¹⁹ Broader environmental factors are responsible for transforming an explicable

¹⁸ Interview with José Ramón López Portillo (London, 1/12/95).

¹⁹ As noted by Caiden and Wildavsky, the intrinsic tensions between finance and planning are reinforced by the attitudinal differences of the kind of personnel recruited: "The finance ministry is likely to get accountants, lawyers, and low-level technicians on their way up. . . The planning commission is likely to include economists and other men with advanced degrees whose rationale is to overcome the faults of

dispute over jurisdictions into a more complex national issue. The effects of the economic crisis of 1976, with the possibility of national planning, had the effect of reviving a key economic debate: The orientation of the country's development. Moreover, the holding of cabinet meetings, virtually since the beginning of the presidential administration, provided an ideal forum for discussion. The emergence of the views of the already polarised factions within government was inevitable.

Contrary to the spirit of the administrative reform, during 1977 not only was there total lack of cooperation between the SHCP and the SPP, but their relationships became increasingly conflictive. Besides the expected institutional rivalry between finance and planning agencies (Caiden and Wildavsky 1990: 239-263), economic and institutional factors did add fuel to the flames. Not only was the whole Economic Cabinet polarized around two antagonistic positions termed *monetarista* and *estructuralista*²⁰, but the key actors were easily identifiable: SPP (planning) versus SHCP (finance). The former, with *Patrimonio*, strived for growth and expansion, while the latter, Bank of Mexico, Commerce and NAFINSA favoured a conservative stabilising strategy, along the lines set by the IMF. This polarization was apparent from the first meeting of the Economic Cabinet held just eight days after the presidential transition (López Portillo 1988: 492).

At first, president López Portillo was convinced that these antagonistic positions within the Cabinet might help him to take decisions, for they could provide concrete alternatives from which a final decision could be drawn (1988: 496-97). In practice, the mutually excluding nature of such competing claims made it difficult to conciliate or balance them. In institutional terms, favouring either of the two antagonistic positions could have had the effect of deepening the differences and, in turn, the cabinet disunity. This situation was hampering the president's power of decision on economic matters. Moreover, there was a risk that he could become a mere witness of the process rather than a key actor. In April 1977, after four months of cabinet confrontations, López Portillo had a private meeting with Moctezuma and Tello in which he scolded them "for casting doubt on the utility of the Economic Cabinet" (1988: 561).

the regular apparatus. . . Bureaucrats probably have been educated at home, planners abroad." (1990: 241)

²⁰ The existence of those two strategies was not new in Mexico as noted by Basáñez (1991: 82), who traced its origin back to the creation of the Bank of Mexico in 1925. However, the debate about their feasibility in Mexico was a feature of the mid-1970s. See Reyes Heroles (1975: 297-303 and 486-492).

Despite the presidential warning, during the following months the situation not only did not improve, but worsened as the rivalry between both agencies became more intense (idem: 579-80). More important, Moctezuma and Tello were sending conflicting messages to the foreign financial institutions, domestic economic agents, and public opinion trying to be on good terms with their own clienteles (see *Proceso* 55, 21/11/77: 6-8).

The discussions on the 1978 Budget caused insurmountable differences about its size. While Moctezuma proposed a budget of about \$35,500 millions, Tello proposed one of \$41,000 millions. It confirmed the view that "the major item of controversy" between finance and planning agencies "is likely to be the size of the total budget" (Caiden and Wildawsky 1990: 240). By November 1977, the Tello-Moctezuma rivalry reached its peak, and so did the president's anger which was violently expressed during the Cabinet meeting held on November 17 (López Portillo 1988: 648-49). Later that day, Carlos Tello submitted his resignation, and the president, besides accepting it, "provoked" that of Moctezuma. By taking "the sourest and most painful" decisions until then, López Portillo lost simultaneously two of his closest associates. It was the epilogue of 24 stormy sessions of Economic Cabinet.

The explanation of the previous events, of course, varies from one actor to another. According to the president, the cabinet struggles were simply the result of "personal matters and human relationships".²¹ By contrast, in Carlos Tello's opinion, his resignation was an ultimate protest against "the contracting (*contraccionista*) policy orchestrated by the *Hacienda* authorities supported by the International Monetary Fund.²² Moreover, in his view, there was a real dispute for the country's ideological leadership, a thesis later developed in the book *La Disputa por la Nación* (1981). Moctezuma has kept silence since then.

In any event, the resignations, "amputations" as López Portillo called them, had two relevant consequences. First, they cast serious doubts on the merit of having separated revenues from expenditure. Second, they affected the next presidential succession. The acceptance of this fact by López Portillo himself (1988: 651-52) means

²¹ This interpretation is repeated various times in López Portillo's memoirs (1988: 561 and 686).

²² Text of Tello's resignation published by all national newspapers next day (e.g., *El Nacional*, 18/11/77: 8).

that he had thought, as early as 1977, of either Moctezuma or Tello to succeed him. If the changes restored presidential authority over economic policy, they did not end the central problem, for confrontations would continue, though involving new actors. Before dealing with this issue, let us explore other problems faced by the SPP.

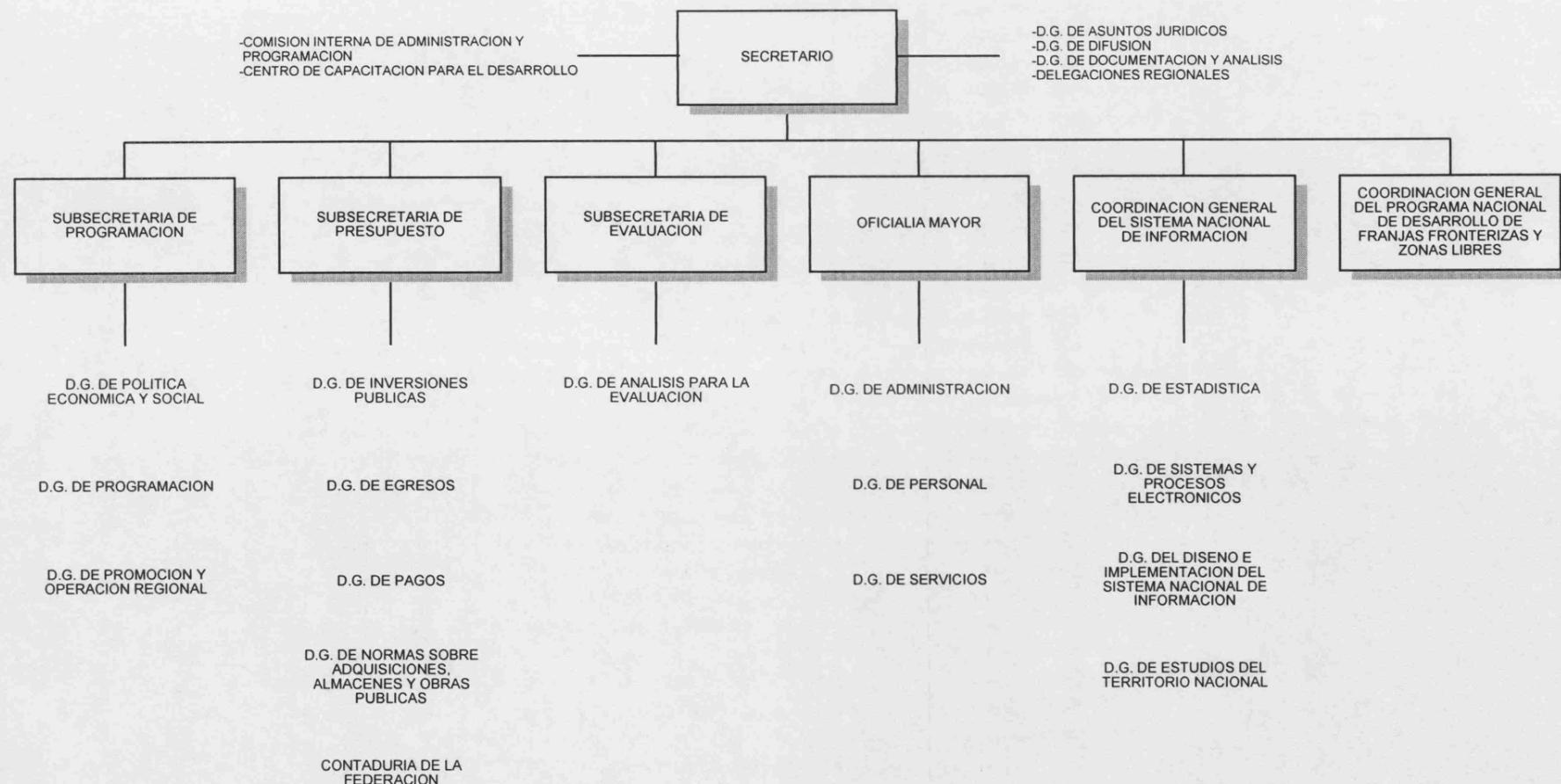
The SPP internal problems

One of the most relevant internal problems faced by the fledgling SPP was related to a weak coordination between its constituent parts (Bailey 1980: 5). In essence, this problem stemmed from the way the agency was structured and originally staffed (Bailey 1984: 86). The defunct SPre contributed with its central structure which came to integrate the SPP programming branch, while the SHCP with that of the budgeting branch. By contrast, evaluation was a virtually new area. Apart from the difficulties of joining together units in the past unrelated, the central problem was that, with the structures, the personnel working in them was transferred too. In a context, where it was not accidental that agencies were usually staffed on *camarilla* basis, combining alien personnel clusters was a source of severe coordination problems. Thus, the SPP's leadership had to deal with numerous small *equipos* (teams) linked by both diffuse authority lines and different, if not opposed, interests (see Grindle 1977b). Although this situation involved the whole structure of the SPP, there were important differences in the way each of its main components was affected.

As far as the budgeting branch is concerned, the fact that the former SHCP's budget team was transferred almost intact to the SPP considerably reduced the possibility of coordination problems within this area. On the contrary, the under-secretariat of programming was by far the most heterogeneous in terms of both structures and personnel. Because of its small size and limited role, the under-secretariat of evaluation was the less affected by internal coordination problems. Considering the protagonist role that would be played by the budgeting branch, let us explore in more detail its original composition.

As figure 3.3 shows, the *Subsecretaría de Presupuesto* was made up by five general directorates, four of them being closely related with the various stages of the *annual* expenditure-budget. Except for that of the directorate of *Inversiones Públicas*, the personnel of the other areas was brought from the SHCP. More important, the head of this under-secretariat, Miguel Rico, was an expert on budget matters with a long-career

FIGURE 3.3 SPP Organisation Chart, 1977



Source: *Reglamento Interior de la SPP* (DOF 23/3/77), and *Manual de Organización General de la SPP* (DOF 18/7/77).

in the SHCP. These features gave this area a clear advantage over its counterparts. Stability was further enhanced by low rates of turnover between 1977 to May 1979. Paradoxically, this special situation encouraged not only coordination bottlenecks within the SPP, but more importantly a clear departure from the notion of goal-based budgeting on which the whole administrative reform was based.

It was clear that the success in the introduction of the new planning system depended on making the programming-budgeting mechanism work without delay, evaluation lagging behind. In other words, the key point was to routinize, as soon as possible, a process in which long-term programming were linked with the annual programme and the way of financing it. In practice, it required a high degree of coordination among three general directorates, namely Programming, Public Investment and Expenditure, the first being at the centre of the process (see figure 3.3). However, with cluster fragmentation, four main factors made such coordination virtually impossible: (i) lack of both experience of goal-based budgeting and well-defined procedures; (ii) permanent pressures stemming from the urgency of having the annual budget ready; (iii) the fact that the three areas were ascribed to two different under-secretariats; and (iv) attitudinal differences stemming from the background of the personnel involved.

The initial tasks of the under-subsecretariat of programming were enormous. After creating the preliminary methodologies and procedures for long-term programming, it had to formulate a variety of harmonious general programmes for the whole public sector based on both external and internal agency consultation and agreed macro-economic considerations. Apart from time pressures, stemming mainly from the annual operative programme, the under-secretary Pascual Moncayo internally had to coordinate individuals brought from CONACYT (Julio Boltvinik), the Bank of Mexico (Alejandro Castillón), and the SHCP (Carlos Vidali). Moreover, in early 1978, Pascual Moncayo himself was replaced by Alfonso Cebreros, and only Alejandro Castillón, the General Director of Economic and Social Policy (DGPEyS), stayed in office until May 1979.

The early problems of the under-secretariat of evaluation had a different source. Because until 1976 public programmes were weakly evaluated, the simple announcement of the creation this area originated strong across-the-board opposition within the public

sector. As noted by Bailey, agencies "preferred to do their own evaluating, if such must be done, and were reluctant to pass along information that might become ammunition for one or another political group" (1980: 51). Apart from problems of jurisdiction, this under-secretariat was confronted with a deeply ingrained problem in Mexico, namely, corruption. Though Evaluation managed to exercised influence because of president López Portillo's strong support for this area, continued bureaucratic resistance explains the powers of the National Evaluation System being transferred to the Presidency, though the apparatus remained within the SPP in January 1978.

In this context, it is not surprising that Miguel Rico's team of budgeters had taken control of the complete planning-budgeting process. As a result, the idea of expenditure as a function of programming was gradually superseded by the SHCP's traditional budget approach. In these conditions, it was only logical that the budgeting under-subsecretary eventually did its own annual resource-based programming without consulting the other areas (Bailey 1980: 50). It was so, despite various efforts to improve coordination among the three SPP under-secretariats (Hernández 1993: 154). However, it is worth noting that the rise of Miguel Rico's team did not go undisturbed. During 1977, their conservative approach to programming was opposed by minister Carlos Tello and under-secretary Eduardo Pascual. Not without internal and external resistance, they managed to formulate the 1978 Budget, including a five-year general programme for the public sector, according to programmatic criteria. Nonetheless, Tello's resignation favoured the trend towards SHCP-like budgeting within the SPP.

García Sáinz and the consolidation of the 'Budget Team'

In late 1977, Ricardo García Sáinz and David Ibarra were appointed heads of SPP and SHCP respectively. The fact that neither of them were members of the López Portillo inner circle is striking considering the importance of both agencies. It was specially surprising regarding the SPP, considering the importance that López Portillo granted to this agency. It was true that Rosa Luz Alegría and José Ramón López Portillo, both closely linked to the president, had occupied key high-rank position withing the SPP since December 1976. However, they were not in a position that favoured their controlling the agency's decision making. The most plausible explanation is that López Portillo, after losing Moctezuma and Tello, did not find better candidates within his fairly small *camarilla*.

In theory at least, the appointment of García Sáinz offered some advantage over other possible candidates because of his bureaucratic experience. If in late 1977 the central presidential interest was oil, García Sáinz's job since December 1976 as under-subsecretary of Control of Government Properties and Industrial Development (the second post in importance in SEPAFIN) had put him in close contact with not only PEMEX, but the whole parastatal sector. So a more programmatic approach to priority public investment could be expected. Second, although not being really his friend, the president knew him well, or thought so. In practice, the first advantage, if really expected, proved to be nonexistent, while the lack of strong ties between them showed, in turn, the importance those ties carry in the Mexican context in successfully carrying out public policies.

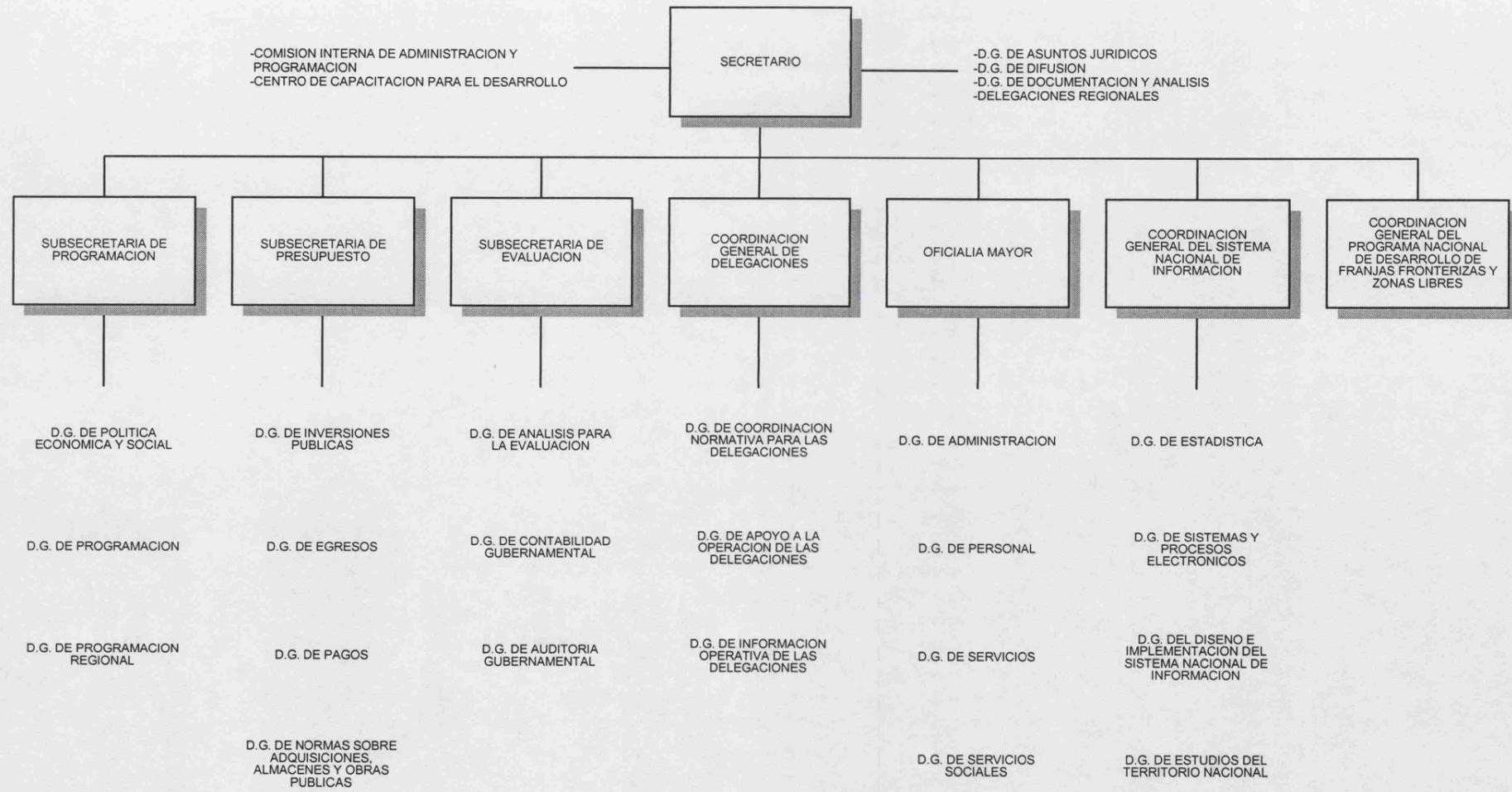
Like García Sáinz, Ibarra was an outsider to the agency he was appointed to. He was appointed mainly because of both his ECLA's background and his having headed NAFINSA, a centre of structuralist theoreticians. Thus, considering Ibarra's background and García Sáinz's reputed probusiness orientations, it can be argued that the role played by the SHCP and the SPP during 1977, interchanged after that year (*Proceso* 793, 13/1/92: 15). Let us focus on the impact of the changes on the SPP.

Though the arrival of García Sáinz at the SPP provoked, as expected, some personnel turnover within the agency, the budgeting key team remained literally untouched. The fact that annual Budget was in process of approval carried a great weight in that decision. The new minister, not being himself an expert on budget matters, was forced to rely heavily on that team. In any event, despite bringing some programming experts from SEPAFIN to key positions in the SPP structure²³, García Sáinz never tried to neutralise the budget cluster's influence. Instead, as figure 3.4 reveals, the only effect of his arrival was a substantial expansion of the agency. Therefore, the president began to complain about the traditional budgeting practices taking place within the SPP, asking García Sáinz in several occasions for a radical policy change.²⁴ The fact that the many presidential instructions to stress programming had been disobeyed shows not only how

²³ For instance, the appointments of Alfonso Cebreros, former SEPLANAL under-subsecretary (1976), as programming under-subsecretary; Jorge Izquierdo, an expert on petrochemical matters, as programming director; and, Gustavo Cortez as director of purchase normativity.

²⁴ This is a constant theme in Portillo's memoirs between January 1978 and May 1979 (1988: 677, 691, 719, 723, 736, and 741).

FIGURE 3.4 SPP Organisation Chart, 1978-1980



Source: *Reglamento Interior de la SPP* (DOF 23/3/77), *Manual de Organización General de la SPP* (DOF 18/7/77), and *Decreto por el cual se crean las unidades administrativas que se indican* (DOF 10/10/78).

difficult it was to change the budget team's "emphasis on control, legality, and fiscal prudence" brought from the SHCP (Bailey 1980: 46), but also the disproportionate power of this group.²⁵

As early as February 1978, it was clear to the president that the SHCP was taking "non-authorized" measures to delay public expenditure to control inflation (López Portillo 1988: 691-92 and 793). Since the *Tesorería* (Paymaster's Office) remained under the jurisdiction of the SHCP, this could be easily done by simply delaying pay orders authorized by the SPP, as actually happened. The fact that there is no evidence of visible conflicts between the SPP's budget team, the agency responsible for producing these pay orders, and the *Tesorería* for the delays supports the hypothesis of collaboration between the this team and the SHCP: If the first failed to stop some unwanted programmes, it could be done later by the second. If true, it meant not only that the SHCP traditional control over public expenditure was far from being over, but that it has been extended to a section of the SPP structure.

The permanency of the Rico team until 1979, despite its activities' being overtly against a presidential project, made apparent, in a context of lack of highly specialised corps, the SHCP's main source of power: Its technical human resources. Since it is certainly difficult to think from where else new blood could have been drawn, we do think that the president had no choice but to rely on former finance personnel to implement a reform which, if successful, would substantially reduce the power of the SHCP. The analysis of the strained relationships between this agency and the SPP, particularly during 1977, sheds light on the external problems in introducing the national planning system, and on the associated crucial role internally played by the SPP's budget team in the process.

By early February 1979, president López Portillo began thinking about replacing García Sáinz. According to his memoirs, his candidates were Miguel de la Madrid, Rosa Luz Alegria and Romero Kolbeck (1988: 808). By the same time, though for completely different reasons, he also decided to replace two key members of his network for political control, namely Reyes Heroles (*Gobernación*) and Santiago Roel (Foreign Relations)

²⁵ The complaint made in mid-1978 by the Baja California's Governor Roberto de la Madrid, López Portillo's close friend, that Miguel Rico was unilaterally modifying approved programmes illustrates very well our point (*Proceso* 87, 3/7/78: 31).

(1988: 812). Eventually, in mid-May, 1979, he fired the three Secretaries simultaneously. Nothing similar had occurred in Mexico since Cárdenas. In the case of García Sainz, the deciding factor was his lack of support for COPLAMAR, a presidential social programme.²⁶ In López Portillo's words, "he was weighted down by the burden" (*no pudo con el paquete*) (1988: 837). For the second time, the 1976 administrative reform had been seriously put at risk by the SPP's leadership.

CONCLUDING NOTE

The ISI strategy transformed the federal bureaucracy into the most critical sector in the process of development. A context of weak democratic institutions paved the way for bureaucracy becoming a major political actor. As a result, the political process steadily moved from the ruling party to the bureaucratic arena. The rapid expansion of the public sector during the Echeverría administration catalysed these trends, thus magnifying existing institutional dysfunctions. This move towards a more active role of the state in the economy has complex causes. Domestically, they include political factors such as the 1968 legitimacy crisis, but also bureaucratic ones. Echeverría's policies not only made apparent, but further consolidated the existence of an autonomous set of bureaucratic interests advocating statism. The selection of López Portillo as the PRI presidential candidate in 1975 is the best evidence of the strength reached by these interests.

Government stepping up public expenditure since 1972 exacerbated another problem: state-business relations. In other words, the 1972-76 economic strategy had the effect of shattering the government-private sector alliances built during the 'stabilising development' era. This problem was aggravated because the ISI strategy had increased the private sector's power to influence the economy. These developments had relevant bureaucratic implications, for they upset the delicate equilibrium between the agencies advocating private and state interests. A sharp bureaucratic polarisation leading to policy incoherence characterised the Echeverría years. Apart from statist interests gaining momentum, the resulting balance of power was greatly influenced by president

²⁶ On the COPLAMAR issue, see "Indigna al Presidente la simulación oficial" in *Proceso* 120, 19/2/79: 26-27).

Echeverría's search for legitimacy via public spending. Thus, presidential populism served as a framework for the rapid emergence of the 'corporate-technocratic state'.

The 'shared development' era is responsible for relevant changes in the policymaking process as presidential involvement in economic policy matters substantially increased. Historic centralisation trends were encouraged by the public sector apparatus becoming unmanageable. Tensions between the presidency and the finance ministry partly explain the initial impetus behind the creation of the SPP in 1977. Using Erfani's words, this agency was "representative of the institutionalization of a new technocratization of economic decisionmaking to replace the highly visible political infighting between statist reformism and monetarist orthodoxy" (1995: 140). Yet, it could not prevent it as proved by the Tello-Moctezuma affair and the internal coordination problems within the SPP having essentially the same origin.

From a broader political perspective, the 1976 administrative reform, including the creation of the SPP, represented the peak of a process of concentration of political power in the presidency greatly exacerbated by bureaucratic factors. As we will discuss in the next chapter, contextual external factors associated with the international oil crisis would have a significant effect in shaping the specific features of the Mexican 'corporate-technocratic state'.

Administering the oil wealth: The rise of the SPP

When president López Portillo took office on December 1, 1976, the Mexican government was facing, in his own words, the "worst economic crisis in the history of the country" (López Portillo 1976: 5). Besides, the last months of the Echeverría administration were marked by political unrest virtually in all social quarters. Like 'stabilising development', 'shared development' had fallen into disrepute. Yet the Echeverría administration laid the foundations of a new economic strategy based on oil for export. Because of López Portillo's expansionist oil policy, the share of oil exports in total exports increased from 22.3 percent in 1977 to 72.5 percent in 1981 (data from Lustig 1992, table 1-5: 23). As noted by Levy and Székely, oil became "the most important new factor affecting Mexican politics and the development model" (1987: 226).

Restoring confidence was incoming president López Portillo's top priority. His appeal for national reconciliation summarised in the campaign slogan "we *all* are the solution" gave room to the most elaborated concept of *Alliance for Production*. Unlike his predecessor, López Portillo offered the private sector a star place in the achievement of his economic programme. The expectation of Mexico becoming an oil power played an important role in cementing government's alliances not only with the business community, but also with the organised labour and even the opposition. A political reform aimed at widening the presence of the opposition parties in the Congress was soon set in motion.

In this chapter, we argue that the adoption of an expansionist oil policy was at odds with the central objectives of the 1976 administrative reform, since there is a general contradiction between long-term planning and the inherent unpredictability of oil. In

other words, the fact that world oil prices and geological issues are subject to variation makes it virtually impossible to set reliable quantitative goals and objectives. In addition, the political and bureaucratic effects of the emphasis on oil shattered the institutional arrangement envisaged by the reform. From the very beginning, the rising status of PEMEX upset the hierarchical relation that should exist between the control ministries and the major spending agencies.

Yet, because of both borrowing and oil revenues, the SPP had plenty of financial resources to work with, "thus lending credence to its claims of planning for socioeconomic welfare" (Erfani 1995: 138). This fact, together with presidential backing, allowed this fledgling ministry to overcome the abundant problems threatening its survival as discussed in the previous chapter. Moreover, the abundant legal, institutional, and financial resources available to the SPP paved the way for its concentrating important political resources. A skillful use of each of them by de la Madrid, the SPP third head, explains the key role played by the SPP in the bureaucratic coalition that ended Díaz Serrano's presidential ambitions. In essence, the combination of resource holding and international events accounts for de la Madrid becoming the PRI presidential candidate in 1981.

The central purpose of this chapter is to analyse the oil policy and its impact on the federal bureaucracy. As expected, special attention is paid to the contextual factors directly related with the SPP. The first section explores both the origin of the export-orientated oil strategy and the historical trends regarding the role of PEMEX. For the sake of the argument, the following section focuses on causes and effects of the appointment of de Madrid as head of the SPP. Section three concentrates on the relationship between PEMEX and the Economic Cabinet, while the final section on the succession struggle. Here, it is argued that international factors, together with coalition behaviour involving the federal bureaucracy, determined the succession process.

4.1 PLANNING DEVELOPMENT AND THE OIL BOOM

President López Portillo inherited from his predecessor an unpopular three-year austerity programme designed by the International Monetary Fund (IMF), but also the option that might be used to overcome the policy constraints imposed by it. By mid-1978, the 'oil card' had allowed Mexico to repay the IMF loan. Sooner than expected, the

country was engaged in a bold oil-for-export strategy. The introduction of an integral system for the planning and coordination of the national economy, together with the initial over-enthusiasm triggered by the expectations of future oil wealth, explains López Portillo's obsession with having a national plan. The reputed virtues of planning obscured the fact that the unpredictability of commodity exports and planning goals do not suit each other.

From austerity to 'planned' oil boom

As discussed in the previous chapter, the period 1973-1976 provides many indicators of a relevant shift in Mexico's oil policy. Higher investment in exploration suggests government's awareness since the Díaz Ordaz years of a future shortage (Grayson 1980: 46-47). In fact, it led to the discovery of potentially rich oil fields in Chiapas and Tabasco. However, as PEMEX general director Antonio Dovalí Jaime put it in March 1973, the main problem in raising production was not technical, but financial (quoted by Philip 1982: 352). Higher investment in the industry yielded almost immediate results, thus supporting his view. By 1975, Mexico was exporting crude oil on a significant scale for the first time in decades. This fact needs to be put into a historical perspective. Since 1938, government's top priority had been to fill the internal demand for oil and gas, and only when possible exporting the surplus. In other words, up to the mid-1970s, oil production had been decided by the needs of rapid domestic industrialisation, rather than by external factors.

Oil production well above the country's requirements was the result of a deliberate policy. Mexican authorities being outspoken about 'oil discoveries' before the 1973-74 world energy crisis suggests that "Mexico had an independent interest in selling oil" (Levy and Székely 1987: 230). A stronger indication, however, was the fact that PEMEX's investment doubled between 1974 and 1976, despite the economic crisis of 1976. These facts made it unlikely that president Echeverría did not know about the country's oil potential as has been suggested even by his successor.¹ Though admittedly its exact size was a subject for considerable debate.² To be sure, the production of oil for

¹ According to López Portillo, president Echeverría did not know about the *real* oil reserves because the information was kept secret by the PEMEX's technicians (1988: 705).

² In October 1974, the Washington Post estimated the new oil fields at 20 billion barrels. Minister Flores de la Peña called the reports exaggerated, while PEMEX general director stated that, while the deposits where the largest yet found in Mexico, it would not be possible to estimate their size accurately.

export was a highly sensitive political issue in Mexico. At the time, there was extensive resistance particularly within PEMEX to an export-orientated strategy (see Philip 1982: 354-355; Teichman 1988: 56-59). This radical position was associated with the nationalisation of the oil industry in 1938, and represented a reaction to the intensive oil exploitation carried out by foreign companies before that event.

In any event, the attitude of Dovalí Jaime towards oil exports rapidly softened. In his annual speech of March 18, 1973, he summarised the oil policy as follows: "The national oil resources should be destined only to the satisfaction of our needs, no matter how seductive the offers from abroad may look . . ." (quoted by Philip 1982: 354). Three years later, however, he would declare in the same annual celebration that "we have identified more than thirty new structures besides those being developed in the area of Chiapas and Tabasco . . . [they] will surely give us excess volumes of oil to export". Moreover, he stated that "we will move [the export prices] . . . to take advantage of the fluctuations of the international market . . ." (*El Gobierno Mexicano*, separata 20, March 1976: 54). Sharply put, international prices of more than eleven dollars per barrel proved difficult to resist even for some conservationist technicians.

The historic volumes of crude exported by PEMEX in 1975 and 1976 should be interpreted as a substantial, though cautious departure from the traditional oil policy insofar as external factors greatly influenced their size. Therefore, it can be argued that president Echeverría not only deliberately laid the foundations of an expansionist, export-oriented oil policy, but selected his successor having this alternative in mind. Almost at the same time Dovalí Jaime read his last annual report, the PRI presidential candidate López Portillo set up a technical committee charged with the central task of finding out the country's real oil reserves "using more modern techniques" (Díaz Serrano quoted by Philip 1982: 357). Paradoxically enough, the magnitude of the economic crisis of late 1976 favoured the idea that its effects "could be overcome much sooner with greatly expanded oil production than without it" (Levy and Székely 1987: 230).

To deal with the effects of the late-1976 devaluations, Mexican government had no choice but to ask for foreign financial help. In September 1976, the United States authorized short-term loans for \$600 million; on October 28, 1976, just one month before

the presidential handover, the International Monetary Fund (IMF) agreed to the use by Mexico of fund resources equivalent to about 837 million special drawing rights over a three-year period (Keesing's 1977: 28170). The terms of the negotiations with the IMF, however, were kept in secrecy. Although not being especially onerous (Teichman 1988: 59), the agreement with IMF imposed policy constraints, and touched highly sensitive political issues. At bureaucratic level, it would further polarise government's two major wings, structuralists and monetarists, while triggering off a more radical debate over the country's development strategy.

On December 22, 1976, Jorge Díaz Serrano, the new PEMEX general director, announced that proved oil reserves had increased from 6.3 billion barrels to 11.2 billion barrels. In March 1977, he provided details of his Six-Year Plan, which allowed for an increase in oil production from around 1.1 millions of barrels per day to 2.2 in the period 1977-1982. In addition, it called for doubling the country's refining capacity, and for tripling the production of basic petrochemicals in the same period (Teichman 1988: 60). To achieve these goals, an investment of around \$15.5 billion was estimated. Because of the upward trend of world prices, PEMEX planning exercise had the effect of giving credence to Díaz Serrano's expansionist strategy, while consolidating his institutional leadership.

If the Echeverría administration was adversely affected by international factors, the opposite can be said regarding that of López Portillo, at least till 1981. As argued by minister Oteyza in early 1977, financing development was the country's main bottleneck (*Proceso* 25, 23/4/77: 11). However, abundance of oil reserves, amid the world energy crisis and abundance of petrodollars, meant virtually unlimited access to foreign credit. Despite the IMF's conditions, there was no problem in assuring the necessary resources to start almost immediately the ambitious programme of PEMEX. By the end of 1977, the amount of crude exported more than doubled Echeverría's historic record. The era of 'planned' intensive oil exploitation for export had begun.

Table 4.1 presents the main economic and public financial indicators during the López Portillo administration. It is clear from there that the 'oil card' produced impressive results in aggregate output and investment during the four years of the oil boom. Total GDP, for instance, grew at an annual average of 8.4 percent between 1978 and 1981.

Similarly, employment expanded at 5.7 percent at year in the same period (Lustig 1992: 20).

Because of oil, the relationship between government and the domestic private sector was as good as during the 'stabilising development' in the period 1977 to mid-1982 (see Arriola and Galindo 1984). It was so despite some worrisome economic indicators such as growing inflation and financial deficit and balance of payments deficits (see table 4.1). In June 1979, *all* the business chambers, including the influential Business Coordinating Council (CCE), publicly regarded the results of the *Alliance for Production* as "highly positive" (Arriola and Galindo 1984: 119-120). When in 1980 PEMEX reached its production goals for 1982, Díaz Serrano became a serious contender to succeed López Portillo not only in the eyes of the observers, but in those of the president.

TABLE 4.1 Selected economic and public financial indicators, 1976-1982

	1976	1977	1978	1979	1980	1981	1982
A. GDP ⁽¹⁾	4.24	3.44	8.25	9.15	8.32	7.95	-0.54
B. Inflation ⁽¹⁾	27.2	20.7	16.2	20.0	29.8	28.7	98.8
C. Balance of payments ⁽²⁾	-4.22	-1.96	-2.62	-3.62	-3.88	-5.23	-2.98
D. Federal spending ⁽²⁾	20.07	20.09	19.58	19.02	20.45	24.78	37.43
E. Public Investment ⁽³⁾	40.59	41.32	45.66	44.94	54.29	50.25	48.41
F. Financial deficit ⁽²⁾	9.1	6.3	6.2	7.1	7.5	14.1	16.9
G. Primary deficit ⁽²⁾	4.6	2.2	2.2	2.7	3.0	8.0	7.3
H. Operational deficit ⁽²⁾	4.1	2.6	3.4	3.8	3.6	10.0	5.5

⁽¹⁾ Annual percentage change; ⁽²⁾ As percentage of GDP; ⁽³⁾ As percentage of the total investment.

Source: A, B, D, E, Basáñez (1991: 158, 164); C, NAFINSA (1981: 271 and 1986: 240); F, G, H, NAFINSA (1990, cuadro 13.29: 632).

The continued rise of international oil prices gave government planners the impression that oil was a way out of Mexico's economic and political woes (Teichman 1988: 56). This was so, it was thought, if the destiny of the oil wealth was carefully planned. Contrary to the spirit of the 1976 administrative reform, PEMEX began 'planning' even before the SPP, or in fact any other ministry. More relevant, PEMEX's sectoral planning would substantially influence the national planning process as a whole. In any event, because of the unexpected drop of oil prices in 1981, Mexican planners painfully had to learn that long-term planning and the behaviour of the world commodity markets were incompatible.

The oil strategy and the Economic Cabinet

The way president López Portillo integrated his first cabinet reflected his structuralist orientation. Personnel linked to the *Secretaría de la Presidencia* and SEPANAL accounted for more than 50 percent of the total composition of his first cabinet.³ The fact that López Portillo had spent most of his bureaucratic career in these two ministries suggests the institutionally-grounded character of his *camarilla*. This phenomenon was associated with his being the first president produced by the economic-policy network. In SEPANAL (1958-64) had worked Rossell de la Lama (Tourism) and Pedro Ojeda (Labour); in the SPre (1965-70) Moctezuma Cid (SHCP), Carlos Tello (SPP), Solana (Commerce), Mújica (Communications), and Martínez Manatou (Health); and in SEPANAL (1970-73) Oteyza (SEPAFIN) and Rafull (Fisheries). An interesting fact is the overwhelming presence in cabinet of López Portillo's former associates at CAP. Table 4.2 attempts to illustrate the importance of this commission in shaping the president's inner circle. This particular composition sheds light on the priority that administrative reform had in the presidential agenda.

A careful review of these appointments reveals that president López Portillo essentially used his inner circle to staff the economic-policy network.⁴ This selection criteria confirms his view that the main problems of his administration were in the economic realm, not in the political one (López Portillo 1988: 472, 694). During 1977, the quarreling between Tello and Moctezuma Cid prevented both the SPP and the SHCP from taking the leadership of the Economic Cabinet. This fact, together with the oil strategy, favoured SEPAFIN (before SEPANAL). After the sectorisation of the parastate sector, this ministry remained in charge of coordinating and controlling the powerful industrial component of this sector. Besides, the industrial functions of the former ministry of commerce and industry were transferred to SEPAFIN in December 1976, thus increasing considerably its institutional resources.

³ Excluding the Secretariats of National Defence and Navy over which the president's appointing power is very narrow. López Portillo, for instance, admits that he did not even know general Félix Galván López before appointing him as defence minister (1988: 474).

⁴ The integration of the policy network for political control followed a different pattern as will be seen later in this chapter.

TABLE 4.2 Posts held by key members of the *Comisión de Administración Pública* (CAP), 1965-1982

Name	Position in the Commission (1965-1970)	Post in the Echeverría Administration (1970-76)	Main post in the López Portillo Administration (1976-1982)
Emilio Martínez Manatou	Institutional responsible	None	Minister of Health (SSA)
José López Portillo	President	- <i>Subsecretario</i> at SEPANAL, 1970-1972 -Director General of the CFE, 1973 -Minister of Finance (SHCP), 1973-1975	President of Mexico
Carlos Vargas Galindo	Secretary	--	Legal Advisor to the President
Alejandro Carrillo Castro	Technical Secretary	--	Administrative Studies at the Presidency
Julio Rodolfo Moctezuma Cid	Commissioner	-Adviser to the Ministry of the Presidency, the SHCP, and CONASUPO, 1970-1974 - <i>Oficial Mayor</i> at the SHCP, 1974-1975	Head of the SHCP Head of PEMEX
Carlos Tello Macías	Commissioner, 1968-1970	- <i>Subdirector General</i> of Credit (SHCP), 1970-75 - <i>Subsecretario</i> at the SHCP, 1975-76	Head of the SPP Head of the Central Bank
Fernando Solana Morales	Commissioner, 1965-1966	- <i>Subdirector</i> of Planning at CONASUPO, 1970-1976	Minister of Commerce
Emilio Mújica Montoya	Commissioner	-Director of Planning at the National Railroads, 1971 -Adviser to López Portillo at the SHCP, 1973-75 - <i>Director General</i> at SEPANAL, 1975-76	Minister of Communications and Transportation (SCT)
Leopoldo Ramírez Limón	Commissioner	--	<i>Director General</i> at the SHCP
Guillermo Vazquez Herrera	Commissioner, 1966-1970	--	<i>Director General</i> at the SHCP
Pedro Zorrilla Martínez	Commissioner, 1967-1970	- <i>Director General</i> at <i>Gobernación</i> , 1970-1971 - <i>Oficial Mayor</i> at the DDF, 1971-1972 -Attorney for the Federal District, 1972-1973 -Governor of <i>Nuevo León</i> , 1973-1979	None
Miguel Duhalt	Adviser	--	<i>Oficial Mayor</i> at Commerce
Bernardo Sepulveda Amor	Legal Adviser	Advisor to the head of the SHCP, 1971-1975	<i>Director General</i> at the SHCP
Enrique M. Loaeza	Auxiliary	Auxiliary to López Portillo, 1970-1975	General Director of Airports (ASA)

Source: Carreño (1975); Samuel I. del Villar, "Reforma Administrativa: Vieja Carta de López Portillo" (in *Proceso* 12, 22/1/77: 6-13); Camp (1982).

As head of SEPAFIN, president López Portillo appointed José Andrés de Oteyza, a 34-year-old economist with graduate studies in Cambridge. His appointment represented a triumph of the structuralist wing within government. Moreover, he would become its head during the López Portillo administration. Oteyza belonged to Flores de la Peña's inner circle at SEPANAL, when his "intelligence and technical skills" attracted the attention of the under-secretary López Portillo. With the support of both Flores de la Peña and López Portillo, the career rise of Oteyza was meteoric: From being a modest under-director in 1970, he was appointed *director general* at SEPANAL in 1972, head of FINAZA (a sugar-related parastate entity) in 1974, IEPES coordinator during the López Portillo's presidential campaign, and minister in December 1976.⁵

Apart from *camarilla* considerations, the combined reasons aforementioned account for Oteyza becoming the most influential minister during the López Portillo administration. Institutionally, SEPAFIN would play an outstanding role in the policy-making and planning processes. According to the administrative reform, this agency was the '*cabeza de sector*' of the industrial parastate sector. Thus SEPAFIN was responsible for designing the country's industrial policy, and for serving as a liaison between the presidency and the industrial state-owned enterprises, including PEMEX. Before analysing the relationships between SEPAFIN and PEMEX, it is important to know who was appointed as director of the latter.

The new head of PEMEX was one of López Portillo's oldest friends.⁶ Besides, he had headed the committee of oil experts set up to study "the oil question" during the presidential campaign. Giving him this task was not an arbitrary decision. Engineer Díaz Serrano was an experienced, successful expert on oil drilling. His being a contractor for PEMEX since the mid-1950s was at the core of his wealth. This also allowed him having a good knowledge of the agency's internal operation, and no few contacts among its managers and technicians. Despite this impressive background, one fact made this appointment exceptional: he had never been a government official. Sharply put, he was an outsider.

⁵ Oteyza's career should be contrasted with that of Rafull (Fisheries), his boss between 1970 and 1971, who, though he was López Portillo's friend, did not have the same technical qualifications.

⁶ An example illustrates this friendship. In 1965, Díaz Serrano, already a successful entrepreneur, offered López Portillo (who was unemployed after resigning his post at SEPANAL) a very well-paid 'job' as his adviser working one day per week (López Portillo 1988: 305-306).

The appointment of Diaz Serrano in December 1976 was an unmistakable signal that oil for export would be used not only to face the effects of the crisis, but to finance development. As a result, it was only logical this strategy brought to the fore not only his director, but also PEMEX as institution. Moreover, it is clear that this agency would play a more active role in the policy-making process. However, more fundamental questions remained unclear: How did the new role of PEMEX affect the institutional arrangement established by the 1976 public sector reorganisation? To what extent did this role alter the bureaucratic balance of power?

Pemex the star

In any semi-industrialised country with plenty of oil, the oil industry is almost certain to be a key sector. While it applied and still applies to Mexico, it needs to be underlined that not only the ISI strategy, but also the dynamics of the political system determined the particular character of PEMEX. Thus, this state monopoly became both an important political instrument and a crucial agent in the process of development. Something similar applies to the CFE. Providing *cheap* energy for rapid industrialisation had demanded continued, and rising, investment in the oil and electricity state-owned industries. By the early 1970s, the key power of PEMEX and the CFE resided more in the sensitive impact that its performance had on the whole socioeconomic, than in the huge financial resources they dealt with. Yet, both ingredients would gradually strengthen the institutional role of both agencies.

Mostly because of world oil prices, PEMEX would emerge as the true star of three and a half decades of increasing emphasis on industry in the period 1974-1981. For instance, it was estimated that in 1977 the largest twenty-seven parastate entities, PEMEX and the CFE being at the top of the list, were responsible for 90 percent of the spending of the whole parastate sector (Rico in *Empresas Públicas* 1978: 100). Obviously, the oil boom would further skew this already distorted picture. In 1978, PEMEX and the CFE were authorised about 54 percent of the total budget allocated to those twenty-seven parastate entities, while PEMEX alone about 38 percent (see Federal Budget 1978, DOF 30/12/1977). By 1981, this agency was responsible for 60 percent of the total public investment, while the CFE for 20.7 percent (calculation based on data from Philip 1984, table 2: 30).

Holding such amounts of resources made the head of these agencies, whoever they were, influential, powerful civil servants. Sharply put, the reason for this is the clientelistic nature of the Mexican political system. Not surprisingly, from December 1976 to March 1979, the political star of the director of PEMEX rose rapidly. Did the personal attributes of Díaz Serrano enhance this situation? Allowing for the organisational setting and environmental factors, the answer is yes. In 1977, doubling oil production amid austerity was in good part due to Díaz Serrano's management skills and determination. Thereafter, a \$1,200 million-loan, agreed with 74 international banks on November 8, 1977 would trigger the Mexican oil boom 1978-81.⁷ By the end of 1978, oil production had doubled again, and export revenues were pouring in. Successive announcements of 'potential' oil finds increased proven reserves to around 40 billion barrels by January 1979. The oil policy becoming the cornerstone of the entire economic strategy placed PEMEX at the centre of the policy-making process.

Except for bureaucratic experience, Díaz Serrano brought together all the ingredients for successful performance in government as identified by Riccucci (1995). First, apart from possessing technical expertise, he showed extraordinary political skills. Díaz Serrano not only maintained, but improved his relationship with the president, while being an effective player in some domestic circles. His political ability helped him to build support from, and alliances with, the oil union, the PEMEX technicians⁸, the industrial sectors of the business community, and some sectors of the federal bureaucracy. Moreover, he had offered a clear, consistent, feasible oil strategy. Díaz Serrano's determined, strong-willed personality further assured that, in his hands, the strategy would be successful. In brief, good political instincts, entrepreneurial skills, and resolution allowed him to take advantage of contextual opportunities, and PEMEX's institutional resources and in turn increase them.

The early launching of the six-year oil plan paved the way for his dominating the design and implementation of the oil policy. In 1977, oil revenues proved crucial not only

⁷ This seven-year loan reportedly represented the largest single loan ever obtained by Mexico (Keesing's 1978: 28779). It is worth noting that negotiations were kept secret. About one month before the agreement, journalist Manuel Buendía (1985: 18-21) revealed that PEMEX was negotiating a loan of \$590 millions, that is, about half of the actual loan.

⁸ Before the arrival of Díaz Serrano, conservationist technicians were a majority within PEMEX, while the pro-export technicians were a small dissident faction. Reversing this picture was the result of both the purge of managers carried out in early 1977 and the internal effect of oil revenues.

to overcome the worst effects of the crisis, but to assure the success of López Portillo's overall political priorities. At first sight, it was hard to dissociate the name of Jorge Díaz Serrano from these developments. However, some qualifications are at hand. To begin with, PEMEX becoming a key policy actor during the López Portillo administration was not because of Díaz Serrano, but because the significant revenues this agency was generating. In a clientelist environment, these revenues were crucial to cement alliances with not only with PEMEX's contractors and beneficiaries, but with the system's abundant clienteles, including some quarters of the Left. In general, the rising star of Díaz Serrano confirmed the importance of holding strategic institutional resources at the right time. In much narrower terms, it also suggested the relevance of personal factors such as the access to the president, derived from friendship ties.

With the president's support for an oil expansionist strategy, besides the factors aforementioned, the power of PEMEX and his director expanded rapidly. Paradoxically, this fact threatened the very foundations of López Portillo's administrative reform for various reasons. First, the autonomy required by PEMEX to implement its programme shattered the control mechanism based on the grouping of parastate entities. After all, the largest industrial enterprises had never been ordinary parastate entities. Second, Díaz Serrano's access to the president hampered the exercise of SEPAFIN's supervisory powers. Third, several factors reduced the financial control of the SHCP over PEMEX. They included dependence on revenues from oil exports and relative agreement with the expansion programme. To make things worse, the SPP -the cornerstone of the reform- was not working as expected.

In brief, the emerging picture of the federal public sector was very different from the theoretical arrangement conceiving the SPP atop the economic-policy network. Instead, Díaz Serrano was emerging as an influential *de facto* minister, thus altering not only the balance of power within the cabinet, but the traditional distribution of power within the federal public sector as a whole. His *sui generis* position gave him one key advantage: Without being formally a member of the Economic Cabinet, he could avoid its stormy sessions and procedures. As noted by Teichman, oil policy was made "largely by the president and Díaz Serrano with little or no consultation of the Economic Cabinet" (1988: 67). It seemed as if PEMEX had replaced the SPP as the cornerstone of the economic-policy network.

Despite its oversimplification, this picture describes fairly well the role played by PEMEX in the hectic period 1977-1978. A succession of foreign and domestic events and developments taking place during and immediately after that period would gradually alter the power relations and linkages between the major institutional actors. One of those events was the firing of García Sáinz, the second head of the SPP, and his replacement by Miguel de la Madrid.

4.2 THE ARRIVAL OF DE LA MADRID AT THE SPP

Appointing de la Madrid as head of the SPP on May 16, 1979 proved to be a crucial presidential decision because of its long-lasting political consequences. At the time, it meant the last chance to make the 1976 administrative reform work as planned because of time constraints imposed by the presidential cycle. Considering López Portillo's interest in the issue, whoever selected to the post would have many advantages on his side. What made de la Madrid's appointment interesting was the appointee's financial background. In brief, the new SPP's head had spent most of his bureaucratic career working for the SHCP. This fact was clearly at odds with the president's animosity towards this ministry. The purpose of this section is to explore both the causes of this appointment and its impact on the SPP.

De la Madrid: A 'Trojan horse'?

As already discussed, up to early 1979, a long list of factors had foiled the success of López Portillo's administrative reform. After the firing of García Sáinz, therefore, the prospects for the SPP were not regarded highly. If López Portillo wanted, as he did, to save his reform, he needed to select the right man for the SPP. For this reason, the selection of de la Madrid sheds enormous light on bureaucratic politics in Mexico. Contrary to a widespread belief, de la Madrid was neither a member of López Portillo's inner circle, nor his close friend. To be sure, the president had been de la Madrid's teacher at UNAM. Furthermore, in 1973 López Portillo became de la Madrid's boss at the SHCP. Despite these facts, their old relationship never developed into a solid friendship.

In essence, the distant relationship between López Portillo and de la Madrid is associated with their different bureaucratic careers. Until 1973, they came to work in agencies between which there was a great deal of institutional bickering. Moreover, since

1965, de la Madrid had become member of the exclusive club of lawyers-with-financial-experience that operated in the SHCP's credit branch since the 1950s. Simultaneously, López Portillo developed at the *Secretaría de la Presidencia* a plan to reduced the inordinate power of the SHCP's elites. Their encounter at the SHCP was sheer accident. By then, as table 4.3 shows, de la Madrid was a prominent member of the 'credit cluster' led by lawyer Mario Ramón Beteta. As head of the finance ministry, however, López Portillo did not disturb this cluster, but neither promoted de la Madrid⁹. During the 1975-1976 presidential campaign, Beteta was appointed head of the SHCP, and de la Madrid took his place. This fact further showed that the former, nobody else, was the main mentor and patron of the latter.

TABLE 4.3 Key SHCP high-rank officials, 1958-1979

<u>Secretario</u>	<u>Subsecretario de Egresos</u>	<u>Subsecretario de Ingresos</u>
David Ibarra Muñoz (1977-)	Miguel Rico Ramírez (Dec. 1976)	Guillermo Prieto Fortun (1978-)
Julio Rodolfo Moctezuma Cid (1977)	Ramón Aguirre Velázquez (1976)	Ignacio Pichardo Pagaza (1976-78)
Mario Ramón Beteta (1975-76)	Carlos A. Isoard (1970-76)	Carlos Tello (1975-76)
José López Portillo (1973-75)	Enrique Caamano Muñoz (1958-70)	Francisco Javier Alejo (1974-75)
Hugo B. Margain (1970-1973)		Gustavo Petricoli (1970-74)
Antonio Ortiz Mena (1958-70)		Francisco Alcalá Q. (1964-70)
<u>Subsecretario de Crédito</u>	<u>Director General de Egresos</u>	David Romero C. (1961-64)
Miguel de la Madrid (1975-79)	Miguel Angel Dávila M. (1975-76)	Eduardo Garduño (1958-61)
Mario Ramón Beteta (1970-75)	Ramón Aguirre V. (1971-75)	
Jesús Rodríguez y R. (1958-70)	Miguel Rico Ramírez (1970-71)	
↓		
<u>Director General de Crédito</u>		
Jesús Silva Herzog (1978-79)		
Miguel de la Madrid (1972-75)		
Jesús Silva Herzog (1970-72)		
Mario Ramón Beteta (1964-70)		
↓		
<u>Estudios Hacendarios/ Planeación Hacendaria</u>		
Carlos Salinas de Gortari (1978-79)		
Francisco Gil Díaz (1976)		
Héctor Hernández Cervantes (1970-1975)		

Source: Camp (1982); *Diccionario Biográfico* (1984).

When president-elect López Portillo chose his main associates in late 1976, he did not include de la Madrid in the list, nor had he any plans for him (José Ramón López

⁹ Sometime during this period, López Portillo apologised to de la Madrid for not having promoted him, the latter answered : "Do not worry about me. I am not in a hurry. I just want to be in the race" (López Portillo 1988: 365).

Portillo, interview, London, 1/12/95). One additional fact may explain why. During the 1974-75 succession process, the latter supported not his formal boss' aspirations, but those of Moya Palencia, the head of *Gobernación*.¹⁰ Despite being a logical candidate, credit under-secretary de la Madrid was discarded as Moctezuma Cid's successor in late 1977. Deliberately, David Ibarra, an outsider, was appointed head of the SHCP.

Considering these antecedents, why then did president López Portillo consider de la Madrid as a candidate for the SPP? Many factors accounted for this complex decision. Two of them deserve special attention. First, the president had already drained his inner-circle reserves, and had very few suitable candidates. Aware of the importance of his decision, he took more than three months analysing various options from which to chose. Second, the advice of Oteyza, one of his most influential associates, proved decisive in the decision making. According to José Ramón López Portillo, the candidature of de la Madrid to the SPP was proposed, and strongly supported by Oteyza (interview, London, 1/12/95).¹¹ Because of their different backgrounds and political orientations, this is an interesting fact.

Objectively, Oteyza's proposal offered some advantages over the president's known candidates: Rosa Luz Alegría and Romero Kolbeck (López Portillo 1988: 808). Ironically, the 'proved' technical capabilities of de la Madrid and his team might assure the rapid implementation of the administrative reform. In addition, their background could also soften the tensions between the SHCP and the SPP.¹² Therefore, it was worthwhile taking the risks of using the 'technical resources' of the former to make the latter work. Two additional factors should be born in mind. First, the administrative reform was one of López Portillo's great "cards". Its abortion would have meant the overt recognition of a failure. Second, it was almost the middle of the presidential term, and time was running short to deliver what had been offered.

In this context, it was not difficult to persuade the president that giving de la Madrid enough room for action, together with presidential support, was sine qua non for

¹⁰ This statement is supported by two facts. First, de la Madrid appointed Manuel Bartlett, who was a member of Moya's inner circle, as his adviser in 1979. Second, Moya himself was a confidential advisor to de la Madrid after 1982.

¹¹ The same source told me that after being appointed head of SEPAFIN, Oteyza had thought about bringing de la Madrid as his under-secretary.

¹² At the time, López Portillo was convinced that the relationship between those agencies was intrinsically conflicting (*Proceso* 793, 13/1/92: 15).

the SPP to succeed. Apart from allowing the new SPP's minister free hand in staffing the agency, López Portillo appointed Carlos Salinas as technical secretary of the Economic Cabinet on July 26, 1979. Since Salinas was a key member of de la Madrid's inner circle at the SPP, this appointment was the best indication that president López Portillo, as he put it, had decided to give the head of the SPP "and his team all the relative responsibility" (1988: 864-865). The crucial position Salinas was placed in proved crucial in the SPP gaining the leading role it was expected to play in policy making.

Beyond doubt, the arrival of de la Madrid at the SPP would play a fundamental role in the consolidation of this agency. However, it should be stressed that less apparent institutional factors greatly contributed to that outcome. Clearly, de la Madrid did not receive a newly-born agency. Despite its youth and the problems already described, the SPP had considerably improved its administrative structures, and had begun to exercise some of its extensive powers. In brief, what de la Madrid took charge of was not an ordinary fledgling ministry, but a potentially powerful ministry.

The consolidation of the SPP

Even though the resignation of Tello in late 1977 caused a high personnel turnover within the SPP, some qualifications are in order. First, there was a substantial carry-over of middle- and low-rank officials. Second, the turnover mostly affected support units rather than core ones. Third, it was practically limited to Tello's inner circle.¹³ One example illustrates our point. Sergio Mota Marín, Tello's chief adviser, was appointed by García Sainz head of the *Sistema Nacional de Información*, where he and his team remained until late 1982. This unit was responsible for producing the national statistics and cartography. High levels of permanency were even clearer in the budgeting and evaluation branches of the SPP. The developments described played a fundamental role in the rapid consolidation of this agency. As a result, despite adjustment and technical problems, it could be hard to deny that there were significant institutional advances in the operation of the SPP for such a short period (see *Memoria* 1977 and 1978).

In particular, that was the case of the SPP's apparatus for regional investment and coordination with the local governments. By creating the *Coordinación General de*

¹³ These statements are based on the analysis of the SPP personnel between 1977 and 1979 (see Appendix 2). Bailey (1984: 86) provides a different interpretation.

Delegaciones in late 1978, García Sainz laid the foundations of a nationwide network made up by the SPP offices already operating in each state (compare figures 3.3 and 3.4 in chapter 3). As discussed in future chapters, the importance and political implications of this network would be felt in the years to come.

To be sure, the key problems the SPP faced when de la Madrid was appointed were located in two areas: planning and evaluation. On the one hand, neither Tello nor García Sainz was able to produce a sound national plan. At technical level, this fact was related to the lack of the required methodology and institutionalised procedures. At political level, national plan making was severely hampered by sharp cabinet and extra-cabinet disagreements about the course for economic development. Without clear agreed objectives, programming was simply not possible. On the other hand, evaluation was from the outset fiercely resisted by most quarters of the federal bureaucracy.

Thus, while evaluation became virtually nominal, the programming-budgeting function was dominated by the 'budget team'. Despite some efforts at programming, the 1978 and 1979 annual spending budgets were prepared mostly with "a strict accounting orientation in ledger rather than program terms" (Bailey 1984: 86). All these problems would receive special attention during de la Madrid's tenure.

TABLE 4.4 The SPP personnel and their SHCP background, 1976-1981
(Percentages of selected samples)

	Tello/García Sáinz (N=75)	De la Madrid (N=52)
First post in the SHCP	15	45
Last post in the SHCP	26	52
In SHCP any time	30	75
SHCP dominant in career	15	40

Source: SPP 1 (see Appendix 1).

In contrast to his predecessors, de la Madrid was given practically a free hand in staffing the SPP. Consequently, he replaced most of the high- and middle-rank officials with personnel totally identified with him. What is interesting is not this fact, but the bureaucratic background of the individuals brought by de la Madrid. Table 4.4 shows that 75 percent of them had worked for the SHCP at least once in their career. In addition, it

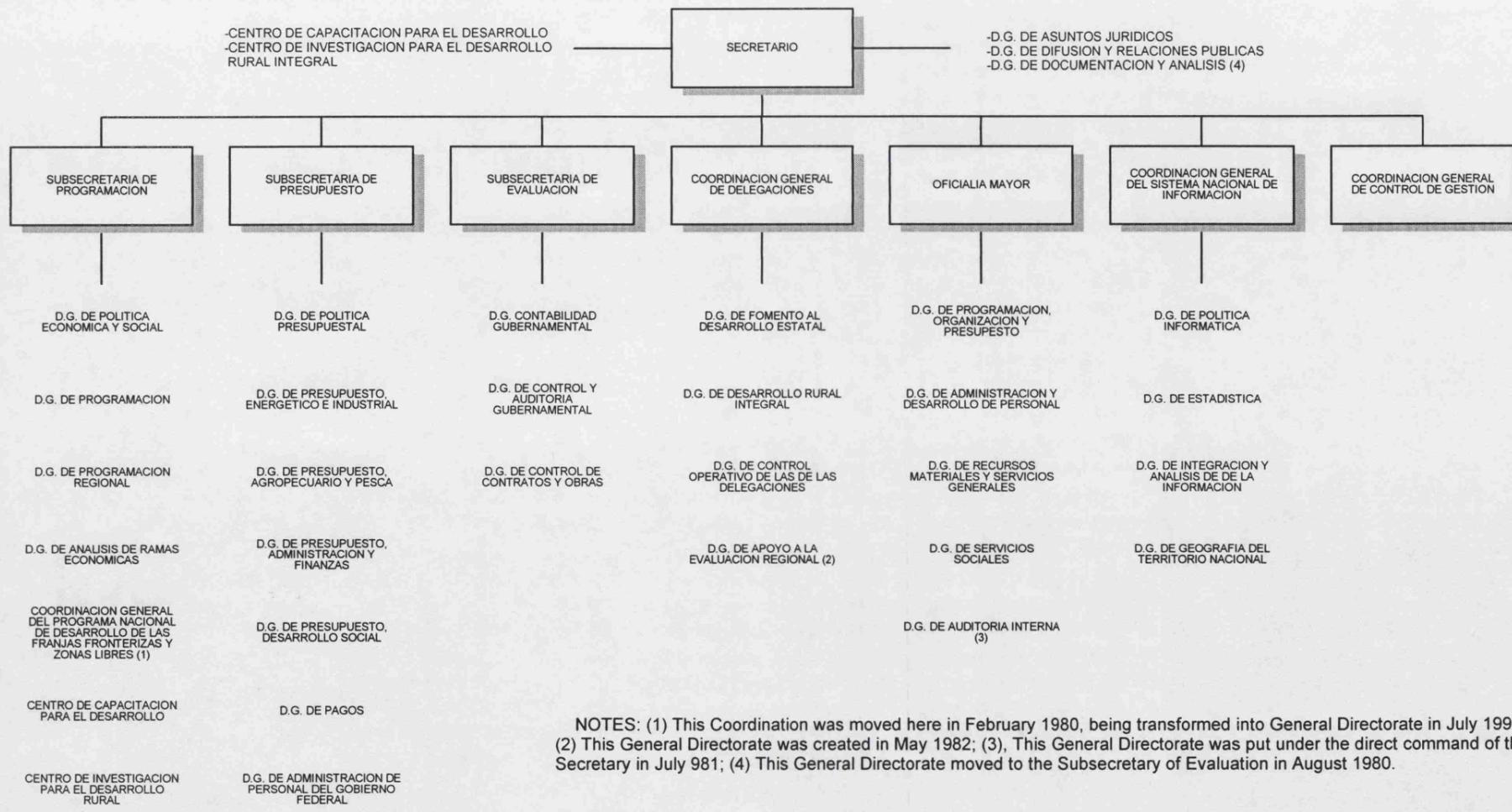
demonstrates that about half of them were brought directly from the SHCP.¹⁴ Like de la Madrid himself, 40 percent of his team had spent most of their careers in that particular agency. A fairly different personnel profile characterises the administrations of Tello and García Sainz. This table suggests the importance of institutions in the composition of *camarillas* within the economic-policy network.

After the arrival of de la Madrid, only very few high-rank officials stayed in office. This was the case of Rosa Luz Alegría and José Ramón López Portillo, presidential appointees, and Sergio Mota Marín. Even Rico and his team, the famous 'budget team', left the SPP for good. He was replaced by his former associate in the SHCP, Ramón Aguirre Velázquez (see table 4.3 above). With him a younger group of budgeters arrived. To Programming was appointed Francisco Labastida Ochoa, who had been Director General of Fiscal Promotion of SHCP since 1976. Under the formal direction of Labastida Ochoa, Carlos Salinas became head of the *Dirección General de Política Económica y Social* (DGPEyS). From the SHCP also came Eduardo Pesqueira (*Coordinador de Delegaciones*), Bernardo Sepulveda (advisor), and Francisco Rojas (*Control de Gestión*). The size of the SPP allowed de la Madrid to bring some of his old personal friends to the SPP, such as Lugo Verduzco (*Oficial Mayor*), Manuel Bartlet (advisor), and González Avelar (Public Relations). All the officials mentioned would become ministers in the following administration.

The approval of the SPP's second *Reglamento Interior* in early 1980 (DOF 28/2/80) led to a radical reorganisation of the SPP. It represented an important stage in the consolidation of the agency. As shown in figure 4.1, during de la Madrid's tenure the SPP structure grew considerably, in particular at the middle and low levels. Less apparent changes illustrates de la Madrid's approach to one of the key problems of the agency. To avoid centralised decision making and power concentration in the budgeting division, the general directorates of *Inversiones Públicas* and *Egresos* were transformed into four units on sectoral basis (see figure 4.1). The logic of this change was that it would favour programme-orientated budgeting and sectoral programming. In addition, the *Dirección*

¹⁴ This percentage goes up if Ramón Aguirre's *camarilla* is considered. In December 1976, de la Madrid's mentor Beteta was appointed head of SOMEX, a state-owned credit institution under the SHCP's sphere of influence. Aguirre and his closest team followed him there, before arriving at the SPP in May 1979.

FIGURE 4.1 SPP Organisation Chart, 1980-1982



Source: *Reglamento Interior de la SPP* (28/2/80); *Manual de Organización General de la SPP* (DOF 25/4/80); *Modificaciones al Manual de Organización* ((21/8/80); and *Decreto de Reformas y Adiciones al Reglamento Interior* (DOF 22/7/81).

General de Política Presupuestal, a normative area in charge of the design of budgeting policy, was created.

Up to 1979, a central matter of concern to the President was the SPP's incapacity to produce a national plan articulating his programmes.¹⁵ The lack of a plan had been made more notorious by other agencies launching many sectoral plans. Bearing in mind that to López Portillo a national plan meant the best indicator of the success of his administrative reform, de la Madrid gave top priority to its elaboration (*Memoria* 1979: 25-27). The working logic was to ascribe the task of plan making, called 'plan integration' at the time, to a single unit. The unit selected was not the programming division, formally in charge of planning, but one of its directorates, namely the DGPEyS. With the total support of de la Madrid, this macro-economic think-tank, directed by Carlos Salinas, gained stature, autonomy, and power as a result. This situation generated explicable tensions between Salinas and his formal boss: the under-secretary Francisco Labastida. It should not be forgotten that the former was technical secretary of the Economic Cabinet.

Less than a year after de la Madrid's appointment, the *Plan Global de Desarrollo* (PGD) was officially launched on April 15, 1980. Weeks before this event, the 1980 SPP's *Reglamento Interior* institutionalised the 'plan integration' function of the DGPEyS. Planning, rather than programming, had become one of key functions of the SPP. Before going further, it is important to turn the analysis into the broader institutional and political implications of the arrival of de la Madrid at cabinet.

4.3 BUREAUCRACY AND THE DEFEAT OF PEMEX'S STRATEGY

The adoption of an export-orientated oil strategy had important effects on the federal bureaucracy. For the first time, PEMEX became an influential actor in the national policy-making process. In brief, this development implied a substantial change in the existing distribution of institutional resources which, in turn, affected the traditional operation of the economic-policy network. Moreover, it also challenged the

¹⁵ During the Tello's months as head of the SPP, a social-orientated project of *Programa Quinquenal* (1978-82) was elaborated (see *Proceso* 71, 13/3/78: 16-17). In early 1979, García Sáinz presented a first version of a global plan. To his misfortune, the document was severely criticised by both the president and the media (López Portillo 1988: 816 and 820).

developing arrangement introduced by the 1976 administrative reform. Not surprisingly, the more active role PEMEX began to play since December 1976 triggered strong bureaucratic reactions. At first, opposition was limited to the actors directly affected, later it would extend to broader sectors of the federal bureaucracy. By mid-1981, Díaz Serrano was not any longer director of PEMEX.

Coalition building: Oteyza versus Díaz Serrano

With the appointment of Díaz Serrano, PEMEX acquired its strongest director since Antonio Bermúdez (1946-58) (Philip 1982: 357). And so did SEPAFIN with the appointment of Oteyza. From the outset, the theoretical hierarchical relationship between both agencies was replaced by one between peers. For the success of Díaz Serrano in convincing the president of the merit of his expansion programme improved the institutional status of PEMEX. Moreover, the early launching of an oil plan by this agency provided basic policy guidelines difficult to alter, which reduced the role of the economic cabinet in designing economic policy. As a result, the unfolding debate within government was not about increasing oil for export as advocated by the PEMEX director, but about the limits of production, the pace of exploitation, and the destination of the revenues. On these specific issues, Díaz Serrano and Oteyza held completely different views. In this context, confrontation between them became inevitable.

It is worth noting that the expectations generated by the 'oil card' are responsible for modifying the traditional institutional orientations of the key agencies directly concerned with the oil policy. With Díaz Serrano, PEMEX changed its traditional nationalist, cautious, inward-orientated approach to oil exploitation for a bold, expansive, export-directed strategy. Surprisingly enough, SEPAFIN, in the past the most active proponent of state intervention, adopted a moderate stance vis-à-vis PEMEX's plans. Even the conservative SHCP appeared to endorse expansion which essentially meant stepping up public spending. Beneath the surface, it was greatly the reflection of more fundamental realignments of social forces, including bureaucratic clienteles, triggered by the oil option. In these conditions, not only would agency adaptability determine agency survival, but coalition politics were called to play a relevant role in the resultant balance of power.

As noted by George Philip, "support for expansion was fairly wide" (1982: 360). With the presidential backing, it was not difficult for Díaz Serrano to build strong

alliances with the economic agents directly benefitting from his expansionist programme. They included domestic private industrialists, domestic and foreign bankers, and even foreign entrepreneurs seeking to supply the Mexican oil industry with their products. Domestically, a key supporter of expansion was the influential Monterrey Group. These coalitions not only were consonant with López Portillo's appeal for his *Alliance for Production*, but helped to forge it. Additional sources of support came from the union of oil workers, and also from important sectors of the federal bureaucracy. More specifically, they included the spending agencies, those with political clienteles, and above all the ruling party.¹⁶

Various reasons account for the SHCP becoming, at least temporally, a supporter of PEMEX's expansion. First, the ambitious oil investment programme benefitted the SHCP's clienteles. Second, oil revenues could postpone the need for a radical tax reform, a measure traditionally opposed by this ministry. Third, as oil revenues grew, so did the importance of PEMEX as a taxpayer.¹⁷ Fourth, as under-director and later director of NAFINSA, David Ibarra had been closely linked to the oil strategy. Moreover, as head of the SHCP since late 1977, he could advance his personal economic conceptions, and also his political aspirations.

From the outset, Oteyza became the strongest critic of PEMEX's inordinate expansionist plans. Essentially as a reaction to Díaz Serrano growing influence, he called for a moderate use of the oil reserves. In doing so, he gained the support of the more nationalist wings of government, and that of leftist intellectuals and academics. Because of the weakness of these groups, however, Oteyza's viewpoints did not threaten the programme of the director of PEMEX at least in the period 1977-1979.

In 1978, well before schedule, government paid the IMF loans, thus getting rid of a source of domestic discomfort. At the end of that year and mostly because of oil, the GDP grew 8.25 percent as compared with 3.44 percent in 1977 (see table 4.1 above). Not surprisingly, the undeniable success of Díaz Serrano in implementing his all-out oil programme improved his relationship with the presidency. In December 1978, López

¹⁶ See Teichman (1988: Chapter 4) and Levy and Székely (1987: Chapter 7) for an extensive discussion of the alliances built around PEMEX's expansionist programme as well as of those opposing it.

¹⁷ A deliberate policy of taxing away a substantial part of PEMEX's income is responsible for this fact. As noted by Teichman, taxes paid by PEMEX, as a percentage of the total federal taxes, went from 5 percent in 1976 to 24.9 percent in 1981 (1988: 66).

Portillo agreed to give Díaz Serrano direct access to him to discuss the oil policy (*acuerdo directo*), and also autonomy to PEMEX "in the adequate way" (1988: 785). This deferential treatment further shattered the very foundations of the president's administrative reform, while deepening the rivalry between Díaz Serrano and Oteyza. To the fortune of the head of PEMEX, oil prices would reach unprecedented levels in 1979 because of the Iranian crisis. Despite these facts, many developments would eventually favour the claims of Oteyza.

Since mid-1977, opposition leader and journalist Heberto Castillo began a systematic campaign against PEMEX's expansionist policy in the newly-born magazine *Proceso*.¹⁸ His central arguments were that since oil is a non-renewable resource its exploitation should be stretched as long as possible, and that producing oil derivatives rather than raw oil should be government priority. Evidently, Castillo did not ask for more than a return to the traditional oil policy. His merit, however, was opening the oil policy to public debate as well as unifying the Left against Díaz Serrano's plans. In March 1978, some leftist political parties and organisations protested, for the first time, against "the irrational exploitation of Mexico's resources" (Teichman 1988: 84). Although there is no evidence of an alliance between Oteyza and Castillo, it is clear that the campaign of the latter politically benefitted the former. Moreover, some of Castillo's concerns would be echoed by the SEPAFIN's industrial plan released in April 1979.

Although Oteyza's industrial plan did not alter the oil strategy as delimited by the earlier six-year oil plan, it made apparent PEMEX's major *institutional* weakness, namely, its being an specialised agency, formally without ministerial rank. In other words, PEMEX, however powerful, was institutionally no more than a parastate entity with fairly narrow objectives. By contrast, SEPAFIN was not only a fully-fledged cabinet agency, but a key one within the economic-policy network. Thus, its launching of a plan for the entire industrial sector, which regarded oil as a means rather than an end, was a reminder of PEMEX's intrinsic constraints in designing policy. For this very reason, Díaz Serrano was never considered a cabinet member. Initially an advantage, this began to handicap his performance as the Economic Cabinet became gradually involved in oil

¹⁸ Castillo's first article about oil can be found in *Proceso* 33 (20/6/77).

issues. At the end of the day, alliances within this cabinet proved crucial in counterbalancing the certainly excessive political power of PEMEX.

With the appointment of de la Madrid as head of the SPP, Oteyza gained a key political ally. A tacit alliance between them is suggested by their coincident views about the country's oil policy in the cabinet meetings. The debates over broader economic issues also reflected this interesting alignment. Though less intense than during Tello's months as head of the SPP, ideological confrontations over the economy continued. This time, they had the effect of polarising the Economic Cabinet around the duo Oteyza-de la Madrid, on the one hand, and the finance minister David Ibarra on the other (López Portillo 1988: 861). Despite disagreements on fundamentals,¹⁹ the debates over the problems being faced by almost every sector but oil were followed by an increasing number of cabinet members becoming 'aware' of the flaws of the Díaz Serrano's oil programme.

There were several factors galvanising this growing consensus. One of them was Oteyza's persistent campaign against Díaz Serrano; while another was PEMEX encroaching upon other agencies' jurisdictions. One factor of still more significance, however, was the succession struggle and the perception that an 'outsider' may be the winner. The disastrous way Díaz Serrano negotiated the sale of gas to the US gave his bureaucratic foes the first serious opportunity to change this course of action.

The 'gas affair'

In February 1977, a group of American gas companies began negotiating with PEMEX the purchase of Mexican gas. Six months later, some of those companies, grouped as Border Gas, signed a 'letter of intent' in which they agreed to buy up to 2000 million cubic feet per day at a price of \$2.60 per thousand cubic feet. In November 1977, however, the US Energy Department refused to approve the agreed price (Keesing's 1979: 29549). At the heart of the problem was PEMEX's involvement in the internal US policy. Initial over-enthusiasm may explain this bold action. Domestically, another fatal mistake had been made: Without assuring the approval of the US government for the terms of the

¹⁹ A good example is provided by the way the issue of Mexico's entry to GATT was voted in March 1980. In favour were Commerce (the promoter of the idea), the SPP, and the Bank of Mexico, while against the SHCP, SEPAFIN, Agriculture, and Foreign Relations. During the discussions, however, de la Madrid adopted a "cautious position", and complied with the decision of not proceeding with the negotiations.

deal, Díaz Serrano began the construction of a pipeline to the US border in mid-1977 (Morales 1986). To be sure, in April that year, he had discussed the issue with James Schlesinger, his American counterpart, but no official statement was produced.

Nevertheless, Díaz Serrano not only got the presidential backing needed to build the pipeline, but turned the president himself into an ardent defender of the project. In his first address to the nation of September 1, 1977, López Portillo considered the pipeline as "a correct decision", and the massive export of gas to the US as the only alternative to gas burning. Two months later, however, Schlesinger's announcement would bring the presidential enthusiasm to an end. Díaz Serrano's rush had transformed a minor business deal into a political imbroglio of colossal proportions. The fact that the original PEMEX's oil plan did not even mention gas exports makes this statement more evident.

As expected, the 'gas affair' had countless international and domestic repercussions.²⁰ In 1978, the gas negotiations with the US came to a standstill. By January 1979, president López Portillo declared that because of internal demand there was not gas available for export. Domestically, the construction of the gas pipeline had touched deep nationalist feelings, which favoured the articulation of discontent against the whole oil policy. The 'gas affair' gave Heberto Castillo, an oil expert himself, plenty of ammunition to discredit all Díaz Serrano's technical arguments (see Castillo 1981). Almost every week a critical article mostly by Castillo against either PEMEX or the pipeline was published in *Proceso*.²¹ By 1979 all opposition parties were notoriously against the way both oil and gas were being exploited (Teichman 1988: 80). Moreover, voices of dissent were already apparent within government itself.

In September 1979, seven months after a visit of president Carter to Mexico, a gas agreement was eventually signed. The agreed price being higher than that originally opposed by the US government reflected not only the severity of world oil crisis, but also the ability of the Mexican negotiators. What needs to be underlined here is that since April 1979 officials of SEPAFIN had displaced the director of PEMEX and his team from the negotiations. The gas sale losing its commercial nature to become a critical political issue for both governments explains this fact. As noted by Morales, both the appointment

²⁰ For extensive accounts of the effects of the 'gas affair', see Pellicer (1981), Morales (1986), and Grayson (1988).

²¹ Some of the earliest of Castillo's articles against the gas pipeline may be found in *Proceso* 41 (15/7/77), *Proceso* 47 (26/9/77), and *Proceso* 48 (3/10/77).

of the experienced diplomat Jorge Castañeda as minister of foreign relations in May and the blowout of the *Ixtoc I* oil well in June (1986: 533) further weakened Díaz Serrano's role in the process. After the gas agreement, it became increasingly apparent that the Economic Cabinet had reasserted its authority over the oil policy.

By the middle of the *sexenio*, the principal area of dispute between Díaz Serrano and Oteyza was the level of oil production. Government critic Heberto Castillo had initiated the debate by arguing that hydrocarbons should be used to satisfy Mexico's own energy needs (cited in Levy and Székely 1987: 232). A similar view, though much less radical, was held by Oteyza. Other government high-rank officials were opposed to over-expansion on 'general equilibrium' grounds.²² After some hesitation, president López Portillo took an intermediate position on this issue (Camp 1984b: 42). It can be explained more in terms of political pressures, than in those of personal conviction.

PEMEX's six-year plan had established a goal of 2.25 million barrels per day (mbd) to be reached by 1982. In November 1979, Díaz Serrano announced that oil production had reached 1.8 mbd. Convinced that the 1982 target would be reached before schedule, he had already lobbied the president for the modification of the production ceiling. In response, he was instructed to submit his proposal of a 4-mbd ceiling in 1982 to the Economic Cabinet for approval. Not surprisingly, the latter strongly and unanimously recommended the production ceiling not be raised. And the president agreed. It was a victory not only for the Economic Cabinet,²³ but also for the duo Oteyza-de la Madrid, the architects of the bureaucratic coalition against the PEMEX general director.

An earlier indication of the already dominant role of SEPAFIN in oil policy-making was the official launching of the National Energy Plan in November 1980. The plan emphasized that the fixed energy production ceiling would be only modified by domestic demand. Additionally, it not only imposed limits on oil exports, but recommended its diversification. Clearly, all these prescriptions challenged Díaz

²² This view was endorsed by presidential advisor Casio Luiselli (interviewed by Dr George Philip in January 1979).

²³ Teichman (1988: 105-107), from which this paragraph draws heavily, provides interesting data and probably the best description of this episode.

Serrano's pro-American expansionist plans.²⁴ A similar picture was provided by the SPP. Though the 1980 Budget allocated PEMEX 23.77 percent of the total federal expenditure (DOF 31/12/79: 9-10), de la Madrid managed to reduce the actual amount of funds available to that agency (see Teichman 1988: 106). More openly, in the 1981 Budget, the SPP reduced the share of PEMEX to 16.15 percent of the total federal expenditure (DOF 31/12/1980: 16-17). Furthermore, as in the best days of the 'budgetary secrecy' era, de la Madrid continued benefitting other programmes at the expense of PEMEX's authorised budget.

Yet Díaz Serrano was far from being politically finished. On the one hand, the *Ixtoc I*, one of his major worries, had been eventually blocked in March 1980. On the other hand, some key political actors, including the president, were still on his side.

The political cost of a 'four-dollar' decision

By mid-1979, the campaign against Díaz Serrano was so intense that the president got the impression that it was orchestrated "either by insiders or outsiders, or a combination of both" (López Portillo 1988: 864). Despite this view, it seemed clear that the major source of opposition was located within the federal bureaucracy, and specially within the Economic Cabinet. In this respect, the president was right when observing that "the economists of the regime and the technicians of PEMEX were divided" (López Portillo 1988: 937). As the *sexenio* unfolded, the negative effects of the oil policy became increasingly apparent. By 1979, the Office of Presidential Economic Advisors began warning López Portillo about the dangers of excessive reliance on oil to the economy, thus adopting a critical position regarding PEMEX's policy.²⁵

Institutionally, the effects of this policy turned out to have a direct negative impact on most cabinet agencies. For instance, the fact that by 1980 food production had sharply declined and "one-quarter of all foodstuffs" had to be imported affected badly the ministry of agriculture (Teichman 1988: 75). The peasant unrest caused by land expropriations for oil purposes had a similar effect on the ministry of agrarian reform and the PRI.

²⁴ In late 1977, an officer of the American embassy in Mexico said: "PEMEX is very, very orientated to the United States..." (quoted by Morales 1986: 525, from *Wall Street Journal* 26/10/77).

²⁵ In 1980, this office elaborated a critical study of the impact of oil specially on the agricultural sector, a summary of which was disclosed by *Proceso* (218, 5/1/81: 22-23).

However, as earlier argued, the strongest reaction against PEMEX's expansionism came from the bureaucracies of both SEPANAL and SPP. There is certainly an irony here, for this strategy would have given de la Madrid and Oteyza more money to spend. However, what was really at stake were the country's economic and political prospects for the *near* future. Rising inflation and public deficits (see table 4.1 above), although they were not the direct result of PEMEX's operation but of government's spending policies, began to make the image of finance minister Ibarra look bad. As a result, the attitude of the SHCP towards PEMEX changed too. This 'efficiency triangle' would play a key role in articulating bureaucratic opposition against Díaz Serrano. In this sense, it can be argued that his oil strategy in combination with his presidential ambitions are responsible for eventually bringing López Portillo's administrative reform into operation, though not exactly in the way originally envisaged.

Specially from late 1980 onwards, a tacit agreement within the federal bureaucracy seemed to be "*all* against Díaz Serrano" (José Ramón López Portillo, interview, London, 1/12/95). Still, Díaz Serrano had powerful supporters, among which there was the union of oil workers (STPRM). In the final analysis, there were the technicians and workers of PEMEX, mostly unionised, who made it possible to increase oil production to unprecedented levels. The alliance between Díaz Serrano and the STPRM was based totally on financial rewards to the union leaders, and to less extent to the oil workers as a whole. According to Grayson, between 1976 and 1983, PEMEX contributed \$220 million (2 percent of all its investments) to its union (1984: 24). Moreover, though corrupt practices in PEMEX had a long tradition, they certainly grew during the oil bonanza.²⁶ These facts soon opened a new front for attack.

In late May 1981, *Proceso* (238, 25/5/81: 6-10) revealed an internal study by SPP officials in which PEMEX was blamed for mismanagement and corruption. In brief, it argued that this agency's great autonomy prevented any correction by "the global and sectoral governmental levels" (read SPP and SEPAFIN). The fact usually neglected that analysts belonging to the three SPP divisions had participated in its formulation suggests that the study had been ordered, or at least encouraged, by the top echelons of the agency. Though the leakage was a dangerous move, it did not affect de la Madrid for one key

²⁶ A great deal of literature on these issues has been written. See, *inter alia*, *Proceso* numbers 327 (7/2/83) and 333 (21/3/83), Grayson (1984), and Buendía (1985).

reason: The SPP study upon which the article was based was produced in the area of the president's son, who incidentally was close friend of Oteyza. Despite efforts to present the article as mere leak of "preliminary information", its intentional diffusion makes more sense considering Díaz Serrano's leading position in the presidential race.

President López Portillo may have been informed of the study by his son, but he did not order its publication. From the perspective of the study, autonomy was the origin of the problems affecting PEMEX, and the president himself had encouraged that autonomy. At the end of the day, minister de la Madrid would emerge as the only beneficiary of the politically harmful 'leakage'.

Evidently, the importance of *Proceso*'s article stemmed from both the source and the publisher, rather than from the information itself. As noted by George Philip, PEMEX had never been a financially disciplined agency "on the Weberian model", and it was mainly because of various political factors beyond the agency's control (1982: 363). They included highly subsidised prices of oil products for domestic consumption (not authorised by the agency); a policy of taxing away PEMEX's surplus, thus favouring its foreign indebtedness²⁷; and the role of the STPRM as a pillar of the ruling party. Sharply put, investment in PEMEX had never had the primary purpose of building a profitable, financially sound oil industry, but a politically-tuned supplier of cheap energy for rapid industrialisation.

Although the *Proceso* affair gave Díaz Serrano's foes additional ammunition, it did not have immediate consequences. It was so because he had total presidential backing. Things dramatically changed, however, when the international oil market weakened. As a response, Díaz Serrano reduced the price of crude for export by \$4 per barrel on June 2, 1981. Though the decline of oil prices is at the heart of his leaving PEMEX, bureaucratic factors should not be neglected. According to the president, neither he nor the Economic Cabinet was consulted about the size of the reduction (López Portillo 1988: 1059). This explanation was an unconvincing one. For PEMEX international prices had been customarily set by "a small group" of experienced technocrats according to the oil market (Teichman 1988: 67). In any event, fierce criticism of the "hasty decision" of "cheapening the nation's patrimony" came not only

²⁷ For instance, in 1980 PEMEX increased its net borrowing by \$2.7 billion, while paying taxes of about \$7 billion (Philip 1982: 361).

from the usual cabinet actors, but from the broad and powerful bureaucratic coalition they had encouraged.²⁸

Even though Díaz Serrano's 'four-dollar' decision proved commercially correct (Philip 1996: 20-21), the views voiced at the Economic Cabinet prevailed and few days later the president made PEMEX's director a "scapegoat for an unpopular but inevitable decision" (LAWR 25, 12/6/81: 3). The events leading to this outcome show the importance that the bureaucratic setting has in Mexico, in particular when the presidential transition approaches.

The Mexican mechanism of succession makes it only logical that the president places his right-hand men in the key ministries to his programme, and eventually supports one of them for the nomination. In the case of López Portillo, these men were Tello and Moctezuma. In less than one year, however, he lost both of them. In addition, Oteyza was not eligible to the presidency because of his being son of a Spaniard. Oil, however, brought an emergent pre-candidate. Díaz Serrano's political stature grew as fast as oil production, and as high as oil prices. His major achievement was to supply a highly clientelist political system with an impressive inflow of financial resources. In late 1980, business leader Ernesto Atman publicly declared that the next president should not "change the pace nor the direction of López Portillo's policy" (quoted by Arriola and Galindo 1984: 121).

This was the interpretation of Díaz Serrano becoming the central speaker at the 'Fourth Meeting of the Republic' held in Hermosillo in February 1981. López Portillo's speech at the meeting further suggested that Díaz Serrano was his candidate. The message was so obvious that José Angel Conchello, former PAN president, considered PEMEX director as the most probable PRI presidential candidate (*Proceso* 236, 11/5/81: 22-23). Following the drop of oil prices, however, neither American vice-president George Bush (Díaz Serrano's former business partner), nor even the Mexican president could prevent the fall of Díaz Serrano from happening.

²⁸ In the end, only minister Mújica Montoya (SCT), Moctezuma Cid, and a handful of high-rank officials openly supported Díaz Serrano.

4.4 THE SPP AND THE 1982 PRESIDENTIAL SUCCESSION

This final section further develops the argument that that the oil debate was "the most significant feature of the increasingly intense struggle over the presidential succession process" (LAWR, 12/6/81: 3) by focusing on the causes and immediate effects of the choice of de la Madrid as the PRI candidate. From an institutional perspective, it is argued that the presidential struggle involved exclusively the economic-policy network, and in particular the Economic Cabinet, that is, the highest echelon of that network. In this context, the SPP's institutional resources, including the skillful way minister de la Madrid exercised them, proved crucial in gaining the nomination. On the whole, these developments meant a significant departure from the rules associated with the previous succession processes.

Succession and the network for political control

As earlier discussed, López Portillo resorted to his inner circle when staffing the greatly reorganised economic-policy network. A fairly different pattern is observed in the way its counterpart was staffed. As head of *Gobernación*, the president appointed liberal Jesús Reyes Heroles, his former classmate at UNAM and old friend. It is worth noting that he was the only cabinet prospect who was given the chance to choose his post from among three ministries: interior, labour, and foreign relations (López Portillo 1988: 473). It suggests that the president elect did not have clearly defined candidates for these important posts. In any event, Reyes Heroles' solid, impeccable political career²⁹ made him an ideal interior minister, especially on the verge of López Portillo's 'political reform'.

However, the appointment of Carlos Sansores Pérez, who was an 'old school', orthodox, traditional politician and regional boss as head of the PRI, showed that political change had not top priority in the presidential agenda. This fact, together with the 'political reform' being carried out by Reyes Heroles, enhanced considerably the

²⁹ He had been federal deputy from Veracruz (1961-64); general director of both PEMEX (1964-70) and Complex Ciudad Sahagún (1970-72); president of PRI (1972-76); and general director of IMSS (76).

traditional bickering between *Gobernación* and PRI. Whether intended or not, the latter agency counteracted the role played by the former between 1977 and 1979.

Two elements in the curriculum vitae of *Gobernación*'s new head shed light on the role he was expected to play. The first was Reyes Heroles' well-known enmity for ex-president Echeverría. This was not irrelevant considering the visible purpose of the latter to continue participating politically. Thus, the appointment of Reyes Heroles should be interpreted as an unmistakable warning sign to Echeverría and his followers. This interpretation is further supported by other appointments. As usual, some representatives of "relegated" *camarillas* were brought to cabinet. They included Hank González (DDF) and Flores Sánchez (PGR) who were leaders of influential political groups in the States of México and Chihuahua respectively. One common element, however, linked them: their anti-*Echeverrism*.³⁰ Besides, Santiago Roel, the minister of foreign relations, had reportedly supported Martínez Manatou for the presidency in 1969.

Secondly, Reyes Heroles was constitutionally ineligible to the presidency for exactly the same reason as Oteyza. The political implication of this was obvious. López Portillo himself would underline the advantages of having a "strong" secretary of *Gobernación* "without presidential aspirations" (1988: 694). By early 1979, a purge of Echeverría's followers in government, instrumented by Reyes Heroles, had taken place.³¹ Moreover, the ex-president Díaz Ordaz, a declared enemy of Echeverría, was appointed ambassador in April 1978. In mid-1979, however, Reyes Heroles was dismissed. If his appointment had been an early indication that *Gobernación* would not play a relevant role in the presidential race as in the past, his replacement was a second indication, though for different reasons. Above all, Olivares Santana, a cautious career politician, was far from being one of the president's right-hand men.³²

As usual, the role of the policy network for political control was decided mostly by domestic factors as perceived by the president. On the whole, the López Portillo

³⁰ Both Hank González and Flores Sánchez had been governors during the Díaz Ordaz administration (1964-70).

³¹ The major casualties included the president of the Chamber of Deputies Gómez Villanueva (August 1977); the minister of agrarian reform Rojo Lugo (November 1977); the education minister Porfirio Muñoz Ledo (December 1977); and the PRI's leader Sansores Pérez (January 1979) (*Proceso*, various issues).

³² The appointment of Olivares Santana has been correctly interpreted as "a retreat from the political reform and the assertion of the President in political matters" (Bailey 1988: 47).

administration was characterised by high political stability and limited use of repression. Legislation broadening the political space to the opposition, both rightist and leftist, approved in December 1977 contributed to that outcome. And so did the early inflow of oil revenues and foreign credit. Paradoxically, the main source of political tension was located well inside the political system, and it had a name: Echeverría. It explains why holding back *Echeverrism* from the political arena was probably the major control task performed by the network under discussion.

To sum up, the way the network for political control was staffed and the modest role it was charged with accounts for its marginal participation in the succession process. President López Portillo's main concerns were to manage the country's oil wealth and to plan what to do with its fruits. With this idea in mind, he placed his best men in the agencies most involved with these activities, thus delimiting from the outset the succession institutional framework to the economic-policy network.

De la Madrid: The presidential candidate

Various subtle indicators overshadowed by the oil boom may suggest that de la Madrid had not been totally discarded by the president as a serious presidential pre-candidate. For instance, before the Hermosillo meeting, López Portillo selected Alfredo del Mazo, a close friend of de la Madrid, as the PRI's candidate to the important State of Mexico. It is common wisdom that this decision announces who the next president will be. Was de la Madrid rather than Díaz Serrano the president's first choice at the peak of the succession process? Only the ex-president knows the answer. What is a fact is that de la Madrid's political stature steadily grew after his arrival at the SPP. In essence, his heading the centrepiece of López Portillo's administrative reform accounts for this development. Overwhelming concentration of strategic resources, together with presidential support, gave de la Madrid a clear advantage over his competitors, including Díaz Serrano.

Providing for the advantageous institutional setting provided by the SPP, personal and *camarilla* factors played an important role in de la Madrid's growing strength. The first factors include his outstanding ability to manoeuvre in bureaucratic environments stemming from his long career within government. This helped him to gain the president's confidence. One episode can illustrate the point. In September 1980, SPP *subsecretaria* Rosa Luz Alegría was appointed minister of Tourism. To replace her, the

president appointed his son José Ramón, partly at least, "because of de la Madrid's insistence" (López Portillo 1988: 1006).³³ Equally important was the highly cohesive character of de la Madrid's inner group at the SPP (Hernández 1987). The technical credentials of this 'efficiency cluster' saved López Portillo's administrative reform from further discredit. A well published seminar on planning organised by the SPP (see SPP 1981) improved not only de la Madrid's relationships with the president, but also his own public image.

Apart from the fact that his heading the SPP made de la Madrid a strong presidential aspirant, he exercised to the full this agency's 'resources' to get the presidential nomination. By far, the greatest political success of the SPP was the launching of the National Global Plan (PGD) in 1980. Achieving what neither Tello nor García Sainz could increase de la Madrid's stature in the president's eyes. According to López Portillo, having a national plan meant the outcome of a twenty-year effort (1988: 952). From a technical perspective, however, the PGD was ill-born. To begin with, by the time it was presented, PEMEX's oil programme and the abundant sectoral plans had inspired most economic policies of the administration (Bailey 1988: 47). More significant, assuming that the price of oil would continue its rapid rise and 'planning' development and social redistribution on this basis were the major technical shortcoming of the plan. In other words, the inherent unpredictability of oil was not allowed for. Nevertheless, the plan served the president and the SPP technocracy to legitimate their actions.

Díaz Serrano's resignation did not stop bureaucratic infighting. What it did was to bring the latter within the limits of the Economic Cabinet, which logically shattered the temporary coalition against him. In addition, the same resignation made again apparent the intrinsic conflict between *planning* and *finance*. Different from 1977, the correlation was far from being in relative equilibrium. In retrospect, it appears clear that the alliance SPP-SEPAFIN survived the firing of Díaz Serrano. The structuralist orientation of both ministries may partly explain why. Though Oteyza had no chance to succeed López Portillo, that alliance would play an outstanding role in the eventual selection of de la Madrid as the PRI presidential candidate.

³³ This was the second time a similar proposal was made to the president. In February 1978, García Sainz had failed to make José Ramón director of programming (López Portillo 1988: 692).

It was obvious that the fall of oil prices in mid-1981, together with nominal US prime interest rates of around 19 percent, would have a devastating effect on the country's economy. Objectively, only two ministers held the technical resources and 'efficiency pockets' to tackle the imminent economic crisis: David Ibarra and Miguel de la Madrid. Apart from alliances, various political factors paved the way for the latter taking the lead. On his side, for example, was the president's self-confessed animosity towards the SHCP. In addition, the strategy of covering income shortfalls through "cuts in public spending and borrowing" (Bailey 1988: 53) enhanced not only the role to be played by the SPP in achieving the first goal, but also de la Madrid's personal expertise as borrower. Ironically, his expertise had been mastered at the SHCP. In these conditions, it seemed only logical that he became the PRI presidential candidate.

At first sight, the 'golden rules' of the presidential transition were punctually observed in September 1981, for the president did select one of his ministers as his successor. A more careful analysis, however, reveals a different picture. First, never since Madero's assassination had international factors so severely limited the president's room for manoeuvre in the succession process. Second, neither Ibarra nor de la Madrid belonged to the president's inner circle. Third, rather than free presidential choice, the interaction of contextual and bureaucratic factors played an outstanding role in the eventual selection of de la Madrid. This interpretation is supported by former president López Portillo's recognition that "de la Madrid was my student, never my friend" (interview in *Proceso* 836, 9/11/92: 11).

In the Mexican context, the existence of friendship ties between the president and his successor used to perform the crucial function of smoothing the transition of power and the normal elite fractures involved in the process. This fact notwithstanding, cracks of substance emerged as in the Calles-Cárdenas and Díaz Ordaz-Echeverría cases (see Chapters Two and Three). Therefore, it does not come as a surprise that de la Madrid, considering his SHCP background, wanted to disassociate himself from the government he had so diligently served.

Like Echeverría, de la Madrid went through two significant metamorphoses in a matter of a few years. His arrival at the SPP transformed a conservative, orthodox financial official into "a strong proponent of a government programme to promote employment and consumption and for increased state participation in the expansion of

goals and services" (Teichman 1988: 98). One example illustrates our point. In a press conference held just a few days after his appointment as head of the SPP, de la Madrid regarded PEMEX as an exemplary public enterprise whose "faults have been minimal" (*Memoria* 1979: 191). Mismanagement and corruption, however, were not unknown to him, for he had been that agency's finance director between 1970 and 1972. Beyond technicalities, the battles for the succession are at the heart of the rivalry between Díaz Serrano and de la Madrid going far beyond an ordinary political-bureaucratic conflict.³⁴

According to Linz, in "bureaucratic authoritarian regimes the incumbents of technocratic roles tend to emphasize those aspects that their socialization has best taught them to measure and deal with" (1975: 299). That was exactly what former SHCP official de la Madrid did regarding the unfolding economic crisis, but not before becoming the PRI presidential candidate. Apart from personal ideological factors, the interaction of institutional environments, broad contextual variables, and presidential ambitions, may account for de la Madrid's radical metamorphoses.

The selection of de la Madrid as the PRI presidential candidate created enormous tensions within the political system. It was made apparent by the overt confrontation between him and García Paniagua, the PRI leader, which led to the resignation of the latter on October 14, 1981. As if being the candidate were a bureaucratic promotion, de la Madrid had asked for the key PRI positions for his team.³⁵ Aware of the consequences García Paniagua reportedly answered him: Why do not you get "all" [the PRI] instead? (*Proceso* 258, 12/10/81: 10, Scherer 1986: 93). After some unsuccessful reconciliation efforts, López Portillo eventually supported the candidate's claim (1988: 1112). The appointment of Pedro Ojeda, a 'negotiated' PRI president, meant a radical departure from the rule that the outgoing president should be in control of the political campaign.

In essence, the events described reflected more significant inter-network tensions, namely, those resulting from the economic-policy network encroaching upon the traditional jurisdiction of its counterpart. In other words, de la Madrid's victory re-

³⁴ The conflict became personal, and was dealt with on those terms. In early July 1983, seven months after the presidential transition, Díaz Serrano was in gaol charged with corruption (see Buendía 1985: 244-270).

³⁵ The posts were the Campaign Coordination for Bartlett, the Press Office for González Avelar, the Finance Secretary for Francisco Rojas, and the IEPES for Salinas. This request contrasts with the fact that in 1975 López Portillo had got only a reduced number of PRI positions, the IEPES being the most important.

confirmed that the network for political control had lost its traditional involvement in the succession process. Within the economic-policy network, the rise of de la Madrid is also responsible for generating another source of political stress. A first indication of this phenomenon is provided by the growing struggles between the SPP planners and the technocrats of the regime who gathered around the National College of Economists (CNE).³⁶ In both cases, elite permanency was at stake.

Economic (mis)management and succession

The 1976 administrative reform did not improve economic management. On the contrary, unprecedented levels of policy incoherence characterised the López Portillo administration. Resource the dispersion of institutional resources brought about by the reform was at the heart of economic mismanagement. More specifically, the latter was associated with the "unnatural" separation between *planning* and *finance* (Bailey 1984: 86). As already argued, the succession struggle magnified a problem that the Tello-Moctezuma affair had first made apparent. Therefore, though debates of substance spurred high levels of bureaucratic infighting and policy incoherence, institutional and political factors should not be neglected as relevant causes. For instance, the institutionally-grounded and politically-driven rivalries between Oteyza and Díaz Serrano cost the country \$1 billion in June 1981 alone. The reason of the so-called "billion dollar dime" were differences over oil prices (Bailey 1988: 54).

On the verge of the economic crisis that followed the drop of oil prices, finance minister Ibarra asked the president to select a single person responsible for macro-economic decision making (López Portillo 1988: 1074). Of course, his candidate was himself. This option was discarded, for accepting it would have meant returning to the institutional arrangement the president wanted to change. The country would pay for it. At the time, the estimations of the SPP and the SHCP of the impact that the declining oil prices would have on public finances did not match (López Portillo 1988: 1093). Spurred by the succession struggle, the intrinsic problems between both ministries had come again to the surface.³⁷ On September 25, 1981, Miguel de la Madrid became the PRI

³⁶ On this issue, see *Proceso* 196 (4/8/80). On the previously good relations between the SPP and the CNE, see *Proceso* 26 (30/4/77) and 27 (9/5/77).

³⁷ In August 1979, for example, the *Comisión de Gasto-Financiamiento* was created to improve the coordination between the SHCP and the SPP (DOF 29/8/79). The text of the fiat explicitly recognises this problem.

presidential candidate. Later Ramón Aguirre (his replacement at the SPP) would confirm that the SHCP's estimations of public deficit were right. Being with the president, Ibarra smiled as if he were saying "I told you" (López Portillo 1988: 1123).

What Ibarra had really tried to tell the president was that de la Madrid was using his control over the budget for political purposes. The president, however, preferred to lend his ear to de la Madrid's 'politics-free', technically-sophisticated, optimistic macroeconomic forecasts. After all, was not the president the first promoter of "public-expenditure-led growth" (Lustig 1992: 20), and the SPP his creation? At this point, some comments on de la Madrid's first metamorphosis are in order.

TABLE 4.5 Projected and actual central and parastate gross expenditure, 1971-1982⁽¹⁾
(Millions of Pesos of 1950)

	<u>Central expenditure</u>	Percentage change from Projected to Actual	<u>Parastate expenditure</u>	Percentage change from Projected to Actual		
	Projected	Actual	Projected	Actual		
1971	9,613	17,433	81.3	15,279	20,483	34.0
1972	16,101	22,715	41.1	20,187	21,041	4.2
1973	23,240	26,584	14.4	21,970	26,467	20.5
1974	24,164	28,752	19.0	24,737	29,788	20.4
1975	34,073	36,693	7.7	29,394	36,659	24.7
1976	36,493	42,153	15.5	30,906	37,569	21.6
1977	41,113	41,741	1.5	38,507	44,130	14.6
1978	43,701	44,523	1.9	48,113	49,845	3.6
1979	47,800	54,495	14.0	46,225	51,429	11.3
1980	54,535	65,129	19.4	54,884	66,077	20.4
1981	110,704	128,101	15.7	73,623	82,207	11.7
1982	70,239	107,175	52.6	34,996	67,598	93.3

⁽¹⁾ Central expenditure includes amortization of the debt and transfers to decentralised agencies, states, and local government. Apart from amortization of the debt, parastate expenditure includes transfers from the central government and parastate transfers to the state and local government.

Sources: Wilkie (1985, table 3402: 872 and table 3404: 874), based on figures from the *Cuenta Pública* elaborated yearly by the SPP since 1977.

The arrival of de la Madrid at the SPP coincided with "the return in 1979 to a substantial overrun in public spending, which had been kept under tight control in 1977 and 1978" (LAWR, 14/12/79: 75). This statement is supported by the data presented in table 4.5. It is particularly clear from there that the percentage changes between projected and actual central and parastate expenditures sharply increased in the period 1979-1980.

The same table also reveals not only that public deficits, both central and parastate, were not significantly reduced after the drop of oil prices, but also that they reached astonishing proportions in 1982. From a technical perspective it meant that the SPP had either produced unrealistic expenditure estimations, or failed to control public spending, or both. Considering the economic expertise of de la Madrid's team, however, a political interpretation makes more sense. De la Madrid, like López Portillo six years before, used public spending as a means to reach the presidential nomination. In both cases, the strategy worked beautifully.

Table 4.6 provides data about the deficit of the twenty-seven largest parastate entities during the López Portillo administration. A steady reduction of PEMEX's percentage share in the total deficit may suggest an effort by the central authorities to improve this agency's finances during the peak of the oil boom (1979-1980). This fact sheds light on the growing tensions between the SPP and PEMEX. However, as the same table shows, the SPP did not stop the deficit of the whole controlled parastate sector from going up between 1977 and 1981. By contrast, a significant reduction of this sector's deficit was achieved in 1982 (as compared with that of the previous year). The main casualty was PEMEX. Apart from the ongoing economic crisis, the fact that after September 1981 a more SHCP-orientated PRI presidential candidate began to emerge may have accounted for this new approach to public finances.

TABLE 4.6 Deficit of the controlled parastate sector, 1977-1982⁽¹⁾

	1977	1978	1979	1980	1981	1982
<u>Controlled Decentralised entities and public enterprises (millions of Pesos of 1950)</u>	39.0	54.5	54.9	76.0	167.0	66.0
<u>Percentage share in the total deficit</u>						
PEMEX	51.3	60.3	57.2	50.8	68.6	64.7
Different from PEMEX	48.7	39.7	42.8	49.2	31.4	35.3

⁽¹⁾ The controlled parastate sector is composed of the largest state-owned enterprises whose authorised expenditure is included in the annual federal budget.

Source: Calculated using data from NAFINSA (1990, cuadro 13.27: 629-630) and the deflator index provided by Wilkie (1985, table 3401: 870).

Following the devaluation of the *peso* in February 1982, Jesús Silva-Herzog and Miguel Mancera were appointed heads of the SHCP and the central bank respectively.

Both officials were closely identified with de la Madrid, and so was minister Ramón Aguirre (SPP). By giving the PRI candidate control over the main economic agencies, López Portillo anticipated the presidential transition (Ramírez in Colmenares *et al.* 1982: 110-118). On April 20, an IMF-inspired austerity programme was announced (see DOF 20/4/82), and put in motion with limited success. Wage increases were at the heart of the failure of these and earlier post-devaluation measures. Four months later, minister Silva-Herzog made public the agreement of an emergency rescue package with the US authorities and the IMF.³⁸ De la Madrid's relative control over the economic-policy making, however, did not last long.

The continued deterioration of the economy gave Oteyza and Tello, among others, the opportunity to convince the president to follow a different economic strategy from that being implemented by de la Madrid's team (see Tello 1984). This not only shattered the Oteyza-de la Madrid alliance, but led to unprecedented levels of policy incoherence. In his fifth address to the nation, Echeverría had said that his government *could* nationalise some sectors of private industry if demanded by "the national interest". On September 1, 1982, president López Portillo went further when he announced the nationalisation of the domestic banking system. Abruptly, this and other measures that followed brought to an end president-elect de la Madrid's short-lived dominance on economic policy. Economic mismanagement not only was at the heart of the general crisis of confidence that characterised 1982, but also would greatly contribute to the deterioration of the Mexican presidency.

At the end of the López Portillo administration, Mexico's total external debt amounted to around \$90 billion. Because of government's decision to continue spending despite the fall of oil prices, borrowing accounted on average for 50 percent of central government total income between 1981-1982 (Wilkie 1985: 878). This spending pattern "had more to do with the momentum of the presidential succession struggle than with the influence of the quasi-populist faction" (Teichman 1988: 129).

³⁸ See Heyman (1983: 35), Keesing's (1983: 32071), and Teichman (1988: 132-133) for details.

CONCLUDING NOTE

During the presidency of López Portillo, oil-related international developments played a fundamental role in shaping economic policy. The continued rise of oil prices not only made the recession that followed the 1976 crisis short-lived, but paved the way for an expansionist, oil-for-export strategy. Favourable geological conditions, together with the 1978-79 Iranian revolution, eased the full adoption of this strategy. With the petrolisation of the economy, however, the country's promising future was dangerously linked to the volatility of the oil market. When the oil prices collapsed in 1981, so did the Mexican economy. At bureaucratic level, these developments had significant political implications.

Increasing emphasis on oil changed in a significant way the balance of power within the federal government. The emerging picture was at odds with the institutional arrangement brought about by the 1976 administrative reform. At least until 1979, PEMEX, not the SPP, became an influential policy-maker and planner. Its oil programme shaped the government's key economic goals for almost the entire administration. PEMEX's major source of political power was presidential support in combination with its capacity to generate dollars.

A massive inflow of capital via oil revenues and foreign borrowing allowed López Portillo to restore the system's traditional alliances, particularly that with the private sector. Paradoxically, the oil strategy would create growing tensions within the bureaucratic apparatus. The rising political star of the PEMEX director, together with his expansionist plan, was strongly opposed by a diminished Economic Cabinet. Debates of substance interlinked with succession issues not only unified the Economic Cabinet against PEMEX and his director. The increased institutional strength of this cabinet and its key constituent parts, not the fall of oil prices, explains Díaz Serrano's resignation.

Policy incoherence and economic mismanagement characterise the López Portillo administration. At the heart of these problems was the artificial separation between finance and planning. More than one agency being in charge of economic-policy making, together with the regular use of cabinet meetings, prompted both bureaucratic infighting and economic mismanagement. The oil boom not only favoured a dramatic growth of the

public deficit, but overshadowed its significance. Presidential aspirations underpinned the expansive spending policies of the SPP between 1979 and 1981. The disastrous way the 1981 drop in oil prices was dealt with was the root of the 1982 crisis.

A combination of international and institutional factors decided the 1981 presidential succession. They considerably reduced the traditional role of the president in the process. Despite its importance, the drop of oil prices should not obscure the relevance of institutional and bureaucratic factors in the selection of de la Madrid as the PRI candidate. The operation of the Economic Cabinet made more visible and intense than usual the bureaucratic struggle over the presidential succession. In this context, the overwhelming concentration of strategic 'resources' under the SPP umbrella proved decisive to succeed in the process. The way government dealt with the shortfall of income gave the SPP a crucial advantage over its more serious competitor: the SHCP.

As we will argue in the next chapter, the SPP's capacity to influence public spending is associated with its becoming the most powerful ministry in post-revolutionary Mexico. This particular power would allow the SPP shifting its role from a manager of the oil wealth to a expenditure cutter as the incoming administration engaged in the implementation of a radical austerity programme to tackle the economic and debt crises.

Coping with the debt crisis: The SPP's powerful years

Like that of his predecessor, the de la Madrid administration (1982-1988) was marked by oil developments. This time, however, the main characteristic would be the debt crisis that followed the short-lived oil boom. As argued by Grayson (1988), drastic oil developments transformed the role of the country from a "regional leader" to a "responsible debtor". In combination, falling oil prices, high interest rates (see table 5.2 below), and persistent high levels of public expenditure are mostly responsible for Mexico's total external debt (both public and private) reaching the unprecedented figure of \$92.4 billion by the end of 1982, thus becoming the world's second highest just after that of Brazil. The importance of oil prices declining is illustrated by the fact that in the same year, oil exports represented 77.6 percent of the country's total exports (Lustig 1992, table 2-2: 32).

De la Madrid's years can be divided into two distinctive periods. In the period 1982-1985, the country had certainly an enormous debt problem, but also plenty of oil income to deal with it. Thus, though oil prices were still declining, the situation seemed redeemable. This fact enhanced the importance of *adequate* economic management. As argued in this chapter, the way government dealt with the debt crisis, together with policy incoherence having again institutional roots, aggravated the effects of that 1982 crisis. The sharp fall in oil prices in the first half of 1986 not only had disastrous effects on the public sector finances, but also created the perception that a radical policy change was inevitable. Intense confrontations between the heads of the SPP and the SHCP, greatly encouraged by presidential ambitions, surrounded the eventual adoption of more radical pro-market policies.

The economic policies of the last months of the López Portillo administration, including the banking nationalisation, not only alienated the domestic private sector in a way unseen since 1940, but also worsened government's relationships with its foreign creditors. Regaining the confidence of both sectors characterised de la Madrid's presidency. Essentially as a survival strategy, since mid-1985 minister Salinas began proposing more orthodox economics than his counterpart at the finance ministry. This made him friends not only in the domestic and external business circles, but also in Washington. This fact turned out to be decisive in his selection as the PRI presidential candidate in 1987. In the end, government becoming an exemplary 'responsible debtor', together with more radical austerity policies, would have the effect of putting the political system under increasing pressure.

This chapter analyses de la Madrid's austerity programme, its impact on the government machinery, and the general problems faced in its achievement. The central argument is that control over public spending in a context of austerity is at the heart of the SPP becoming the most powerful ministry. After describing the economic strategy, section two focuses on the application of the austerity programme, on the contextual factors hampering its application, and on the mid-term deterioration of government's relationships with domestic and foreign capital. Section three deals with the broad causes of the 1986 policy shift towards market policies and on the bureaucratic and political factors involved. The last section explores the immediate effects of the austerity programme on the presidential succession process, and the SPP's participation in that process.

5.1 DE LA MADRID'S ATTEMPT TO TACKLE THE CRISIS

The severity of the 1981-82 economic crisis¹ reduced considerably the policy options of the incoming administration. As six years before, the Mexican government had no choice but to sign a 'letter of intent' to the IMF as announced by the finance minister in early November 1982. Putting into effect an austerity stabilisation programme under

¹ The 1982 economic crisis has been extensively studied. A brief chronicle of the crisis may be found in Heyman (1983). For more extensive analyses, see Colmenares *et al.* (1982), Newall and Rubio (1984), Looney (1985), Bailey and Cohen (1987), Teichman (1988: Chapter 6 and 7), and Lustig (1992: Chapter 1).

the IMF's supervision was the key condition for getting new loans and rescheduling the repayment of existing ones. By the time de la Madrid assumed office in late 1982, he had already accepted the IMF's general recommendations. Thus, a medium-term programme to stabilise the economy along those lines was then announced. This move was president de la Madrid's first step to reestablish a working relationship with government's foreign creditors.

The debt problem

Apart from the domestic bankers, the unexpected shifts in economic policy announced by López Portillo on September 1, 1982 had another victim: the IMF negotiations (Heyman 1983: 37). Since early 1982, it was clear that Mexico would hardly obtain all the money she urgently needed without the intervention of the IMF. The short period of financial autonomy enjoyed by the country was over. This fact was illustrated by the conditions underpinning the August rescue package agreed with the US government. For they included both the sale of an unspecified amount of oil for the American strategic reserve and the celebration of an agreement with the IMF to be reached by mid-October.² Despite the SHCP's efforts to achieve the last goal, the bank nationalisation and the adoption of total exchange controls not only brought the negotiations with the IMF to a standstill, but further deteriorated the country's international credit rating.

Amid the reluctance of foreign private bankers to lend any more to Mexico, Silva-Herzog eventually announced the signing of a 'letter of intent' with the IMF on November 9, 1982. The immediate costs of this course of action were high, though admittedly difficult to avoid. Because of the new rescue package, not only would 8.3 billion dollars be added to Mexico's gigantic foreign debt in 1983 alone, but complying with the IMF's policy prescriptions would severely reduced the incoming administration's room for manoeuvre. It is worth noting that for the first time the IMF made its support conditional on the lending banks' approval, and not vice versa (Heyman 1983: 37-38). The unprecedented decision further illustrates the degree of deterioration of Mexico's image

²Domestically, the terms of the agreement with the US government were kept secret until journalist Rafael Rodríguez disclosed them in mid-November 1982 (*Proceso* 315, 15/11/82: 6-9). For a critique of Silva-Herzog's explanation before the Chamber of Deputies, which took place two days after the disclosure, see *Proceso* 316 (22/11/82: 6-11).

abroad. After its acceptance by the banks, the rescue package was eventually approved by the IMF in late December. Considering the adverse conditions, the agreement appeared to be a triumph for the Mexican negotiators. However, the issue of the Mexican debt crisis was far more complex.

TABLE 5.1 Mexican external debt and interest rates, 1976-1983
(Billions of dollars, unless otherwise specified)

	1976	1977	1978	1979	1980	1981	1982	1983
A. Global external debt	27.5	30.9	34.6	40.3	50.7	74.9	92.4	93.8
B. Total public debt	19.6	22.9	26.3	29.7	33.8	53.0	59.7	66.6
C. Short-term public debt ⁽¹⁾	18.9	11.8	4.6	4.7	4.4	20.4	15.8	15.6
D. US prime interest rates ⁽²⁾	6.8	6.8	9.1	12.7	15.3	18.9	14.9	10.8

⁽¹⁾ Percent of the total public debt; ⁽²⁾ Percentages.

Source: A, Lustig (1992, table 1-5: 22; and table 2-2: 32); B, ECLA (1981, table 14: 554) for 1976-80, and Lustig (1992, table 2-2: 32) for 1981-83; C, figures calculated using data from ECLA (1981, table 14: 554, and (1985, table 14: 432); D, SALA 24 (1985, table 3228: 807).

Table 5.1 shows the evolution of the Mexican external debt in the period 1976-1983. Though the figures provided are self-explanatory, the real size of the Mexican debt is best illustrated by the fact that in 1982 it represented 87 percent of that year's GDP (as compared with 20.9 percent in 1980) (Glade in Camp 1986: 52).³ From a different perspective, the same table reveals that public debt classified as short-term debt dramatically increased in 1981, while its levels remained high during 1982 and 1983. Amid high interest rates and declining oil prices, this was a major problem. For instance, it was estimated that a total of \$20 billion was due in 1983 alone (Heyman 1983: 35). It explains why agreeing with the foreign creditors was probably the most urgent task of the incoming administration.

Rhetoric aside, the basic economic programme proposed by de la Madrid in his inauguration was in line with the 'letter of intent' with the IMF signed by Silva-Herzog one month before. Political considerations explain government efforts to show the programme's native origins. In Latin America, as noted by Silva-Herzog himself, "opposition will arise to any economic programme imposed or recommended by foreign

³ The same source also notes that this percentage was higher than those of Argentina (60%) and specially Brazil (26%), whose total debt was around the same size.

sources" (1988: 13). In the same event, the incoming president criticized his two predecessors, both present, by stating that "financial populism" was the main factor responsible for the economic crisis, and proposing "economic realism" as the solution. A medium-term programme explained not only the latter notion, but the whole economic strategy. It was called *Programa Inmediato de Reordenación Económica* (PIRE).⁴

In essence, de la Madrid called for a drastic reduction in public expenditure. Apart from reducing its size in real terms, rigid administrative controls and combating corruption would ensure compliance with the spending limits. On the income side, a tax reform aimed at assuring a balanced budget was also announced. It included higher taxation and elimination of subsidised prices for public goods and services. As during the 'stabilising development' era, curbing inflation was the ultimate goal of the whole economic strategy. So far, the IMF's shadow was obvious.

The negotiations with the IMF officially concluded on December 23, 1982, and the longed-for financial aid began to be disbursed. By acting as a responsible debtor, president de la Madrid not only provided his administration with a breathing space, but restored, at least temporally, the country's relationships with the international community (see Grayson 1988). Domestically, however, PIRE was a bitter pill for most social sectors. First, the economic strategy endangered even further the living standards of millions of workers and peasants. Together with this fact, the IMF's involvement in domestic economic policy alienated the leftist parties and academic circles. By reducing their political participation and possibilities for enrichment, both budget cuts and 'moral renovation' also alienated broad sectors of the federal bureaucracy. In particular, those measures threatened the bureaucratic sectors benefitting from government expansion, and those dealing with political clienteles. Finally, the announcements of a radical tax reform and the end of fiscal subsidies and protectionist policies were not particularly good news for the business community.

There were, however, some contextual factors working in favour of de la Madrid's strategy. Since 1979 there was a worldwide loss of faith in state intervention (Hutton 1996: 15). Public intervention in the economy began to be associated with nationalisation, subsidy, and waste, while deficit financing with inflation. In the

⁴For a summary of this programme's ten points see Keesing's (1983: 32072) and *Proceso* 318 (6/12/82: 6-11).

developed world, times were moving towards the view that markets were the solution to economic difficulties. Besides, the size of the economic crisis inherited by de la Madrid helped him to convince the nation that there was no alternative but austerity to combat the crisis. Yet the way the burden would be spread among the social actors needed to be seen.

Dealing with domestic unrest

De la Madrid's inaugural speech contained a good dose of traditional ingredients. As usual, it included most aspirations of the 'revolutionary creed' (see Brandenburg 1964: 8-18). For instance, there were many references to nationalism, federalism, and social justice.⁵ Explicitly, the economic programme aimed at protecting both employment and food programmes for the poor. It also offered investment in labour-intensive projects and job creation "in depressed areas". In brief, the need for political legitimacy was responsible for the incorporation of self-contradictory economic goals into the government's strategy. Clearly, de la Madrid resorted to the notion of 'Revolution' more than his predecessor (Suárez 1987: 197) to legitimise an unpopular economic programme. It was not clear, however, how the new administration would defend the country's sovereignty as insisted in the speech, while allowing the IMF to watch over the "rapid and adequate progress" in the PIRE's application. Neither was it clear how a *sociedad igualitaria* was to be achieved within a context of Spartan austerity, and recessive policies.

The president's earliest economic measures began to show government's real priorities. In early December 1982, Miguel Mancera was reinstated as director of the central bank after having resigned because of his opposition to the establishment of a system of total exchange controls in September 1982.⁶ Thus, he could announce on December 10, 1982 that such a system would be removed, and a three-tier exchange rate was introduced ten days later. The new system allowed certain private-sector debts to be repayable at the cheapest fixed rate of exchange. In January 1983, a law regulating the nationalised banking system was passed. The law allowed that up to 34 percent of the

⁵ These themes had been developed during the presidential campaign and articulated into seven 'campaign thesis' (see *Nationalismo Revolucionario* 1982).

⁶ In April 20, 1982, Miguel Mancera had published a document entitled "The inconvenience of Exchange Controls" which predicted that once partial exchange control were adopted, the introduction of total system was inevitable.

shares of the state-owned banks could be sold to outside shareholders. This decision was at odds with de la Madrid's earlier announcement that the bank nationalisation was "irreversible". These policy reversals had the obvious purpose of restoring the international image of Mexico and, internally, the ruptured relationships between government and the business community.

Yet, there were some signals in the opposite direction. The PIRE announced a constitutional reform to clarify the functioning of the 'mixed economy' and to strengthen the role of the state in the economy. Constitutional amendments soon followed (see DOF 7/2/83). The domestic private sector received with suspicion the raising of concepts such as 'government rectorship of the economy', 'planning', and 'social sector' to constitutional status. Less ideological measures proved more successful in the reconciliation between government and private sector. In 1983, the former began paying compensation to the ex-owners of the banks, and did so on a very generous basis. Moreover, de la Madrid not only gave high priority to close and frequent consultations with big business, but was particularly careful to restore the traditional alliance with the powerful domestic-market-orientated private industrialists (Heredia in Serrano and Bulmer-Thomas 1996: 136). This alliance meant that the opening of the economy had to wait for better times.

At the end of 1982, the private sector external debt was \$32.7 billion (Lustig 1992, table 2-2: 32), and the continued devaluation of the peso affected this sector's capacity to repay. In early 1983, the Trust for Exchange Risk Coverage (FICORCA) was established with the purpose of helping the private enterprises that had debts in dollars. Ernesto Zedillo, a middle-rank official at the Bank of Mexico, was appointed head of this trust. As put by Blanca Heredia, FICORCA "allowed government to forestall massive defaults and bankruptcies at a time when it was clearly unable to force owners to use their foreign savings to repay their firms' debts" (in Serrano and Bulmer-Thomas 1996: 136). In plainer terms, cheap dollars were offered to the private sector in exchange for political support (see Levy and Székely 1987: 166). In that way, the Mexican government was to absorb part of the losses sustained by that sector because of the economic crisis.⁷ This was possible because the price of oil was still high and the government had quite a lot of

⁷ The established three-tier exchange rate comprised a preferential exchange rate of 70 pesos to the dollar to repay certain private-sector debts; a rate of around 95 pesos for essential imports and other debt repayments; and for ordinary transactions the peso was allowed to "float". During 1983, the last exchange rate was, on average, 150.30 pesos to the dollar (Wilkie 1988: 918).

dollar income. By 1985, almost \$14 billion had been refinanced through this innovative scheme (Glade in Camp 1986: 54).

Some concessions to the urban 'masses' were also carried out. On January 18, 1983, the SPP minister announced a \$2.7 billion scheme to create 700,000 new jobs. Evidently, this measure was a palliative. At the time, it was estimated that about 40 percent of the working force was unemployed or underemployed.⁸ In addition, the minimum wage was raised by 25 percent in early 1983. However, many price controls on basic commodities had been abolished or reduced in late December 1982, thus favouring prices going up. By mid-1983, because of wage ceilings, negotiations with organised labour had resulted in stalemate and confrontation (Camp 1984b: 51-52). At the same time, the price of bread was doubled and that of *tortillas* increased 40 percent. These developments showed that the self-contradictory goals of PIRE were impossible to conciliate.

As said earlier, a draconian reduction of public spending was the most important instrumental goal of PIRE. The priority granted to its achievement was clearly reflected in the way de la Madrid selected his cabinet, and in his proposal of public sector reorganisation.

The Cabinet and administrative reform

De la Madrid's cabinet can be regarded as highly technocratic, its most striking feature being the similar career profile and ideological orientation of most of its members (Hernández 1987). Two main facts explain this homogeneity. First, de la Madrid drew his cabinet from a few bureaucratic clusters. Among them, that assembled by him in the SPP was the most important. As already seen, most of this cluster's members shared the SHCP's financial conservatism moderated by the three-year experience at the SPP. Second, he incorporated very few political forces into cabinet. Because of the turbulent end of the López Portillo's presidency, he may have "felt no obligation to involve politicians from a discredited past order" (Bailey 1988: 57). As a result, the bureaucracies associated with the economic policy network were virtually the only source of ministers and high rank officials. It explains their lack of experience in the network for political

⁸ According to business sources not only had 1.2 million workers lost their jobs in the second half of 1982, but a further 1 million redundancies were expected by the middle of 1983 (Keesing's 1983: 32073).

control, electoral credentials, and strong ties to the PRI.⁹ The only true exception in de la Madrid's first cabinet was Reyes Heroles (education).

This way of integrating the cabinet not only accelerated ongoing trends, but introduced important innovations. First, the career formula Bank of Mexico-SHCP-SPP became the most important ascending path to high office, including the presidency. These were the areas in which the President had worked. Second, never before had so many ministers and high officials been drawn from a single agency. Excluding the military posts, the 'SPP-MMH cluster'¹⁰ occupied more than 30 percent of the first cabinet. By early 1986, around half of the cabinet came from this cluster. It is worth noting that the latter not only took control of key positions in the Economic Cabinet, but extended its presence to the Political Cabinet. The implication is obvious: Most ministries became dead-ends to their bureaucracies. An elite transformation comparable to that from military to civilian rule had taken place (see Camp 1976b). Theoretically at least, the academic qualifications, experience in government, and technical expertise of the key cabinet members provided ideal credentials for executing an adjustment economic programme (Camp 1984b: 51).

Not surprisingly, Silva-Herzog was confirmed as head of the SHCP. He was closely connected with de la Madrid as both were about the same age and UNAM graduates. In addition, Silva-Herzog had gone through almost the same posts as de la Madrid in the Bank of Mexico and later in the credit areas of the SHCP as discussed in the previous chapter (see also Grayson 1988: 46). Apparently, his academic and career credentials and especially his involvement in the negotiations with the IMF made him an ideal finance minister. However, despite his close links with the president, Silva-Herzog did not belong to the 'SPP-MMH cluster'. This fact would prove crucial in his future.

Carlos Salinas, a UNAM economist with graduate studies at Harvard, was appointed head of the SPP. Two facts forecast his appointment. First, Salinas had directed the PRI's think-tank, IEPES, during the presidential campaign. His central task was to

⁹ These three attributes characterised the background of the Mexican presidents, including an important number of ministers, between 1946 and 1970. Though Echeverría (1970-1976) never held elective offices, his working for the PRI and *Gobernación* proved crucial to reach the presidency (see Story 1986: 126-132).

¹⁰ The concept 'SPP-MMH cluster' is understood as comprising the personnel who worked for the SPP between 1979 and 1982. It stresses the small size of the sample as compared with the total SPP personnel in the *sexenio* 1976-82 (see Appendix 2).

prepare the national plan for the incoming administration. Before, he had headed the SPP's *Dirección General de Política Económica y Social* (DGPEyS) whose main achievement was writing the 1980-82 National Global Plan (PGD). The similarities between the functions of the DGPEyS and those the IEPES was charged with are so notable that Salinas only transferred part of his planning apparatus from one building to another. Second, Manuel Cavazos Lerma, a Salinas' assistant at both the DGPEyS and the IEPES, was first selected PRI deputy candidate in March 1982, and later president of the *Programming and Budget Commission* of the Chamber of Deputies. Salinas' appointment shed light on the *real* SPP's internal distribution of power between 1979 and 1981.

Neither Labastida Ochoa nor Ramón Aguirre, de la Madrid's under-secretaries at the SPP, were considered for the post. It is worth noting that none of them participated in the presidential campaign. It provided a clear example of the importance of holding the right institutional resources at the right time. Salinas' were those over national planning. The success in elaborating the PGD, a priority in López Portillo's eyes, was a crucial bureaucratic factor in de la Madrid's reaching the presidency and, in turn, Carlos Salinas' being promoted from a middle-rank post to cabinet level.

As usual, the incoming administration carried out changes in the government's machinery. Those introduced to the LOAPF in December 1982 (DOF 29/12/82) were the redefinition of the role of the key economic-guidance ministries, and the creation of the Secretariat of the General Comptroller (SECOGEF).¹¹ First, the SHCP and the SPP not only kept their core powers, but their leading role in policy making was further consolidated. The SHCP, for instance, was charged with projecting and calculating the annual revenues of the parastate entities, and with establishing the prices of the public-sector's goods and services. On the other hand, a new federal planning law (DOF 5/1/83) regarded the SPP as the supreme "governing national planning body", thus further enhancing its status. In addition, the powers over national industry were transferred from SEPAFIN to Commerce. As a result, the former became Secretariat of Energy, Mines and Parastate Industry (SEMIP), while the latter Secretariat of Commerce and Industrial Promotion (SECOFIN).

¹¹ For details on these reforms and for the debates during the legislative process see *Proceso Legislativo* (n.d.).

This change was consonant with the president's purpose of promoting the private industrial sector. It also meant the breakup of the powerful SEPAFIN. From a broader perspective, the limited powers left to SEMIP announced government's wish to reduce the intervention of the state in the economy to a few 'strategic' activities.

Héctor Hernández Cervantes, under-subsecretary of foreign trade since 1976, was appointed head of the new SECOFIN. He was the most outspoken defender of the opening of the economy within government. In early 1980, both Hernández Cervantes and de la Madrid had unsuccessfully promoted Mexico's entering the GATT. Francisco Labastida Ochoa, former SPP's programming under-secretary, became head of the weakened SEMIP. Since 1982, the decline of this agency has contrasted with the leading policy role played by the SECOFIN. Because of being mainly used to control PEMEX, SEMIP was quite powerful until the fiasco of 1985, when the oil company was forced to keep oil prices up for OPEC 'solidarity'.

Second, the SECOGEF was created to enforce De la Madrid's campaign against corruption within government. Francisco Rojas, another member of the SPP-MMH cluster, was appointed head of the new ministry. In many respects, the SECOGEF resembled the SPP's *Coordinación de Control de Gestión*, created by de la Madrid in 1979 and headed by Rojas, whose main task was to supervise the SPP's internal programmes. It was soon noted that the new 'super-ministry' invaded not only the sphere of action of the General Attorney, but that of Congress.

As six years before, the network for political control was not touched by the administrative reform. This time, however, the 'SPP-MMH cluster' took control of its key agencies. The more politically-orientated members of this cluster received *Gobernación* (Manuel Bartlett) and the PRI (Adolfo Lugo Verduzco). After the death of Reyes Heroles in 1985, González Avelar, the Senate leader, would become minister of education. Despite his lack of political credentials, Ramón Aguirre was appointed head of the DDF. Bernardo Sepúlveda, hitherto ambassador to the US, was appointed head of Foreign Relations. Evidently, the way this network was staffed meant the displacement of many bureaucratic clusters that had survived the 1976 administrative reform. For instance, the arrival of Manuel Bartlett at *Gobernación* forced the resignation of Gutiérrez Barrios who since 1964 had headed that agency's police/ intelligence apparatus. The political consequences of actions of this sort would be felt in the years to come.

5.2 ENFORCING AUSTERITY

The incoming president opted for a highly centralised economic apparatus to put into practice his adjustment programme. This apparatus was headed by two equally-ranked guidance ministries, namely the SPP and the SHCP. As never before, high standards of coordination between them were crucial to succeed in carrying out the PIRE. The fact that the president knew well both agencies, with the backgrounds of his appointees to these posts, appeared to assure those standards. Moreover, both agencies enjoyed this time total presidential support which might help balancing their relationships. While to the SHCP austerity meant exercising its traditional powers, to the SPP it implied a redefinition of its role. The way this was carried out was fundamental in this agency's survival.

Tuning the implementing apparatus

President de la Madrid went further than his predecessor in the use of the cabinet as a coordinating instance, and also in his emphasis on national planning. In early 1983, four specialised cabinets in economy, foreign trade, agriculture and health were created and their internal operation improved (see DOF 19/1/83). Chaired by the president and coordinated by the presidency, these cabinets were the fora in which sectoral policies were to be discussed and major options voted. Not only was the Economic Cabinet pivotal to this arrangement, but also two of its constituent parts: the SHCP and the SPP. As early as January 1983, a new planning law granted the state the power of planning the "national economic activity". It also allowed for the establishment of a "system of democratic planning of national development" responsible for the elaboration of the "national development plan".

One month later, these prescriptions had been incorporated into the federal constitution (DOF 3/2/83). This unprecedented emphasis on planning would enhance the role of the SPP in the policy making process, for the empowered institutional planning apparatus was left under the aegis of this agency.

The reorganisation of the SPP carried out in January 1983 had the purpose of putting this agency in line with the austerity strategy. The analysis of the SPP's new *Reglamento Interior* shows important changes not only in the agency's organisation chart,

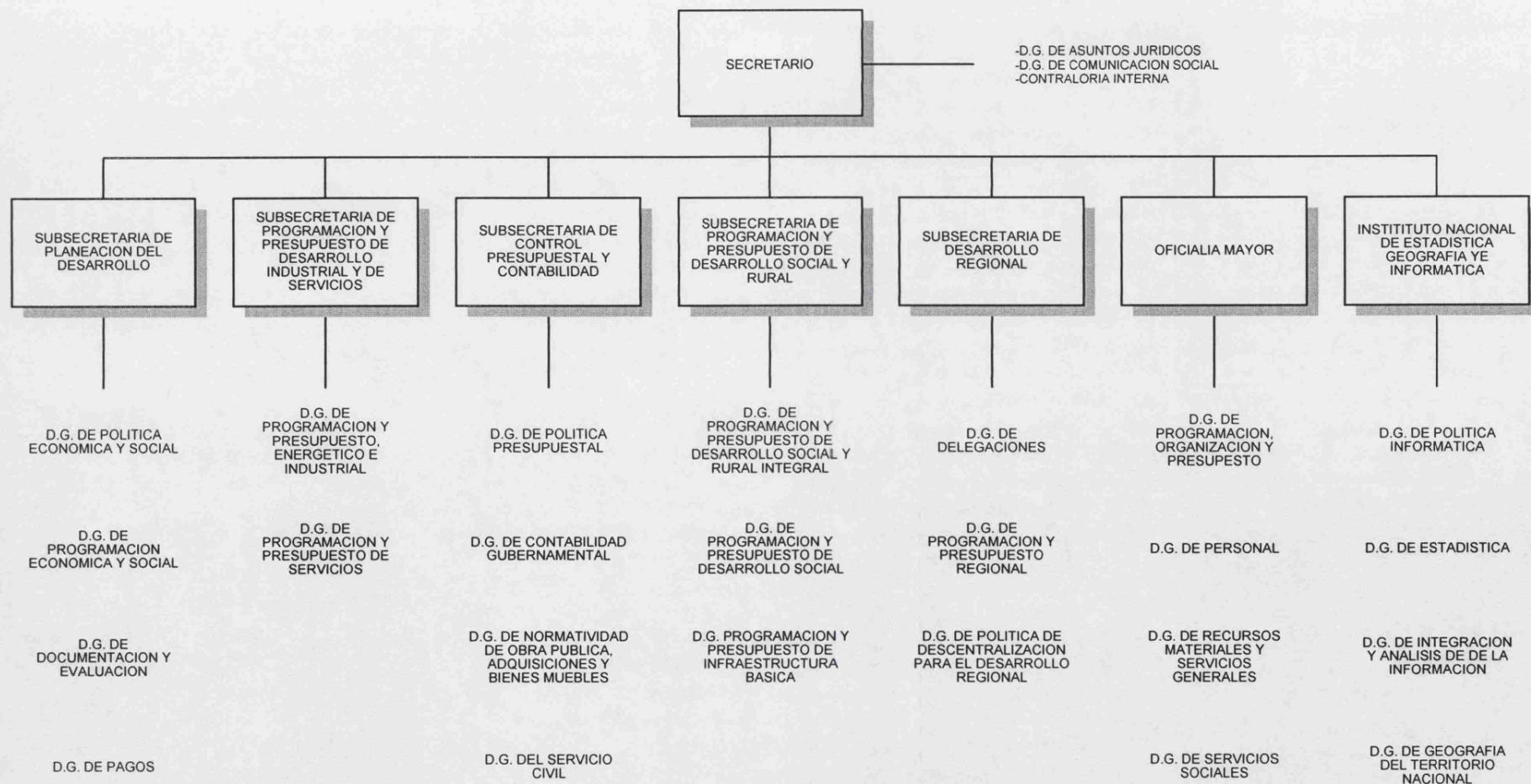
but in its internal resource distribution. As can be seen in figure 5.1 below, the former *Subsecretaría de Programación* was replaced by the *Subsecretaría de Planeación del Desarrollo*. Granting planning a higher status as compared with programming suggests a relevant role reorientation. Formally, planning became the primary function of the agency. However, other interpretations are possible. Until 1982, programming and budgeting were kept organically separated to make sure that the latter was based on the former. To some scholars, the creation of programming-budgeting directorates meant that SHCP-like budgeting displaced planning as the main SPP's function (Bailey 1988: 72; Hernández 1993: 160-163). This view, however, does not explain the president's planning emphasis, nor other organisational changes.

As shown in figure 5.1, the number of under-secretariats was increased from three to five. A fully-fledged *Subsecretaría de Programación y Presupuesto Social and Rural* was created, and so was the *Subsecretaría de Desarrollo Regional* also with programming and budgeting functions. In other words, strengthened programming-budgeting directorates were placed under the umbrella of *three* different under-secretariats. Why was the traditional unity of the former under-secretariat of budgeting broken? A plausible explanation involves political rather than technical factors. Scarce resources would be allocated using two completely different criteria: A discretionary, selective, politically-orientated system would be applied to finance social and regional programmes, while a more rational, technically-based system to fund the core of government activity. This view is further supported by the way the SPP was staffed and by future evidence.

On May 30, 1983, the National Development Plan (PND) was announced by de la Madrid. In essence, this plan confirmed every one of the policies, goals, and targets already made explicit. Clearly, the modest contribution of the plan to the economic strategy, together with limited "popular consultation", was at odds with government's emphasis on democratic planning. This deliberate contradiction sheds light on the way planning was used by the incoming administration. Pretending that 'democratic planning'¹² rather than austerity was orienting socioeconomic development served as a

¹² Though candidate de la Madrid emphasized the notion of 'democratic planning', the many PRI commissions established in mid-July 1982 and February 1983 with the purpose of providing inputs to the 1983-88 national plan were frequently dominated by members of the Salinas' team (see *Proceso* 299, 26/7/82: 24-27; Story 1986: 124).

FIGURE 5.1 SPP Organisation Chart, 1983-1985



Source: *Reglamento Interior de la SPP* (DOF 25/1/83).

legitimising mechanism. Because plans span many years they allow to give something to everybody that is why their vocabulary is more attractive than that of budgets (Caiden and Wildavsky 1990: 256-257).

Like the PGD, its immediate antecedent, the PND roused fierce criticism (see *Proceso* 344, 6/6/83). Two months later, Carlos Salinas made perfectly clear, at the inauguration of the annual congress of economists organised by CNE that the economic strategy of the PND was the only realistic option for Mexico (*Proceso* 352, 1/8/83: 28-29). In plain terms, it meant that the structuralists of the system, who were a majority in the congress, would not participate in the new economic strategy. The early launching of the PND had forestalled the planning process.

Acknowledging that more efficient spending controls were crucial to the success of PIRE, the *Subsecretaría de Evaluación* of Evaluation was replaced by that of *Control Presupuestal and Contabilidad* (see figure 5.1). The transference of the budgeting-policy directorate to this under-secretariat increased considerably its institutional resources. This reform, in combination with those already discussed, clarifies the expected role of the SPP in the accomplishment of the economic strategy summarised by the PIRE's ten points, and rhetorically expanded by the PND. The *Subsecretaría de Planeación del Desarrollo* was to deal with macro-economic management, rather than with planning. As said earlier, the SPP's planning resources had been already fully exercised. In other words, the main task of this division was to monitor the reduction of the public sector deficit to the PIRE's targets. Preventing and correcting deviations from authorised budgets was the responsibility of the budget-control division.

Apparently, close coordination between the think-tanks of both divisions was crucial. By contrast, a political role was expected from the Under-Secretariat for Regional Development. In broader terms, the reorganisation under discussion encouraged an ongoing process of functional differentiation within the SPP. The other two programming-budgeting divisions were to play an auxiliary role in this still embryonic twofold arrangement.

Unlike the SPP, the finance ministry was not reorganised. The SHCP's traditional orientation and powers equipped it well to perform its expected role in the application of PIRE. As everywhere, finance ministries usually prefer stability to growth, and low spending to deficit financing (Caiden and Wildavsky 1990: 241, 245). Apart from holding

the resources for negotiating the debt and controlling the level of taxation, the SHCP was responsible for the nationalised banking system since late 1982. Furthermore, Silva-Herzog was a well-connected, respected finance minister in Mexico and abroad.

Implementing the PIRE

Restraining public expenditure in a context of big government and scarce resources was the major challenge to the SPP. According to 'the letter of intent' to the IMF, public-sector deficit as a percentage of the GDP was to be reduced from 16.9 percent in 1982 to 8.5 percent in 1983, to 5.5 percent in 1984, and to 3.5 percent in 1985. The financial deficit reaching 16.9 percent in 1982 illustrates the magnitude of the task ahead. Such cutbacks were expected to lower the pressures on domestic prices. It can be seen from table 5.2 that, regarding public-sector deficit and inflation, government's efforts produced encouraging results during both 1983 and 1984, though admittedly below target. Moreover, current account surpluses of \$5.5 billion in 1983 and \$4.2 billion in 1984 ended three decades of continued current account deficits (Levy and Székely 1987: 163, 140).

TABLE 5.2. Selected economic and public financial indicators, 1982-1988
(Annual growth rates, unless otherwise specified)

	1982	1983	1984	1985	1986	1987	1988
A. GDP	-0.6	-5.2	3.6	2.7	-3.5	1.7	1.3
B. GDP per capita	-3.3	-8.1	0.9	-0.2	-6.5	-1.1	-1.5
C. Inflation	98.8	80.0	59.2	63.7	105.7	159.2	51.6
D. Gross domestic investment	-28.7	-24.9	6.1	10.3	-22.6	2.3	13.3
E. Federal spending ⁽¹⁾	37.43	26.06	23.79	24.17	33.13	--	--
F. Public spending (% real increase)	-8.0	-17.3	0.8	-6.1	-13.3	-0.5	-10.3
G. Public investment ⁽²⁾	48.41	45.94	31.68	27.77	39.03	27.40	--
H. Financial deficit ⁽¹⁾	16.9	8.6	8.5	9.6	16.0	16.0	12.5
I. Primary deficit ⁽¹⁾	2.5	-4.0	-4.8	-3.9	-2.5	-5.7	-8.1
J. Operational deficit ⁽¹⁾	5.5	-0.4	0.3	0.8	2.4	-1.8	3.6
K. Actual central government expenditure on the debt service ⁽³⁾	43.4	41.5	39.6	41.8	60.1	68.0	63.6
L. Change in M1 money supply (12-month average)	43.5	44.1	53.2	53.7	51.3	98.8	--

Notes: ⁽¹⁾ As percentage of the GDP; ⁽²⁾ As percentage of the total investment; ⁽³⁾ Percentage of the total central government expenditure (excludes service on the parastate debt), the percentage for 1988 is projected, not actual.

Source: A and C, Banco de México, *Indicadores Económicos*; B and D, Ramírez (1993: 179); E and G, Basáñez (1991: 161, 173 and 166); H and I, Carstens and Schwartz (in Serrano and Bulmer-Thomas 1996: 114); F and J, Aspe (1993: 15); K, Wilkie (1989: 1096); and L, Wilkie (1988: 917).

From the government's perspective, considering the distressing economic panorama in 1982 and the drop of oil prices in May 1983, "the initial efforts were largely successful" (Silva-Herzog 1988: 8; see also Córdoba Montoya 1991: 31-32). However, these achievements were bought at a very heavy price. As shown in table 5.2, there was in 1983 a marked decline in GDP to a negative 5.2 percent¹³, while the fall in GDP per capita was even more dramatic.

The sharp decrease of real public spending in 1983 was mostly done by an indiscriminate reduction of public investment. It is worth noting that the Expenditure Budget elaborated by Ramón Aguirre in the second half of 1982 was instrumental in achieving this goal. The impact of public investment in infrastructure and basic industry on private investment partly explains the low level of gross domestic investment (Ramírez 1993: 179-180). As table 5.2 shows, there were some more encouraging results during 1984. Above all, a positive rate of economic growth was achieved for the first time since 1981. This picture had, however, a negative side. First, the adjustment programme had devastating effects on the lower classes. Second, the 1983-84 surpluses in the current account were not the result of increasing exports or production, but of an astonishing 46 percent cut in imports (Keesing's 1985: 33392). Last, but not least, the lack of gross investment could not lead to sustained economic growth, but to economic stagnation.

A set of major fiscal measures was undertaken by the SHCP starting in late December 1982. They included adjustments in taxation and public sector prices and tariffs. However, its impact on the public finances was marginal as proved by the continued public sector deficits. Anyway, fiscal reform, with budget cuts and current-account surpluses, contributed to the extension of further foreign loans, and the rescheduling of existing debt in 1983 and 1984 (see Keesing's 1985: 33392-93 for details). In particular, the debt negotiations carried out by the SHCP in 1983 "provided important relief to the country well into 1985" (Glade in Camp 1986: 53). Furthermore, a Mexican proposal for rescheduling about half of the total public-sector debt was agreed "in principle" in September 1984.

¹³ The PND had forecast a decline in the GDP between 2 and 4 percent in 1983.

The way government's scarce resources were allocated illustrates the economic constraints imposed by the public debt. James W. Wilkie (1989) convincingly proves that the percentages devoted to the public debt service since 1983 were not manageable as domestically claimed by the government for political purposes. By calculating the total public debt payments as a share of the central public outlay rather than as a share of the entire public sector expenditure¹⁴, he reveals that 41 percent of the total central spending, on average, went to repay the debt between 1983 and 1985 (see table 5.2). In other words, less than 60 percent of that spending was left "to cover the myriad of Mexico's needs". The sectoral allocations to agriculture, public works, and health were the major casualties of the excessive debt repayments.

By the end of 1984, because of the heartening economic indicators, there was an air of optimism within government. An unexpected expansion of the economy during the first half of 1985, which made likely an annual growth of around 6 percent, brought that optimism to an end. A moderate relaxation of the austerity programme in late 1984 had overheated the economy during the first quarter of 1985 (Cornelius 1986: 2-4; see also Glade in Camp 1986: 56). As shown in table 5.2, a fairly moderate rate of economic growth in 1985 was bought at a disproportionate cost.¹⁵ Inflation began an upward trend, while public sector financial deficit rose nearly twice as much as the original target. By mid-1985, a 'maxi-devaluation' was carried out, a set of drastic cuts of public spending was implemented, and the access to domestic credit reduced. However, the correction came too late. A renewal of capital flight, a sharp decrease in the current-account surplus, and a depletion of government's foreign-exchange reserves further darkened the economic panorama during 1985.

To make things worse, in September 1985 two devastating earthquakes hit Mexico City causing damage estimated at \$5 billion. In addition, in November 1985, world oil prices began to decline. From November 1985 to February 1986, crude oil prices fell 55 percent, and so did Mexico's oil sales from 1.4 to 1.1 million barrels per day in the same period (Cornelius 1986: 6). Even before the magnitude of the loss for this

¹⁴ His argument is that only central government has discretionary spending, while the main parastate entities collect its own revenue and expend it.

¹⁵ For an extensive analyses of the performance of the Mexican economy in the period 1985-86, see Cornelius (1986), Glade (in Camp 1986), Durán (in Philip 1988), and Ramírez (1993).

concept was fully known, it was clear that government had to adjust drastically its economic strategy.

The fragile alliance built by president de la Madrid with both the domestic business community and the foreign sector began to unravel in 1985, and by 1986 it was virtually nonexistent. On the one hand, growing distrust of government's policies led to a capital flight estimated at \$2.5 billion in 1984, and \$5-6 billion in 1985 (Cornelius 1986: 19). On the other hand, relations with the United States deteriorated rapidly during the first half of 1985 (Keesing's 1985: 33967). One reason was the murder in Mexico of Enrique Camarena, an agent of the US Drug Enforcement Administration. By September 1985, debt negotiations with the foreign creditors had stalled, while the IMF declared that Mexico had not complied with its contracted obligations (which suspended the disbursement of the last part of IMF credits).

During 1986 and 1987, the relationship with the United States worsened considerably, as new sources of tension entered the bilateral agenda (see Cornelius 1988 for details). They ranged from allegations of fraudulent elections and police corruption to the worry that Mexico's economic debacle could lead to political instability. In the period 1983-1985, president de la Madrid needed some support from the left of the PRI. So, he could not overtly abandon his pro-Sandinismo stance. This annoyed Washington. The unpopularity of the government's policies led to limited (but unprecedented) opposition victories in 1983. The 1984 local elections were rigged to give the PRI victory. These 'system maintaining' policies were not welcomed by Washington. As a result, there was not any US desire to make life easier for Mexico. By 1986, the bilateral relations with the US had reached a dangerously high level of strain.

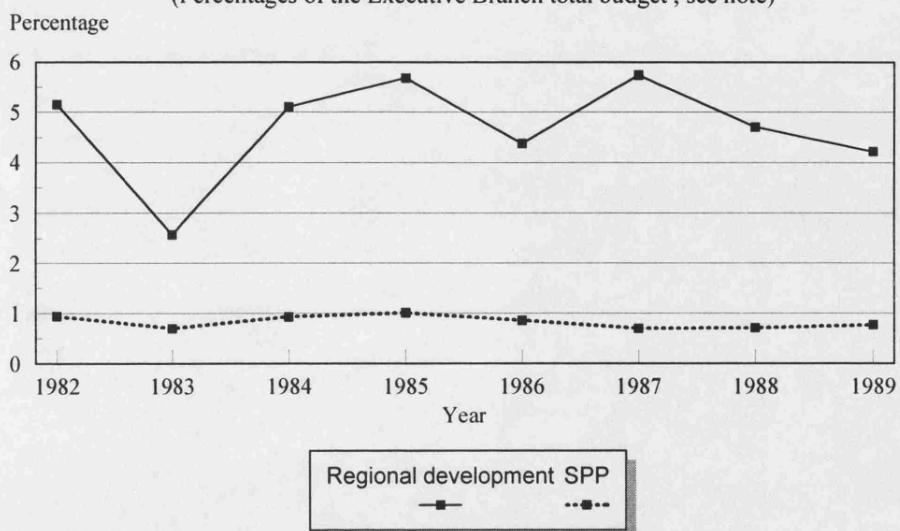
Why had government stepped up public spending in the second half of 1984, thus endangering the austerity programme? In particular, the local elections held in July 1983 saw a significant increase in the electoral power of the rightist PAN.¹⁶ Had president de la Madrid decided to boost public spending to tackle increasing electoral opposition? Manuel Camacho, a key member of Salinas' inner circle, sheds some light on these crucial issues (interview, London, 1/12/95). In his view, since 1983 the SPP's

¹⁶ This party won 10 out of the 105 municipal councils contested. They included Ciudad Juárez and the state capitals of Chihuahua and Durango. As a result, PAN had five out of the 31 state capitals, the largest number controlled by an opposition party since 1929. (Keesing's 1985: 33396)

Subsecretaría de Desarrollo Regional became a key institutional actor for three main reasons. First, both de la Madrid and Salinas encouraged this unit's active dealing with relevant "national and local political problems". Second, in a context of austerity "this *Subsecretaría* had abundance of resources, while there was scarcity of them everywhere else". Third, "there was flexibility [in their application] which allowed responding to 'emergencies' and to support local governments where and when necessary".

Figure 5.2 shows the authorised expenditure on regional development (*ramo 26*) in the period 1982-1989. This budget line comprises government's investment programmes having a direct regional impact. Because of its involvement in the agreements of collaboration between the federal and local governments (CUDs), the SPP could influence the allocation of resources belonging to this budget line. The table reveals that there was a significant increase in the projected outlays on regional development since 1983. Considering that 1985 and 1987 were two key years in the political calendar, the fluctuations shown by the graph suggest a link between regional expenditure and the electoral cycle. As Camacho's said, there were more authorised resources available at key points, which may have been used to face "emergencies". A more relevant problem regarding the austerity programme, however, was the "flexibility" with which, according to Camacho, those resources were used.

FIGURE 5.2 Projected expenditure on regional development and
the SPP Budget , 1982-1989
(Percentages of the Executive Branch total budget , see note)



Note: This budget does not include expenditure on public debt and federal participations to states and municipalities.

Source: Annual Federal Budgets.

The same figure also shows the evolution of the SPP administrative budget. It is clear from there that until 1986, this agency's budgets seem to reflect the same pattern described, though much less dramatically. However, their growth from 1983 to 1985 may be associated less with electoral factors and more with bureaucratic constraints hampering the efficient control of public expenditure. One example illustrates our point. To be in tone with austerity, the 1983 *Reglamento Interior* of the SPP lowered the number of general directorates by about 15 percent. But, it increased the number of under-secretaries, with much higher salaries, from three to five. Obviously, this situation implied the creation of several high-rank staff positions. If this stratagem was used by the SPP, what could be expected from the spending agencies whose priority was to keep, if not increase, their budget appropriations?

To sum up, stepping up public spending in 1984-85 was far from having a single cause. An effort at both restoring private-sector confidence to reduce the risk of capital flight and reducing social tensions surely contributed to that course of action (Cornelius 1986: 4). Additionally, there were policy errors and miscalculations. It should be born in mind that the immediate roots of the 1985-86 economic fiasco may be traced back to early 1984. Last, but not least, domestic political factors also played a relevant role, especially as the presidential succession approached.

5.3 BUREAUCRATIC IN-FIGHTING AND THE OPENING OF THE ECONOMY

By mid-1985 the PIRE had gone considerably off course. This fact was publicly recognised by minister Silva-Herzog, who in July 22 denounced "serious implementation problems". His speech at the annual national banking convention created tensions within the highest echelons of government. The Bank of Mexico's critical response showed strains in its usually friendly relationships with the SHCP. Above all, the speech represented a war declaration against the SPP minister Carlos Salinas. It showed the lack of coordination between both ministers. Despite the corrective measures adopted, the spending binge had been enough to collapse the stabilisation program (Grayson 1988: 49). Amid bureaucratic in-fighting, and partly because of it, a new economic strategy emerged.

The Silva-Herzog-Salinas confrontation: Again finance versus planning?

As in the past, institutional and political factors underlay the confrontation between the SHCP and the SPP in the period 1983-1986. This time, however, austerity would enhance their traditional struggle to control the budget. Silva-Herzog and Salinas sharing similar economic perspectives and backgrounds did not temper the intensity of their power battles. Exactly like six years before, presidential aspirations underpinned debates of substance. According to SHCP under-secretary Francisco Suárez Dávila, the overheating of the economy in the second half of 1984 was the result of a strong private-sector credit demand and private-sector investment that "became difficult to control" (quoted by Cornelius 1986: 4). In Silva-Herzog's view, the expansion of private investment was the positive result of fiscal incentives and the loosening of credit restrictions, though it "surpassed all expectations" (1988: 8).

If it is true the fact that "government underestimated the belated, but significant, private sector expenditures when devising its own spending strategy" (Grayson 1988: 48-49) would suggest that the SPP's think-tanks were to be blamed for the overstimulation of the economy. At the heart of the problem, however, was that the SPP had "briefly implemented populist policies" during the second quarter of 1984 (Greene 1994: 64). In other words, government's "expenditures, already underestimated in the original versions of the appropriations budget, began to exceed anticipated levels", thus favouring the expansion of private investment (Silva-Herzog 1988: 8). Apart from the SHCP, the president seemed to share these views.

In mid-November 1984, a new system to keep public spending within controlled limits was announced: Public-sector borrowing requirements were to be decided in advance each year by a board made up by representatives from the SPP, the SHCP, and the SECOFIN, with coordination from the central bank (Keesing's 1985: 33394). Moreover, the Council of Economic Advisors of the Presidency was soon created. Composed of three main economists selected by the president, this council was to advise the president on the definition of long-term economic objectives, to analyse the performance of the economy and the behaviour of the main economic variables, and to elaborate the economic studies ordered by the president (DOF 2/1/85). These measures meant not only a substantial change in the economic policymaking process, but also a

greater presidential involvement in that process. It is clear that they affected the SPP badly.

When the 1985 Expenditure Budget was proposed in December 1984, the finance minister "refused to sign it until expenditures were cut" (Greene 1994: 64). Like in 1977, the key problem between the SPP and the SHCP was the size of the budget. Though Silva-Herzog eventually signed after some expenditure adjustments, the economy did not improve. As a result, he announced a general austerity package on July 25, 1985 (Keesing's 1985: 33966). It involved a further devaluation of about 20 percent¹⁷ as well as across-the-board cuts in public spending, freezing of salaries, and other administrative savings at both central and parastate levels. Moreover, "decisive measures aimed at liberalizing business policies" were also included (Silva-Herzog 1988: 9).

These announcements suggest that Silva-Herzog not only was pushing his views through, but that he had taken the leadership in policy-making process. It was bad news for minister Salinas. The 1986 Expenditure Budget, announced in November 1985 by the SPP, limited public spending to a level comparable to that in 1983. By contrast with previous budgets, the cuts fell on current expenditures rather than on public investment (Cornelius 1986: 7). Further spending reductions were adopted in April 1986, after the size of the loss due to the oil prices fall was quantified. Yet, the public sector deficit would not reach 9 percent of GDP, as estimated by Salinas in April, but 16 percent.

The impact of the rapid decline of oil prices on the Mexican economy is hard to exaggerate. In 1985, such a trend, together with deficient management¹⁸, cost the country around \$3.8 billion in revenues (Glade in Camp 1986: 58). However, it was not comparable with the effects of the sharp drop of prices in the first half of 1986. The loss in that year was estimated to be equivalent of 6 percent of the country's GDP, one-third of total export earnings, 20 percent of total government income, or the total public investment in 1986.¹⁹ In money, it resulted in around \$9 billion according to Pedro Aspe (1993: 16). This context not only enhanced the role of the Economic Cabinet, but also

¹⁷In late June 1985, the *peso* had been devaluated by 33 percent in an attempt to deal with a renewal of speculation and capital flight.

¹⁸For instance, it was estimated that government lost \$550 million because of its tardiness in reducing export prices (Cornelius 1986: 6). It damaged Labastida and SEMIP badly.

¹⁹These figures were provided by president de la Madrid in his annual address to the nation of September 1, 1986.

ignited intense debates among its members. Between June 1985 and June 1986, the Economic Cabinet met thirty-three times, that is, once every eleven days on average (Ibarra and Alberro 1989: 153).

During this period, the relationship between the SPP and the SHCP deteriorated at the same speed as the economic situation.²⁰ Like in 1977, the ultimate cause of this development was related to institutionally-grounded, antagonistic agency orientations. According to Silva-Herzog (1988), the SPP's budgets invariably underestimated expenditures and failed to foresee "nascent phenomena"; many measures aimed at curbing public spending were only partially executed by the SPP; and the drop in oil prices "was used as justification for the deviations in economic policy". In brief, despite Salinas' strong SHCP background, the SPP tended to behave like any developing country's planning institute. By contrast, in Salinas's view, the SHCP's adjustment programme was "unreasonably strict" (Greene 1994: 67).

Following the 1986 drop of oil prices, the debates over the proper course to be taken eventually polarised the Economic Cabinet around the two ministries aforementioned. Silva-Herzog refers to the participants as "those who advocate more of the same and those who wanted a new domestic and foreign policy" (1988: 10). Apart from the succession struggle, two crucial economic issues were at the heart of the debates: the size of the expenditure cuts to be implemented (Greene 1994: 67) and the debt problem (LAWR 25, 3/7/86: 4).

The Plan Baker, enunciated in 1985 by Reagan's Treasury Secretary, encouraged US banks to lend only as a reward for 'structural reform': Moreover, the new money should be devoted not to investment, but to repay up to 50 percent of interest payments (Wilkie 1989: 1094). Because of the virtual impossibility to repay, it opened in some government circles the option of a unilateral moratorium on the debt payments in late 1985. On the other hand, the view, endorsed mainly by the US Treasury Department, that the only solution to the debt problem was faster economic growth through direct foreign investment and free-market policies (Cornelius 1986: 12) gave momentum to the economic-opening option too.

²⁰Between 1983 and early-1984, few, if any, strong differences over policy between these ministries had been reported by the media. Though suggested by its title, an article in *Proceso* 340 (9/5/83: 8-9) did not provide evidence of in-fighting involving the SHCP and the SPP.

In February 1986, president de la Madrid made a speech on Mexican television in which he suggested that some sacrifices from the creditors were necessary to solve the debt problem. Later in Hermosillo, in another "uncharacteristically tough speech", he said that the "foreign creditors were choking Mexico to death". Though Silva-Herzog rejected the idea of a straight moratorium (LAWR 23, 13/6/86: 2), he was in favour of a more active position before the creditors. Despite their moderation, his views were not particularly welcomed by the foreign financial agents, nor by some Mexican quarters (including de la Madrid). During the first half of 1986, sharp cabinet confrontations had eventually changed the president's view on the debt. This problem was ultimately resolved through Silva-Herzog's forced resignation on June 17, 1986.

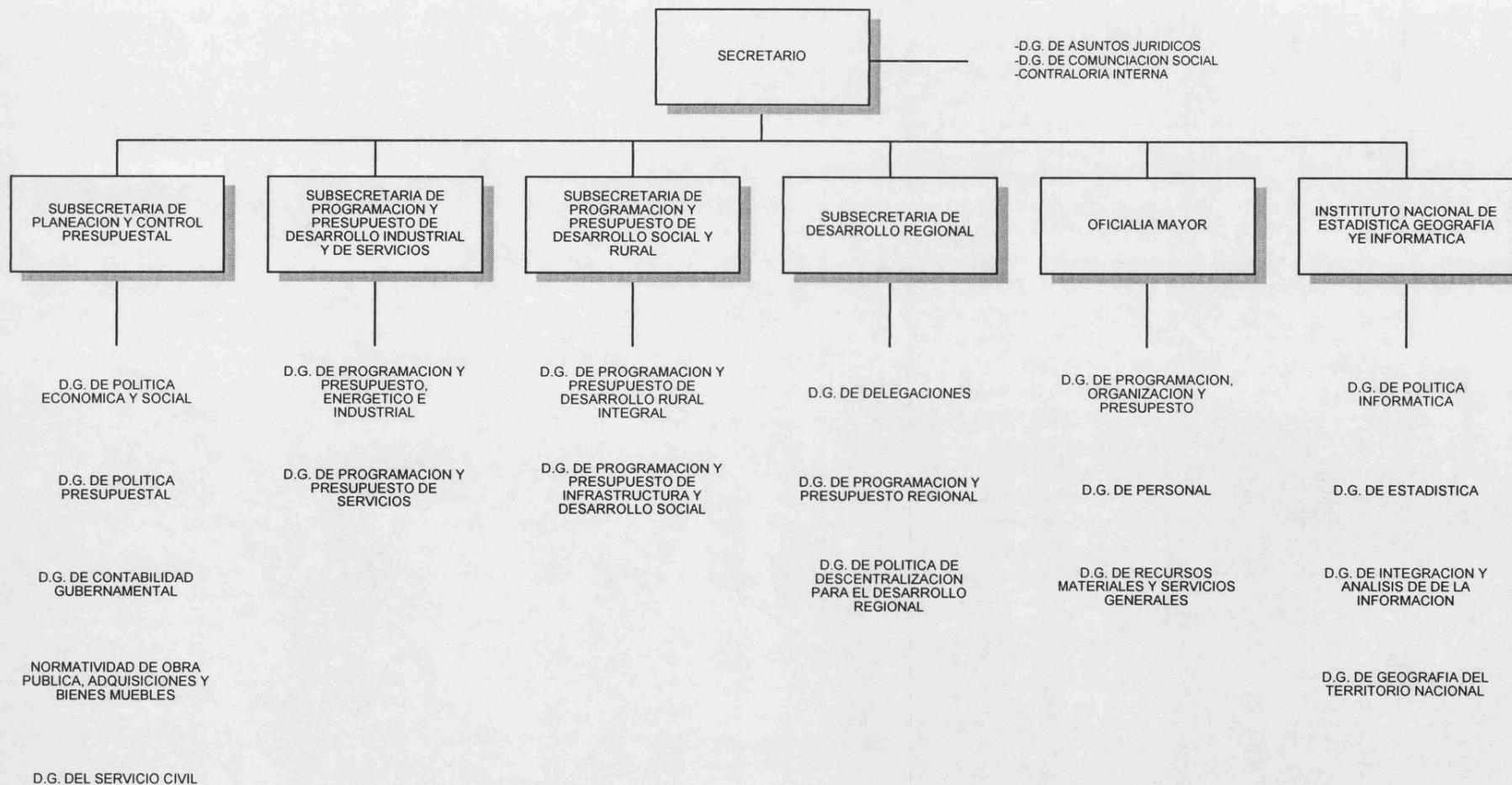
According to the *Centro de Estudios Económicos del Sector Privado*, the first four months of 1986 were characterised by "a dramatic growth of the public deficit", and it forecast that because "government spending is not being reduced, the fall in oil revenue will have a devastating effect on the country's internal finances" (LAWR 22, 6/6/86: 3). International factors, however, seemed to have played a more relevant role in June 1986. The SPP had again won another decisive battle.

The SPP's survival strategy

Up to 1985, Salinas's political prospects were not highly regarded. The failure of the austerity programme had affected the SPP minister badly. Few days after the launching of the July 1985 austerity package, a new reorganisation of the SPP was announced. As can be seen in figure 5.3, the new SPP *Reglamento Interior* reduced considerably the size of this agency. The major changes were the fusion of the under-secretariat for developmental planning and that for budget control and accounting, and the extinction of the general directorate for economic and social programming. These particular changes suggest that in the president's view the SPP had underestimated public outlays and failed to control spending, just as Silva-Herzog claimed. It was expected that merging the planning division with that in charge of the spending policy and the budget control would help to restrain public spending. To understand better the rationale and implications of these organic changes, it is necessary to look at the way the SPP was initially staffed.

Incoming minister Salinas had virtually free hand in staffing the SPP. In doing so, he resorted heavily to his team at the SPP's DGPEyS. This staffing style resembled the

FIGURE 5.3 SPP Organisation Chart, 1985-1986



Source: *Reglamento Interior de la SPP* (DOF 29/7/85).

way the cabinet was selected in that the DGPEyS-Salinas team of planners and economic experts just spread out over the SPP structure. To begin with, Salinas could appoint four out of five under-secretaries. The only exception was Juan José Páramo (Industry and Services) who was a presidential appointee. It is worth noting that he received a weakened under-secretariat with only two general-directorates, the heads of which came to be members of Salinas' inner circle.²¹

As head of *Planeación del Desarrollo*, the most important under-secretariat, Salinas appointed his friend and right-hand man Rogelio Montemayor, an economic expert with a PhD at Pennsylvania State University.²² Within this division, the powerful DGPEyS was given to José Córdoba Montoya, Salinas's former regional planning director (1980-81). Javier Castillo Ayala, like Montemayor another Salinas' friend and associate since the SHCP's years, became head of the new under-secretariat of budget control and accounting. With the total backing of Salinas, both Montemayor and Castillo played a key role in the economic policy making within the SPP between 1983 and mid-1985. Not surprisingly, they were the first victims of the failure of the austerity programme, and also of the rivalry Salinas-Silva-Herzog. The fact that Montemayor was downgraded (he was appointed INEGI's director), while Castillo fired suggested that Salinas was blaming them for what was happening.

Some indicators had forecast these events. Montemayor's branch experienced a high rate of turnover (see Appendix 2). For instance, Córdoba Montoya, the head of the DGPEyS, was unexpectedly appointed Salinas' head of advisors in early 1983.²³ From this position, he became Montemayor and Castillo's major internal critic. Cabinet struggles and negative financial indicators gave Córdoba Montoya a lot of ammunition. Four months before the reorganisation, he was again appointed head of the DGPEyS. His relationship with both Montemayor and Castillo further worsened.²⁴

²¹ They were Luis Raúl Domínguez Terrazas, an ITESM graduate, and Bernardo Gómez Palacio Gastelum. Both had worked at the DGPEyS between 1979 and 1982 (see Appendix 2).

²² Salinas managed to make Rogelio Montemayor, his second in command, head of the DGPEyS during de la Madrid's presidential campaign.

²³ It has been argued that this was associated with Córdoba still being a French citizen, his holding that position was therefore illegal as brought to mind by a *Gobernación*'s official letter sent to all public agencies at the beginning of 1983 (*Proceso* 572, 19/10/87: 8-9).

²⁴ The statements contained in this paragraph are mostly based on interviews with five SPP officials closely associated with the events being analysed (see Appendix 1). They include interview A (Mexico City, 28/4/93) and interview B (Mexico City, 5/5/93).

Pedro Aspe (the INEGI director since December 1982), replaced Montemayor. However, the former did not receive the same under-undersecretariat, but a super-think-tank because of the 1985 merger. Aspe's appointment has some relevant implications. Like Montemayor, Aspe was a highly-trained economic expert. However, their academic backgrounds were different. While Montemayor got his first degree at the Technological Institute for Superior Studies of Monterrey (ITESM), Aspe did so at the Autonomous Technological Institute of Mexico (ITAM). For the first time, Montemayor and his team had given the ITESM, a regionally-based institution, a politically significant presence in government's high echelons: Aspe's appointment not only had the same effect regarding the Mexico-City-based ITAM, but reduced the presence of ITESM.²⁵

These facts suggested the ongoing displacement of UNAM as the main source of government economic experts by private universities. In addition, they showed the importance of friendship links forged in both the universities and the halls of government in assembling government technical teams. Contextual factors and connections became crucial to the success of these new technocratic *camarillas*.

The mid-1985 reorganisation and reshuffle at the SPP were discussed by presidential advisors, and virtually ordered by the president. Salinas's intervention remains a matter of controversy. On the one hand, the reshuffle *forced* significant changes in the balance of power within Salinas' inner circle. Up to that point, the ITESM group had been a pivotal component of that circle. Though Montemayor, its leader, remained in the SPP, his group was dismantled. Similarly, most of Castillo's *camarilla* was purged from the SPP. On the other hand, not everything was bad news for Salinas. First, Aspe was not an outsider. He had joined Salinas' cluster at IEPES during de la Madrid's political campaign and the SPP in late 1982. Second, Aspe's promotion allowed Salinas to consolidate his external alliances with influential presidential advisers with whom Aspe was well-connected (see next chapter). Third, the selection of the PRI's candidates for federal deputy seats in early 1985 gave Salinas the opportunity to reduce tensions within the SPP, while expanding its influence to Congress.²⁶ Increasing criticism against

²⁵ See table 1.1 in Chapter One.

²⁶In contrast to the previous Legislature in which Salinas only gained one position (Cavazos Lerma), he managed to impose three high-ranked SPP officials as candidates: Marcela González Salas, Sócrates Rizzo, and Luis Donald Colosio. Both Rizzo and Colosio (ITESM) were closely associated with Montemayor.

the economic policy by the opposition parties had justified a greater SPP legislative presence. For these combined reasons, it can be argued that the reshuffle worked in favour of Salinas rather than against him.

Key bureaucratic alliances played an important role in Salinas' survival. Minister Salinas took advantage of the traditionally close link between the presidency and the SPP. In particular, a strong alliance developed between him and Emilio Gamboa Patrón, de la Madrid's powerful private secretary. The former had also belonged to the SPP's select club where their friendship started. In February 1986, Manuel Camacho, hitherto SPP's under-secretary and Salinas' close friend, was appointed head of the Secretariat of Urban Development and Ecology (SEDUE). When Salinas began to endorse the economic-opening option, a broader cabinet coalition began to emerge. The participants included the heads of SECOFIN (Hernández Cervantes), the Bank of Mexico (Mancera), and NAFINSA (Petriccioli).

Not less important were Salinas' alliances at local level.²⁷ They were the result of an extensive use of the SPP's 'regional' resources. De la Madrid's call for decentralisation enhanced the SPP's regional involvement. This development, including its political overtones, has been usually neglected.²⁸ One crucial achievement of the SPP, in particular since 1979, was the *Convenios Únicos de Desarrollo* (CUDs) with the states. These agreements "formalised the transfer of federal resources to the states" (Rodríguez, V. 1993: 136).

During his first three years in office, president de la Madrid "doubled the amount of resources in the hands of the state governors" (Cornelius 1986: 28). As suggested earlier, the fact that there were very limited funds to be allocated favoured the SPP structures in charge of regional development becoming a powerful patronage machinery. This *new* function of the SPP encroached upon the traditional jurisdiction of the network for political control, thus creating growing tensions between the SPP and the bureaucracies of both *Gobernación* and PRI. In December 1982, Salinas appointed both Camacho Solís and María de los Angeles Moreno in areas related with 'regional

²⁷ For a further discussion of Salinas' alliances, see Chavez (in *Proceso* 572 (19/10/87: 12-15) and Brito Lara (1988).

²⁸ According to Aguilar-Barajas and Spence, the de la Madrid administration paid "little attention to regional policy as such". In their view, the economic conditions assigned this policy "only a marginal role" (in Philip 1988: 206). Another example is provided by Rogelio Hernández who thinks that the SPP's structures dealing with regional development "were always marginal" (1993: 163-164).

development'. Different from most of the members of Salinas' inner circle, they have more politically-orientated careers. After Camacho's appointment as head of SEDUE, the SPP was again restructured. As figure 5.4 shows, a merger similar to that involving the SPP's economic areas took place, and Moreno inherited a greatly strengthened patronage machine.

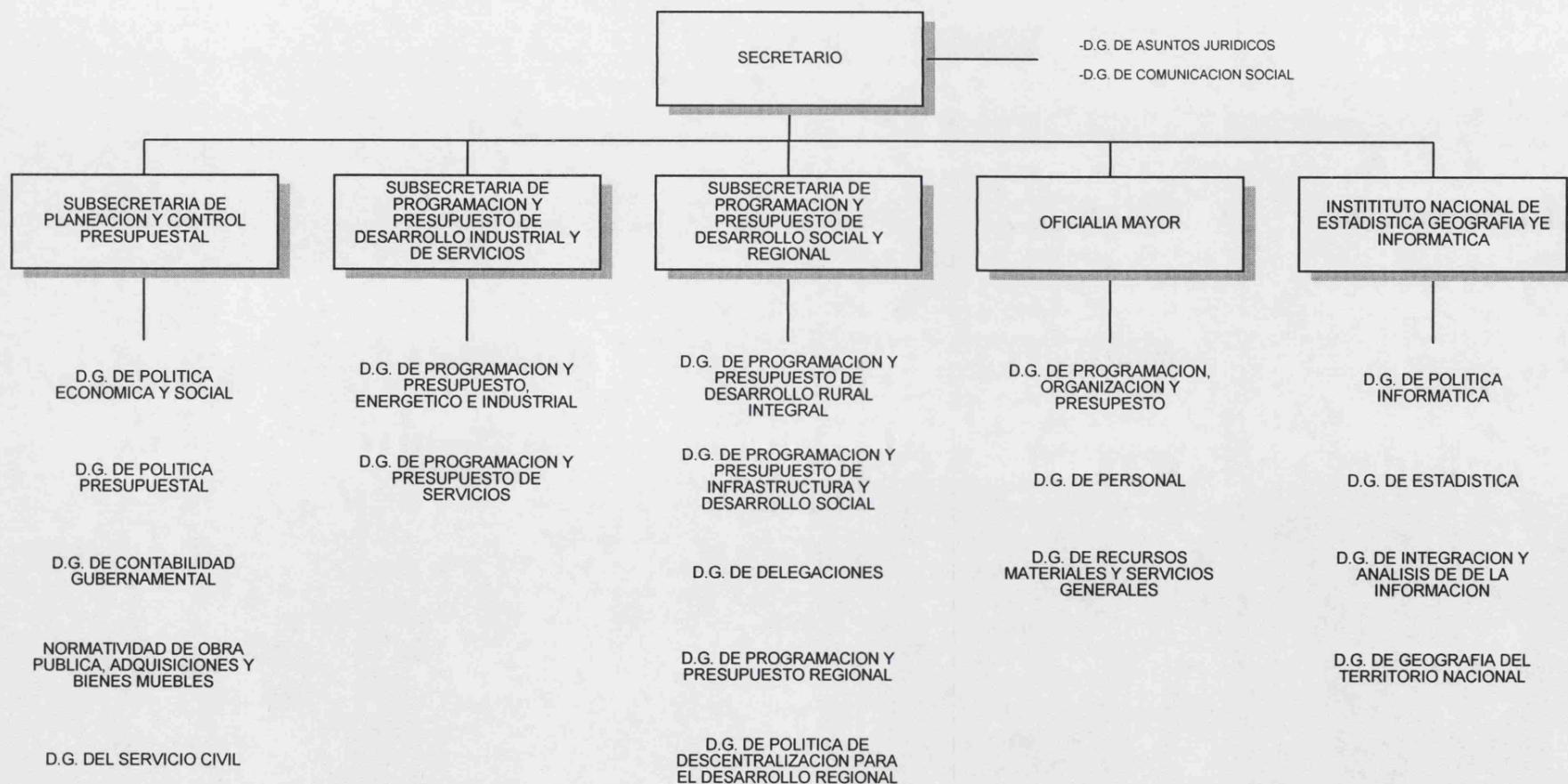
Last, but not least, Salinas' good relationship with the president was decisive to his survival. In 1985, when the tensions between the SHCP and the SPP became apparent, de la Madrid rebuked both Silva-Herzog and Salinas, and told them to come into line. The latter did, the former did not. Besides, de la Madrid was uncomfortable with Silva-Herzog's popularity (Centeno 1994: 163), and with his minister's overt efforts to raise his own political profile. During the cabinet crisis, the president was on the side of Salinas too (see *Proceso* 793, 13/1/92: 16).

Sole responsibility for economic policy

Gustavo Petricioli, the NAFINSA director, was appointed head of the SHCP in place of Silva-Herzog. Because of being more "flexible" than his predecessor, his choice was seen as an indication that de la Madrid wanted "to assume a direct role in the handling of Mexico's financial policies" (LAWR 25, 3/7/86: 4). At cabinet level, the only beneficiary would be minister Salinas. For Petricioli's docile stance vis-à-vis the SPP allowed Salinas and his team to take total control of the economic policymaking, for the first time since this agency's inception. So, the SPP team would be instrumental in shaping and maintaining the policy direction that emerged after Silva-Herzog's resignation. Rather than a new economic policy, "the cabinet embraced an aggressive domestic financial programme" (Silva-Herzog 1988: 10). The devastating effects of the 1986 oil shock in combination with cabinet struggles over policy had eventually given momentum to the *apertura-económica* option.

After mid-June 1986, the cautious shift towards market policies since late 1982 was greatly speeded up. Despite the collapse of the Mexican exports from 21.7 billion in 1985 to 16 billion in 1986, a substantial change in the structure of Mexican exports took place (see Ramírez 1993: 184). This structure saw a remarkable growth of non-oil exports, and their diversification. On the import side, the removal of licenses, beginning in 1985, was continued.

FIGURE 5.4 SPP Organisation Chart, 1986-1988



Source: *Reglamento Interior de la SPP* (DOF 29/7/85); *Decreto por el cual se reforma el Reglamento Interior de la SPP* (2/4/86); and *Manual de Organización General de la SPP* (DOF 25/3/87).

At the end of 1985, Mexico's total foreign debt amounted to \$97.3 billion, and the country would need additional fresh funds to deal with the dramatic loss of oil revenues. The dismissal of Silva-Herzog seemed to have removed the last obstacle to unilateral action on the debt problem (Cornelius 1986: 13). Besides, probably because of such threats, the attitude of the US government was changing. At the time there was strong debate within the Reagan administration, and the moderates won out. After the fall of Silva-Herzog, Salinas independently made contact with James Baker, one of the moderates, and told him that Mexico would co-operate with the US.²⁹ A new 'letter of intent' to the IMF was signed by Petricioli in Washington on July 22, 1986. The agreement was one of the first under the Plan Baker launched in October 1985, which was designed principally for Mexico.

As noted by Durán (in Philip 1988: 101), there were powerful reasons explaining American government and IMF's interest in the agreement: Mexico had become the test-case for a new strategy for dealing with the debt problem in the developing world (see also Lustig 1992: 46). The original feature of the rescue package was that for the first time the loans were linked to oil prices and economic performance.³⁰

The 1986 rescue package was conditional upon Mexico's move towards further economic restructuring and trade liberalisation. As said earlier, the cautious (though relevant) steps towards an open-economy model since 1982, with the dismal performance of the economy, rapidly eroded de la Madrid's initial alliances with the inward-orientated sectors of the domestic private-sector, particularly that with the domestic industrialists. In addition, the economic developments and policies between 1982 and 1985 were responsible for important changes in the correlation of power within the domestic business community. It allowed president de la Madrid to seek membership of GATT in 1985, which was achieved in July 1986 and eventually formalized in August 1987. A new arrangement between government and domestic business developed during the second part of the de la Madrid administration (Heredia in Serrano and Bulmer-Thomas 1996: 138).

²⁹ Interview material by Dr George Philip.

³⁰ On the 1986 debt negotiations and the rescue package see Cornelius (1986: 10-18), Keesing's (1986: 34733-34), Durán (in Philip 1988), and Lustig (1992: 46-47).

By mid-1987, some signs of economic recovery generated an air of optimism and even euphoria within the government. In this context, Carlos Salinas, the architect of the *new* economic strategy, was 'unveiled' as the PRI presidential candidate in early October 1987. The SPP's institutional resources that allowed Salinas to "underestimate deficits and costs" (Centeno 1994: 163) proved to be, for the second time, fundamental in reaching the presidency. Like in 1986, public sector deficit amounted to 16 percent of GDP in 1987 (as compared with the target of 3 percent agreed with the IMF).

5.4 A DIVISIVE SUCCESSION PROCESS: THE SPP AND THE PRI's SPLIT

Since the middle of the de la Madrid administration, some observers expected the process of presidential succession "to be extraordinarily divisive" (Cornelius 1986: 2-3). The actual size of the fracture, however, came to be worse than anticipated. Although many factors account for this outcome, the austerity policies stemming from the debt crisis should be regarded as one of its major causes. In particular, Salinas' possible nomination was perceived as "more of the same", even within some government's circles. As this possibility developed, normal tensions within the ruling party because of the succession struggle reached unprecedented levels. The PRI's splitting in 1987 not only is linked to the way de la Madrid resolved his succession, but would have deep effects on the operation of the political system as a whole.

Austerity and succession

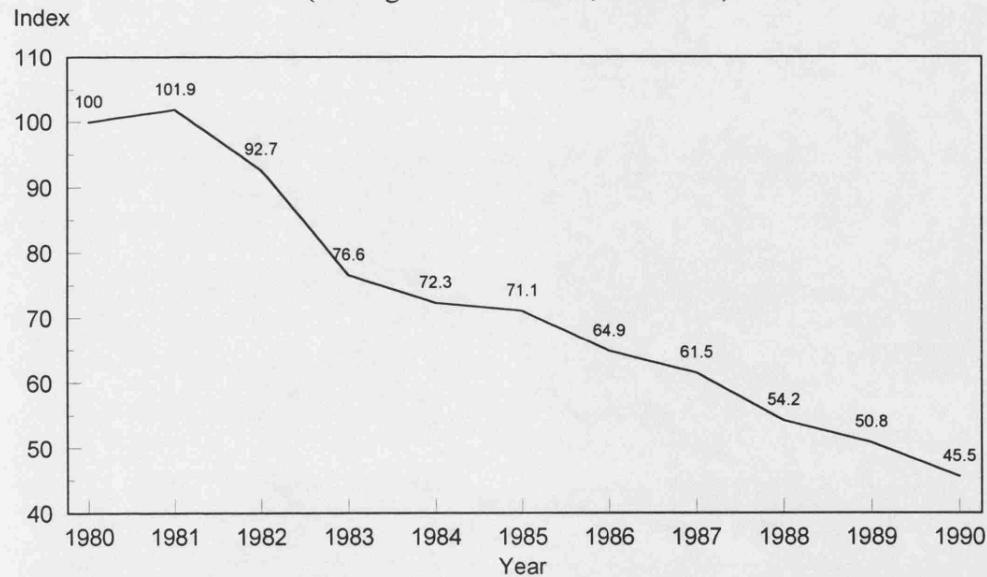
Between 1982 and 1986, there was, on average, a negative rate of economic growth of -0.7 percent, while the average rate of inflation was around 80 percent (106 percent in 1986 alone) (see table 5.2 above). Nothing similar had happened since the 1930s. The de la Madrid administration failed to control money supply (Wilkie 1988: 914). For example, the rate of growth in M_1 steadily increased since 1982, reaching an astonishing 90.8 percent in 1987 (see table 5.2 above). These increases in money supply, the highest in decades, influenced the observed rates of inflation. At the heart of these economic problems, however, was the burden of the foreign debt and its service. As pointed out by some Mexican officials, during the first half of de la Madrid's presidency,

Mexico"transferred abroad \$21 billion, having paid \$29 billion and received only \$8 billion in new credits" (quoted by Cornelius 1986: 12).

This handling of the debt problem "put the central government budget on a disastrous course" (Wilkie 1989: 1094). Central government's share of spending devoted to debt, which averaged 40 percent in the period 1983-85, rose to 64 percent in the period 1986-88 (see table 5.2 above). The most serious economic effect of reducing public spending was the sharp decline of public investment in infrastructure, basic industry, and agriculture. These developments had paramount social and political implications.

By the middle of the administration, all social indicators showed the devastating effects of four years of austerity, rampant inflation, and elusive economic growth. Wages were among the first casualties. Figure 5.5 shows the dramatic decline in the real minimum wages in Mexico City, the country's largest city, from 1982 onwards. Nationwide, the periodic wage increases were, invariably, well below the rate of inflation. It was estimated that in early 1985 about half of Mexico's work force earned the minimum wage (Keesing's 1985: 33395). By the end of that year, real wages had dropped to mid-1960 levels (Cornelius 1986: 32). The employment picture was equally dreary.

FIGURE 5.5 Real wage in Mexico City, 1980-1990
(Average annual indexes, 1980=100)



Note: The index for 1990 is preliminary.

Source: SALA (1993, vol 30, part 1: 434)

Officially, in early 1985 unemployment was estimated at 8.5 percent, while underemployment was thought to affect 40 percent of the work force (Keesing's 1985: 33395). Unofficial sources gave much higher estimates. Things worsened during de la Madrid's last years in office. In 1987, a 17.6 percent rate of unemployment was estimated (Middlebrook in Cornelius *et al.* 1989: 292). According to Cóboba Montoya, a Salinas' spokesman, "How could it be different in the face of the brusque change in our relationships with the exterior?" (*La Jornada* 8/6/87: 9). There seemed to be, however, a beneficiary. As can be seen in table 5.3, government's levels of employment did not suffer great changes because of austerity, though the salaries of low- and middle-rank officials certainly did. There is no doubt that de la Madrid's austerity policies worsened not only the living standards of the vast majority of Mexicans, but also the already highly unequal distribution of income.

TABLE 5.3 People employed by the public sector, 1982-1988
(Annual averages)

	<u>Total</u>	<u>Central government</u>	<u>Selected indicators</u> Public enterprises	Controlled Parastate Sector	Public sector share in the the total of people employed (percentage)
1982	3,668,618	2,032,914	885,220	367,252	17.1
1983	3,943,374	2,138,265	1,000,169	388,409	18.8
1984	4,186,550	2,284,541	1,042,035	447,633	19.5
1985	4,292,408	2,326,321	1,057,106	468,210	19.5
1986	4,344,392	2,380,193	1,028,002	503,439	20.1
1987	4,377,739	2,412,219	1,031,289	503,956	20.0
1988	4,365,351	2,400,159	1,016,935	496,069	19.9

Source: NAFINSA (1990, cuadro 13.31: 633-634).

As social dissatisfaction rapidly grew, signs of political unrest began to surface with dramatic force. Between 1983 and 1987, there was a steady increase in street demonstrations against the government's economic policy, and no few strikes and threats of national strikes.³¹ The implications of these developments were far from being limited to the labour market: They involved the political system as a whole. The period 1983-85

³¹ It was noted by the president himself that nearly 1,000 street demonstrations took place in Mexico City alone during 1983 (quoted in Keesing's 1985: 33395). The earliest strikes included those at the Metropolitan University and *Diesel Nacional* in early 1983. In June 1983, the CTM withdrew its call for a general strike after accepting a 15.6 percent wage increase (see Middlebrook in Cornelius *et al.* 1989: 293-294).

witnessed a deterioration of government's relationships with one of the PRI core pillars: the organised labour movement. Austerity was hitting the state's own corporative bases of support, and the political risks were evident

The major points of tension included the CTM, the country's largest union, and the powerful oil union. The CTM's early demands for wage increases were harshly spurned by de la Madrid: "... the national interest is above all other considerations; my position will not be affected by old styles of negotiation or pretensions to influence" (quoted by Middlebrook in Cornelius *et al.* 1989: 293). In late January 1984, the SPP published an *acuerdo* intended to cancel subcontracting of public contracts to third parties (DOF 30/1/84). The same agency was responsible for enforcing the fiat. Although the measure had across-the-board effects, it had been evidently drawn up having the oil union (STPRM) in mind. The measure not only cost *La Quina*'s economic empire some \$165 million in 1984 alone, but affected the STPRM's major source of income.

Barragán Camacho, the union's formal secretary general from 1980 to 1984, declared: "The secretariat [SPP] once again has adopted a plan that benefits the higher interests of the country." (*New York Times* 6/2/84). Beneath the surface, this challenging decision by the SPP would further erode the already strained relations between this ministry and the STPRM. This development was part of a broader presidential strategy to modernise PEMEX (see Grayson 1988: Chapter 3). In the case of *La Quina* and Salinas, like in that of Díaz Serrano and de la Madrid, the political would turn personal.

Paradoxically, de la Madrid had no option but to rely on the traditional PRI's corporative machinery to tackle both wage demands and the electoral advances by PAN, and he used it to its limit. The organised labour movement, despite its tensions with government, played a fundamental role in keeping labour militancy and wages under tight control. By 1987, the succession year, the wage share of national income had declined to 26.6 percent as compared with 35.9 percent in 1982 (Middlebrook in Cornelius *et al.* 1989: 293). The overwhelming victory of the PRI in the 1985 middle-term elections³² was surrounded by high public scepticism, fraud allegations, and violence. Apart from further deteriorating government's image at home, the engineered electoral results created an international scandal (Cornelius 1986: 38). Despite these facts, this course of action was

³² The PRI won all seven governorships contended, 289 out of 300 elected seats in the Chamber of Deputies, and almost all 845 mayoral elections (Keesing's 1985: 33965).

not changed during the 1986 local elections in Chihuahua, Durango and Oaxaca. To the president, after all, "Mexico was not ready for democracy" as he told Roderic Ai Camp in 1986.

Government's disastrous response to the September 1985 earthquakes acted as a powerful catalyst to articulate popular opposition in Mexico City metropolitan area (see Cornelius 1986: 35-37; Gil 1992: 48-57).³³ De la Madrid was widely and fiercely criticised for failing to provide a strong political leadership, and also a quick, sound emergency programme. To begin with, the SDN was not instructed to apply its DN-III plan for natural disasters, maybe because this would have implied giving the military total control of the rescue operation. In a letter published by a newspaper, journalist Mauricio González de Garza told de la Madrid: "That morning of September 19, we thought that you would become the nation's leader . . . But no - for forty-eight hours, you shut yourself up in *Los Pinos*, overwhelmed (*acorralado*) by anxiety (*angustia*) and beset (*asediado*) by the fear of losing power". (cited in Trueba 1994: 16)

In addition, the earthquakes exhibited not only a weak presidency, but the political inexperience of the DDF head Ramón Aguirre. Not surprisingly, the prevailing bureaucratic approach to the tragedy triggered unprecedented civil mobilisation, and favoured its political organisation. After Silva-Herzog's firing, minister Salinas began to be perceived as a serious contender for the presidency. For vast sectors of the population, it was difficult to ignore that he had been an architect of Mexico's economic strategy. Opposition to his nomination included not only independent organisations and political parties, but some sectors within both the government and the ruling party.

Tensions within the PRI

In October 1983, *Euromoney* magazine named Jesús Silva-Herzog "finance minister of the year". In Mexico, due to his political skills and charisma, he was considered by many not only a good minister, but a strong contender for the presidential nomination (Ayala 1995: 35). Partly because of it, he left cabinet in July 1986. There is a clear parallel between the causes deciding the fall of Silva-Herzog and Díaz Serrano (see chapter 4). Both of them were very early on perceived as front-runners in the

³³In an interview with Greene, Silva-Herzog said that Mexico was 'fortunate' to have had the earthquakes, for attention was "drawn away from the mismanagement of the economy as the government was able to blame the economic deviations on this external occurrence" (1994: 66).

presidential race, thus favouring the emergence of bureaucratic coalitions against them. Like the former PEMEX director, Silva-Herzog was not a 'team player', and did not cement strong alliances at cabinet level. This fact played a crucial role in deciding their fates: In both cases, the SPP would benefit from the outcomes. In brief, Silva-Herzog's personal style, his overt confrontation with Salinas, and his strategy in seeking the presidency were crucial in his fall.

In April 1986, Alfredo del Mazo, governor of the State of Mexico, replaced Labastida Ochoa at SEMIP. Considering the time of his appointment and his strong friendship ties with the president, del Mazo was perceived as a strong presidential contender race. Silva-Herzog did not like this, despite his being still viewed as the front-runner (LAWR 17, 8/5/86: 5). The problem was that he showed it too much. Sharply put, Silva-Herzog was opening opposition fronts within the bureaucracy, but without building enough bureaucratic alliances to counterbalance those fronts. As discussed earlier, Salinas was doing exactly the opposite.

During the mid-term economic setback, Silva-Herzog underwent a political metamorphosis. At first, he was widely perceived as a moderating force within cabinet, thus enjoying the confidence of the US government and foreign creditors (Cornelius 1986: 13). This, however, began to change as a more outspoken and progressive finance minister gradually emerged. Presidential aspirations were an important driving force in this transformation. De la Madrid's February 1986 speech gave him a chance to advocate a "new foreign policy". In May, a PRI meeting set up to discuss economic issues endorsed the view of a more "aggressive" debt policy. A partnership between Silva-Herzog and the left-of-centre PRI's members developed further. The latter's growing opposition to Salinas' nomination suited well Silva-Herzog's political aspirations.³⁴ However, as already said, the president would change his view on the debt.

According to Porfirio Muñoz Ledo (interview in Gil 1992: 196), neither "Silva Herzog's words nor the party resolutions were taken into account". In his view, "an internal political shift took place and . . . the technocrats won the battle". They "did not want Silva Herzog to raise the banner of change and benefit from it politically". Ironically enough, Silva-Herzog's closing ranks with PRI members created tension between him and

³⁴ This alliance resembled that between Díaz Serrano and '*La Quina*' six years before.

another reputedly strong presidential candidate, namely the head of *Gobernación* Manuel Bartlett.

As usual, the PRI began well in advance gearing up for the forthcoming presidential campaign. The context was, however, different from previous occasions. Following the resignation of Lugo Verduzco, Jorge de la Vega was appointed head of PRI in early October 1986. President De la Madrid resorted to his political experience in coping with increasing unrest within the party. Since its annual convention held in August 1984, some PRI's members had been accusing their leaders of driving the party to the right. Cuauhtémoc Cárdenas and Porfirio Muñoz Ledo, well-known national politicians, soon took the leadership of the discontented faction. After the Silva-Herzog dismissal, this faction's stances radicalised. De la Vega's efforts could not prevent the eventual creation, within the party, of the *Corriente Democrática* (CD) in late 1986. In brief, this group asked for an open internal selection of the presidential candidate.

It was the first time some organised PRI's members had dared to question the very basis of the Mexican political system, namely the *presidencialismo* and its "anti-democratic excesses". Following a period of highly strained relationships between the PRI leadership and the CD, the former issued a bulletin saying that Cárdenas had decided "not to collaborate further with the party" in March 1987. Three months later, the PRI's CEN would decide to withdraw recognition of the CD.³⁵ The level of opposition within the party had been unprecedented, and so was the president's radical response to struggles over the presidential nomination. De la Madrid, making extensive use of the presidency's powers, opted for suppressing the source of protest. This authoritarian decision would have a high political cost.

The Salinas nomination and the PRI split

In October 1986, Jesús Salazar Toledo, the PRI leader in Mexico City, uncovered the names of four Cabinet members from whom, in 'his' view, the presidential candidate would be selected. They were del Mazo (SEMIP), Manuel Bartlett (*Gobernación*), Carlos Salinas (SPP), and González Avelar (SEP).³⁶ Outstandingly,

³⁵ An extensive description of these developments may be found in Garrido (1993). The views of both Cárdenas and Muñoz Ledo on this issue are contained in the interviews given to Gil (1992: 149-172, 173-211).

³⁶The later inclusion of Ramón Aguirre (DDF) and García Ramírez (PGR) did not change the perception that Salazar had delimited the scope for the presidential selection.

Petricioli (SHCP) was excluded from the list of '*distinguidos priistas*'. Since most observers gave González Avelar no serious chances, this meant that there were only three real contenders for the nomination as later recognised by de la Madrid himself (interview with Borge 1993: 141). It not only reduced considerably the expectations traditionally surrounding the process, but also favoured more intense succession struggles.

After Silva-Herzog's resignation, Alfredo del Mazo was perceived as the front-runner in the presidential race (LAWR 25, 3/7/86: 4). As noted by Centeno, he was widely considered "the perfect compromise candidate" because of his ties to both the government's financial circles and the old '*políticos*' (1994: 164). Unlike Salinas, del Mazo had the support of the CTM leader Fidel Velázquez. However, the radical shift to market-orientated policies in mid-1986 worked against del Mazo's political expectations. As argued in previous chapters, SEMIP was historically associated with state intervention. A new approach to the latter had decided this agency lost its powers over national industrial policy in early 1983. Moreover, SEMIP witnessed the gradual reduction of the parastate entities under its control (Marúm in Alonso *et al.* 1992: 225-231).

This process was accelerated by the policy of further "structural reform" embraced by the cabinet since mid-1986. Though del Mazo's programme of 'industrial modernisation' of the parastate sector was widely and much publicized, it could not obscure those trends. Indeed, the programme was difficult to harmonise with the declining role of public ownership. More importantly, no radical policy shift was expected as suggested by de la Madrid in his fifth address to the nation: "... we will not change course in mid-passage." (quoted by Centeno 1994: 164). In brief, SEMIP was not the ideal platform from which to campaign for the nomination.

There were more serious factors hampering Manuel Bartlett's presidential aspirations. First, Moya Palencia's defeat as presidential candidate decided Bartlett's incorporation to de la Madrid's team of financiers and planners in 1979. Yet he was never considered by this team as a real member. Second, president de la Madrid discouraged Bartlett from exercising *Gobernación*'s traditional political powers by increasingly relying on the head of the SPP regional machinery, Manuel Camacho, to solve selected political

problems at both national and local levels.³⁷ Camacho himself provides an example that illustrates the declining role of *Gobernación*. "Once Manuel Bartlett phoned me to tell me: 'I want you to know that there is only one *Secretario de Gobernación*. Despite being a *subsecretario*, he already saw me as a competitor!" (interview, London, 1/12/95). Third, allegations of ballot-rigging, of human rights violations, and of police involvement in drug trafficking affected badly Bartlett's reputation not only in Mexico, but abroad.³⁸ As said earlier, these issues reached the bilateral agenda in a period of strained relations with the United States.

The most plausible explanation of the eventual selection of Carlos Salinas as the PRI candidate is de la Madrid's wish to continue at any cost his economic programme and his feeling that the SPP minister, nobody else, could do it. It has been argued that disagreements over economic policy, rather than the pace of political modernisation, were at the heart of the PRI's fissure (Camp in Rodríguez, J. 1993: 249). But, why? Apart from ideological and doctrinal arguments, political factors played a relevant role in articulating opposition, the most important being the succession struggle. As argued in the previous chapter, the 1982 presidential transition provoked the displacement of many bureaucratic *camarillas* from the two existing policy networks. As a result, the PRI not only gradually brought together radical structuralists, displaced politicians, and dissatisfied union leaders, but also became a critical forum. In the final analysis, they were struggling for survival, while making use of virtually the only arena available: their political party.

In June 1987, José Cóboba published an article in *La Jornada* (8/6/87: 1, 8-9). More than a mere response to Ifigenia Martínez, a CD's member, this article was an abbreviated version of Salinas' economic programme in case of being nominated, namely, six-years of more 'economic realism'. In other words, the elites displaced by these policies will not return to politics. It was the first time in decades that the way of thinking of a presidential pre-candidate was so well known in advance. For the PRI critical wing,

³⁷ Since 1983, Camacho began to frequently join the president's trips around the country. This was explained by the SPP's involvement in the relations with the states. Gradually, he received from de la Madrid more political tasks such as "once being mediator between Reyes Heroles and *La Quina*" and the solution of numerous labour and agrarian conflicts. (interview, London, 1/12/95)

³⁸ At the time, some evidence suggested the participation of DFS agents in the assassination of Manuel Buendía in May 1984 (see *Proceso* 660, 26/6/89: 12-19), and also the involvement of that agency in providing ID cards to the drug smugglers linked to the assassination of the DEA's agent Camarena in early 1985.

survival within the system implied fighting continuity, and the latter had a name: Carlos Salinas.

This interpretation is supported by the gradual shift of the *Cardenista* group from moderation to radicalism. Despite his *de facto* expulsion, Cárdenas sought the PRI presidential nomination from July to September 1987. A week after the Salinas' "unveiling" on October 5, 1987, he accepted becoming the PARM presidential candidate on October 12, 1987. According to Muñoz Ledo, this party was selected "because its ideology was closest to the PRI's. Actually it didn't have a distinct ideology." (interview in Gil 1992: 196). In addition to his nomination by a PRI satellite party, Cárdenas' rejecting overtures from the newly-formed Mexican Socialist Party (PMT) suggests that he had decided to play according to 'the rules of the game'. At this point neither the PRI nor its candidate saw Cárdenas as a challenge. Furthermore, it could help counteracting the rightist PAN candidate Manuel Clothier. In March 1988, José Cordoba gave abroad the following forecast: PRI 60%, PAN 20%, Cárdenas 15%, other parties 5%.³⁹

TABLE 5.4 National electoral polls, May-July 1988
(Main presidential candidates, vote percentages)

Author (date)	Salinas (PRI)	Clouthier (PAN)	Cárdenas (FDN)
UNAM/FCPyS (May)	61.4	15.7	15.2 ⁽¹⁾
El Universal (5 May)	57.1	17.0	20.8 ⁽²⁾
El Colegio de México (undated)	61.4	21.0	17.5
El Universal (12 May)	56.2	18.1	21.6
The Gallup Organisation (May-June)	56.0	19.0	23.0
El Universal (26 June)	54.1	22.0	19.1
El Universal (3 July)	57.2	21.0	18.0

Notes: ⁽¹⁾ Includes voting of the Mexican Socialist Party (PMS); ⁽²⁾ This percentage is for the National Democratic Front.

Source: *El Cotidiano* 25 (September-October 1988: 34).

Without foreseeing any problem in winning the presidential election, the PRI carried out the Salinas campaign along traditional lines.⁴⁰ As in the past, the task of winning votes was left mostly to the PRI's corporative machinery. On the whole, the campaign was orientated "less to win votes than to negotiating positions in the future

³⁹ Interviewed in London by George Philip.

⁴⁰ For a detailed account of the 1988 PRI's presidential campaign see Adler *et al.* (1993).

government" (Adler *et al.* 1993: 393). Cárdenas' campaign was neglected even after the PMS supported the candidature of the former PRI's member. After all, the Mexican Left had rarely attracted many voters. Moreover, the various national electoral polls invariably showed Salinas as the likely winner even on the eve of the election as can be seen from table 5.4.

The official results released one week after the elections gave Salinas around 50 percent of the vote, while around 31 percent went to Cárdenas. A few days before, the latter had announced his victory based on preliminary results from one third of the total vote counted from official documentation (Reding 1988b: 616). A widespread impression of ballot-rigging and of a giant electoral fraud stained Salinas' declared victory. In any event, one thing was clear: The period of PRI hegemony was gone as incoming president Salinas would later point out.

CONCLUDING NOTE

Policy incoherence during the last year of the López Portillo administration not only aggravated the economic effects of the mid-1981 drop of oil prices, but also severely worsened the government's relations with the domestic private sector. It also affected the negotiations with foreign creditors. Restoring both relationships was a priority for the incoming president de la Madrid. Because of the country's dire need of fresh funds, he had no option but to agree a medium-term austerity programme with the IMF. A strategy of aid schemes, tax incentives, and private investment promotion was used in restoring business confidence. In particular, an alliance was built with the domestic inward-orientated industrialists. This strategy proved to be relatively successful until 1984.

The way the problem of foreign debt was handled put government spending on a catastrophic course. Because of the debt service, Mexico became a net exporter of capital at the expense of public investment and social programmes. The limited access to foreign credit, with pressing internal demands, triggered a process of high inflation and economic stagnation. A moderate increase in public spending and higher private investment overheated the economy in 1985, thus making the austerity programme's targets meaningless. This development strained again government's relations with both foreign creditors and domestic business.

Stepping up public spending was not the result of a single factor. A long list of them conspired against the austerity measures. They included domestic opposition, social pressures, spending miscalculations, the midterm elections, policy incoherence, cabinet in-fighting, implementation problems, the September earthquakes, the 1985-86 oil shock, and the succession process. In a combined fashion, they decided the course of the economy from 1986 onwards. The severity of the oil price decline in early 1986 not only intensified cabinet debates over economic policy, but gave momentum to the economic-opening option. The latter had been postponed by the government's alliance with the domestic industrial sector.

Austerity enhanced the institutional rivalry between the SHCP and the SPP. The succession struggle further aggravated their traditional claims on the budget. As in the previous succession process, bureaucratic and extra-bureaucratic alliances greatly influenced the outcome. The tensions and shifts in the correlation of forces at cabinet level reflected similar phenomena at the societal level. Personal factors and survival strategies played a relevant role in the fate of both Silva-Herzog and Salinas. The former left the cabinet not only because of his position on the debt problem, but also because of the bureaucratic coalition his being the front-runner in the presidential race had encouraged.

De la Madrid's austerity programme imposed a large part of the crisis burden on the most vulnerable social sectors. Inflation and economic stagnation brought a significant deterioration of living standards for most of the population. The 1985 earthquakes acted as a catalyst to social discontent. During the de la Madrid's years, the relation between labour and government suffered from strain. Patronage and austerity were mutually excluding. Tensions within the ruling party reflected these developments, and also opposition to Salinas' nomination. Continuity and Salinas became synonymous concepts. The results of the 1988 elections showed, beyond doubt, the link between austerity and social dissatisfaction.

As will be argued in the next chapter, Salinas's economic programme began to develop in mid-1986, and was not altered by the 1988 elections. The roots of his social programme can be traced even earlier. A revival of *presidentialism* along traditional lines would be Salinas's major response to the unprecedented political crisis caused by his reaching power.

Amid neoliberalism and *Solidaridad*: The decline of the SPP

The economic course followed during the first half of the Salinas administration (1988-1991) cannot be fully understood without going back to 1987. Following a short-lived recovery, the Mexican economy was again in alarming disarray by the third quarter of 1987. Further deterioration was precipitated by the collapse of the stock market, and the resulting capital flight. By the end of the year, government had no alternative but to attempt a radical change in its way of carrying out pro-market structural adjustments. The main feature of the stabilisation programme adopted was to bring the state's corporative machinery deeper inside the economic policy making. Though the Economic Solidarity Pact (PSE) proved highly successful in bringing inflation down, the improvements came too late to save the July 1988 presidential elections as the dramatic swing against the PRI showed. The adoption of the core policies and implementation mechanism of the PSE explains much of Salinas's so-called 'economic miracle'.

As the administration unfolded, it became increasingly apparent that the existing levels of external funding were the main constraint to higher rates of economic growth. With this idea in mind and after a failed tour to Europe in search of investment, president Salinas unexpectedly sought a free trade agreement with the United States in early 1990. The expectations raised by this possibility, together with a radical privatisation programme of large enterprises, would provide amply the longed-for funds. By the end of 1991, public finances had been substantially corrected, the economy was growing, inflation was declining, and dollars were entering the country in impressive amounts. Moreover, the negotiations on the trade agreement were at their zenith, and on a promising course.

On the political side, the success of the PRI in winning with relative ease the mid-term congressional elections suggested the popularity of president Salinas and his policies. In this particular context, a brief press release from the presidency announced that the SHCP and the SPP would be merged. This decision meant the institutional death of the latter ministry. As argued in this chapter, various factors explain the demise of the SPP. From a broad economic perspective, it can be argued that neoliberalism itself conspired against an agency originally designed to operate in a statist context already gone, while strengthening the finance ministry. This explanation, however, is only partly correct. For political factors also played a fundamental part in the decision-making process, in the way the reform was conceived, and even in the timing.

More than his two predecessors, president Salinas made extensive use of the vast powers of the Mexican presidency. This style of ruling had a dramatic impact on the bureaucratic setting. For the federal bureaucracy was not only called to play a subordinate, instrumental role, but its internal balance of power substantially altered. In particular, president Salinas was careful to prevent any single ministry from becoming dominant in economic policy-making. This strategy enabled him to impose, in record time, his economic programme over usually recalcitrant and, more important, antagonistic bureaucratic interests.

The central purpose of this chapter is to analyse the context surrounding the death of the SPP, and to spell out the causes explaining the latter event. While paying special attention to the exceptional conditions in which the Salinas administration opened, the first section describes and discusses the economic strategy proposed, and the factors underpinning government's economic success. Section two analyses the impact of the manner in which economic policy was designed and implemented on the institutional and bureaucratic settings. The following section is devoted entirely to PRONASOL. Here, it is argued that there is a direct connection between the way this all-encompassing social programme was carried out and the rapid decline of the SPP. The last section focuses on the major causes that may account for the death of this ministry in January 1992.

6.1 SALINAS'S NEOLIBERAL STRATEGY

The Salinas administration opened amid a climate of cautious confidence on the Mexican economy, and extended political unrest stemming from the stormy July 1988

electoral process. By the end of 1991, this gloomy picture had dramatically changed. On the one hand, a rapid succession of bold and skillful actions by the incoming president helped restore the presidency's legitimacy, and gained wide political support for its action. On the other hand, the country's economy had made considerable progress. Moreover, the negotiation of a free trade agreement with the United States and Canada raised optimistic expectations about the country's future. In only three years, Carlos Salinas had achieved what some months before his inauguration seemed impossible.

From electoral failure to economic success

The first half of the Salinas administration was marked by both an upturn in economic growth and a substantial decline in inflation. Moreover, remarkable progress in the efficiency of public sector expenditures was achieved. This encouraging picture contrasted with that of the previous years. At the beginning of the second quarter of 1987, the Mexican economy experienced a moderate recovery as a result of the long-term rescue package negotiated in the second half of 1986, a fall of international interest rates, and a rise in oil prices. Besides, the favourable peso exchange rate encouraged the return of capital that had fled the country in the past. The Mexican stock market (BMV) was particularly attractive to investors seeking quick profits. Between March and September 1987, the BMV index grew 250 percent (Wilkie 1988, table 3503: 920).

Government officials did not lose a chance to reinforce a positive view of the economy. By September, an atmosphere of "triumph, euphoria, and optimism" prevailed (Silva-Herzog 1988: 10). In this context, Carlos Salinas, the architect of the sudden boom, was 'unveiled' as the PRI presidential candidate. Soon, the economic reality would emerge with explosive force. Just a few days after the '*destape*' in mid-October, the Mexican stock market collapsed. The value of the stocks on the BMV had outpaced the rate of inflation, and by early October 1987 it was "more overvalued than Wall Street" (Wilkie 1988: 917). Apart from external factors, this development was aggravated by domestic "administrative errors" (Aspe 1993: 19).

The fact that finance minister Gustavo Petricioli knew well the operation of the Mexican stock market¹ suggests that these *errors* had been, at least partly, deliberate. If true, it means that an artificial stock-market boom had been tolerated with the aim of

¹Minister Petricioli had been president of the *Comisión Nacional de Valores*, government's supervisory body of the stock market under the SHCP's axis, between 1976 and 1982.

serving as a part of the stage design for the 'unveiling'.² After the stock market crash, people rushed to switch their assets to dollars, and an intense capital flight followed. In November 1987 alone, the peso was devalued by about 20 percent, and prices soared. It was the first 'present' of the PRI candidate to the electorate. By December, the BMV had fallen 70 percent. The official 1987 economic indicators, released in early 1988, would show a quite different picture from that publicized before October. In spite of their impressive academic qualifications, government economists had plainly failed to control the money supply³, hyperinflation, and public spending. Together with economic variables, factors associated with the presidential transition underlay this poor performance.

The financial crisis precipitated by the stock market crash had three major effects. First, it made the 1988 Budget, presented to Congress in late November, "patently unreal". Second, it forced government to attempt a new economic strategy before the budget came into effect. In the view of the policy-makers, "the administration faced the serious problem of implementing new initiatives in its last year of government" (Aspe 1993: 20). From a electoral viewpoint, it was not the ideal time to do so either. Third, it dramatically changed the way government had planned to deal with the forthcoming presidential elections. For example, it had been forecast in the budget statement that in 1988 the country would have a financial deficit of 18.5 percent of GDP and a rate of inflation of 135 percent! (Whitehead in Cornelius *et al.* 1989: 183)

President de la Madrid launched the *Pacto de Solidaridad Económica* (PSE) in mid-december 1987. The central objective of this innovative set of economic policies was to drastically reduce inertial inflation, while using the exchange rate as "the nominal anchor of the disinflation programme" (Carstens and Schwartz in Serrano and Bulmer-Thomas 1996: 113). In addition, the PSE brought together, for the first time ever in an explicit fashion, the private sector as well as the organised labour and peasantry into the policy-making and bargaining processes. The results of this strategy in controlling the wage-price spiral were beyond any expectation. Inflation, on monthly basis, dropped from 15 percent in December 1987 to 2 percent in July 1988, the month of the presidential

²See "Petricioli protegió ilícitos bursátiles con la anuencia de De la Madrid", *Proceso* 642 (20/2/89: 12-15).

³According to the central bank, the rate of increase in M_1 reached a historic 139 percent in November 1987 alone (as compared with the annual rate of 90.8 percent).

election. While spectacular, this outcome came too late to influence the electoral results. Apart from political factors, the high social costs involved in bringing inflation down explain why.

Candidate Salinas adopted the PSE as part of his political campaign, and presented its success in dealing with inflation as the best proof of the merits of his overall economic programme.⁴ In his PhD thesis, he had written: "the state hopes to capitalise in the ballot boxes its economic effort because the competition for the vote will be much harder in the next years" (quoted by Borge 1993: 127). Electorally, however, the PSE proved to be an "economic effort" difficult to sell, especially after six years of austerity. In other words, the promise to advance president de la Madrid's economic reform (see Salinas 1988: 114-115) represented the Achilles heel of Salinas's electoral discourse. In the eyes of an important part of the electorate, this course of action meant further deterioration of their living standards. By and large, this worry was reflected in the massive popular rejection of the PRI and its presidential candidate. In these circumstances, Cárdenas's candidature, supported by the centre-left National Democratic Front (FDN), proved fundamental not only in articulating discontent, but in providing an additional electoral option.

As shown in table 6.1, the presidential election held on July 6, 1988 was the most disputed polls in contemporary Mexican history up to that year.⁵ According to the official results, Salinas won 50.36 percent of the vote (around 9.6 million votes). Furthermore, the 1988 elections still remain as the most questioned. For their results were denounced as fraudulent by six of the seven registered opposition parties (Reding 1988b: 615), and by countless civil organisations. Not surprisingly, wide sectors of the electorate were left with the impression that Cuauhtémoc Cárdenas was the true winner, as claimed by the FDN.⁶ Regarding the congressional elections, the PRI was attributed, amid more selective but not less intense fraud allegations, 260 out of 500 seats in the Chamber of Deputies (the lowest number up to 1988) and 60 out of 64 seats in the Senate.

⁴ In his famous Nuevo León speech on May 19, 1988, candidate Salinas not only recognised that the PSE was working, but promised to continue it (Salinas 1988: 121).

⁵ For a further discussion on these elections, see Barbarán *et al.* (1988) and Reding (1988b).

⁶ A tabulation of 54.09 percent of the total votes in the presidential election carried out by the FDN gave Cárdenas (FDN) 39.40 percent, Salinas (PRI) 35.76 percent, and Clouthier (PAN) 21.38 percent as to July 12, 1988 (SALA 29, 1992, part 1: 311).

TABLE 6.1 Presidential election results, 1952-1994
(Percentages of the total vote)

Year	Candidate (party)	Percentage	Year	Candidate (party)	Percentage
1952	Ruiz Cortines (PRI)	74.31	1976	López Portillo (PRI)	100.0
	González Luna (PAN)	7.82			
	Other	17.87			
1958	López Mateos (PRI)	90.43	1982	De la Madrid (PRI)	70.9
	Luis H. Alvarez (PAN)	9.42		Pablo E. Madero (PAN)	15.7
	Other	0.13		Other	13.4
1964	Díaz Ordaz (PRI)	88.82	1988	Carlos Salinas (PRI)	50.36
	González Torres (PAN)	10.98		C. Cárdenas (FDN)	31.12
	Other	0.20		Clouthier (PAN)	17.07
				Other	1.46
1970	Echeverría (PRI)	86.02	1994	Ernesto Zedillo (PRI)	50.18
	González Morfín (PAN)	13.98		Diego Fernández (PAN)	26.69
				C. Cárdenas (PRD)	17.08
				Other	6.05

Source: *La Jornada* (6/7/88); *El Día* (16/7/88); *Unomásuno* (28/8/94).

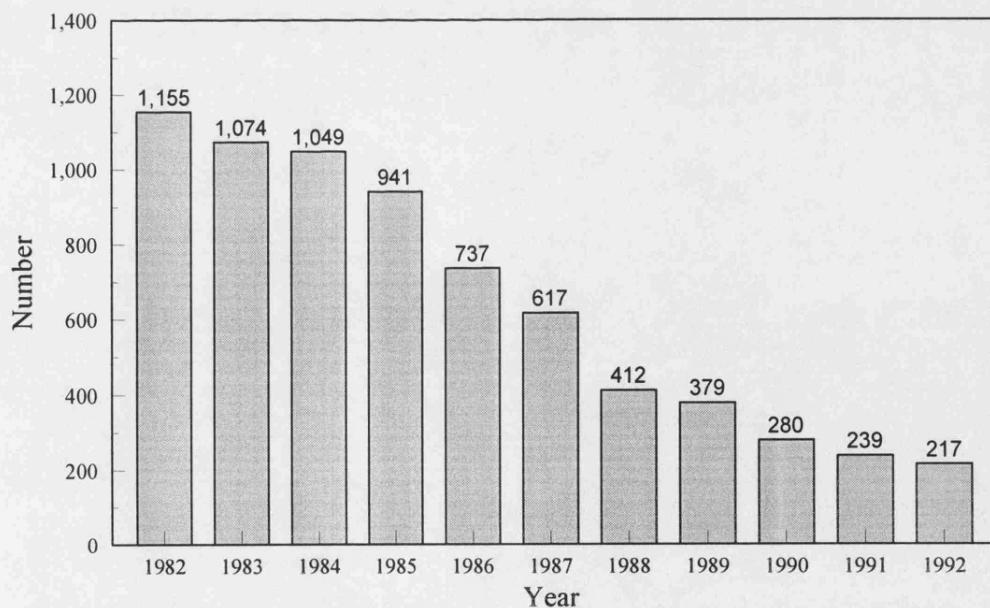
Even admitting the official results, ratified by the *Colegio Electoral* on September 10, some data further cast doubts on the legitimacy of Salinas's triumph. Amid about 50 percent abstention, the 9.6 million votes for the PRI candidate represented only 25.3 percent of the registered voters (as compared with 53.1 percent in the de la Madrid's election) (*El Cotidiano* 25, Sept./Oct. 1988: 15). In this adverse context, Salinas assumed power on December 1, 1988.

According to some scholars, the 1988 elections had a relevant effect on Salinas's neoliberal project in the sense that his first economic decisions were made with the aim of re-conquering the lost constituencies (Alvarez and Mendoza 1993: 34-36; Castañeda, 1993b: 60). However, a careful comparison between the PRI candidate's economic programme and that announced at his inauguration shows no relevant policy shifts.⁷ The presidential decision of continuing the PSE -by far the most important early economic measure- had been taken well before the elections. Therefore, Salinas's economic reform should be seen as a case of *policy maintenance* rather than one of *policy innovation* (as defined by Hogwood and Peters 1982).

⁷ This comparison is based on Salinas's key campaign speeches (Salinas 1988) and his inauguration speech in *La Jornada* (special supplement) (2/12/88).

A good example is provided by the changes affecting government's structure. Figure 6.1 shows the evolution of the parastate sector in the period 1982-1992. Here, two stages can be distinguished. Up to 1985, the privatisation policy of president de la Madrid was more rhetorical than real, for it was virtually limited to the fusion of parastate entities. A significant policy shift, however, is observed after that year. As can be seen in the same figure, the privatisation process was speeded up between 1986 and 1988. Triggered mostly by contextual economic factors, this policy shift coincides with minister Salinas's metamorphosis from a conventional planner to an orthodox financier after Silva-Herzog's resignation. The continuity of a radical privatisation programme after December 1988 is illustrated less by the number of entities put on sale, and more by their being the largest and most strategic. In May 1990, for example, the Congress (by presidential initiative) approved the return of the banks nationalised in 1982 to private ownership. Nevertheless, Vernon's 'familiar trinity' and other powerful entities (e.g., CONASUPO) would remain under public ownership.

FIGURE 6.1 Number of parastate entities, 1982-1992



Source: Banco de Mexico (1992: 167).

As explicitly promised during his political campaign, the incoming president not only kept "irreversible" other significant reforms initiated by his predecessor, but went much further. Moreover, he did it at an extraordinary speed. Apart from the privatisation of key public enterprises, the changes includes a further elimination of subsidies and trade

barriers, the relaxation of the rules on foreign investment in such politically sensitive areas as mining and exploration, and the reform of the tax code.⁸ More remarkable than the changes themselves was that "there was no substantive criticism" (Carlos Rico quoted by Pastor 1990: 5). By 1991 almost nobody questioned government's commitment to the free market. What had allowed Salinas to carry out his economic programme so successfully not only in such a short period, but amid the "crisis of legitimacy" reflected by the 1988 electoral results?

Factors underpinning Salinas's 'miracle'

Soon after the 1988 elections, Andrew Reding wrote: "Though the PRI may be still able to inaugurate Salinas . . . it will likely confront an ungovernable Mexico." (1988b: 644) This and other pessimistic forecasts did not materialise. A complex combination of political and economic factors explain why. To begin with, though many constituencies did not back Salinas at the polls, his taking power put in his hands the extensive powers of the Mexican presidency. More important, since the first minute in office, he exercised them to the full. Because of his research and practical experience, Salinas had become well aware of the importance of *leadership* in gaining political support (see Borge 1993: 134-135). A successful leader, he wrote, "must have the authority to put into effect" his programmes (in Aspe and Sigmund 1984: 539).

As president, Salinas acted quickly to gain that authority by projecting an alluring image of a strong president. Interesting enough, this image of decisiveness and 'iron fist', absent during the de la Madrid administration, not only worked extremely well, but proved fundamental particularly at the very beginning of the administration. By 1992, president Salinas had reestablished the authority of the presidency in virtually all spheres of public life (Centeno 1994: 95).

As suggested by Roberto A. Pastor, Salinas' impressive achievements cannot be understood without considering "*his* first hundred days" in office (1990: 4-5). However heterogenous they may look, most of presidential decisions during this period had an unmistakable purpose, namely to show who was in power. This message was primarily directed to the country's most influential political actors rather than to the electorate. A few weeks after his inauguration, the president sent not the police, but the army to arrest

⁸For an extensive discussion of these changes, see Pastor (1990), Grayson (1991), Kaufman Purcell (1992), and Aspe (1993).

La Quina, the powerful Oil Union leader (see Loyola 1990). Before long, not only union leaders, drug traffickers and corrupt ex-police agents, but also prominent businessmen were brought to justice under different charges (see *Proceso* 678, 23/10/89: 6-13).

In particular, the arrest of entrepreneur Eduardo Legorreta, who was brother of the president of the influential Business Coordinating Council (CCE) at the time, for crimes related with the stock market 'crash' meant that anybody could be confronted if necessary. This extensive and bold exercise of presidential power not only provided the political environment required by further economic restructuring, but helped to build support around the pro-market option.

Because of the lack of a competitive party system, presidential elections in Mexico have traditionally played a legitimating role (Santana 1996). In simpler words, they have served to validate at the polls the president's choice of his successor. Evidently, this was not the case in the 1988 elections, for the first time in decades. This situation made the forthcoming administration highly dependent upon the explicit backing of key foreign and domestic agents as an alternative source of legitimacy. Two linked factors, however, facilitated the support building around the PRI candidate's doubtful victory, namely these agents' shared fear of the *Cardenista* option (which was associated with socialism or at least 'populism'), and Salinas's pro-market orientation. Internationally, president Ronald Reagan was among the first heads of state to congratulate Salinas, and he did it even before the latter was declared the winner by the electoral authorities in Mexico. It is worth noting that a good personal relation between Salinas and future US president George Bush made getting the early American support easier.⁹

Domestically, a similar validating role was played by the business community (specially those sectors benefitting from economic liberalisation), and the Catholic Church (see Castañeda 1993b: 59). It is worth noting that for the first time since the 1910 Revolution representatives of this Church were invited to Salinas's inauguration. In general, the role of these miscellaneous supporters not only provided the regime with a good dose of legitimacy, but also contributed to restore confidence.

⁹ Since his political campaign, if not before, Salinas had built a good working relationship with George Bush and some members of his team. It should be recalled that Bush and Salinas met in Houston when both were presidents-elect, and that they met three more times up to mid-1990.

On the economic side, the continuation of the PSE after December 1988 is at the heart of Salinas's success in both controlling inflation and reorganising public finances. As shown in table 6.2, inflation dropped from 51.6 percent in 1988 to 18.8 percent in 1991, while the financial deficit plummeted from 12.5 percent GDP to a 1.5 percent surplus in the same period. As said earlier, this programme had been introduced by president de la Madrid one year before. The economic policies underpinning this programme constituted a rather complex and well-integrated package aimed primarily to bring inflation down (Whitehead in Cornelius *et al.* 1989: 183). In essence, the PSE did not change the government's main neoliberal goals since 1982, but the way of achieving them (see Córdoba Montoya 1991).

TABLE 6.2 Selected economic and public financial indicators, 1988-1994

	1988	1989	1990	1991	1992	1993	1994
A. GDP (annual growth rates)	1.3	3.3	4.4	3.6	2.8	0.6	3.5
B. Inflation (annual growth rates)	51.6	19.7	29.9	18.8	11.9	8.0	7.1
C. Gross domestic investment ⁽¹⁾	17.6	17.8	18.9	19.6	21.8	21.0	21.9
D. Total foreign investment ⁽²⁾	2.88	3.69	4.62	17.5	22.4	33.3	--
E. Foreign portfolio investment ⁽³⁾	0.0	13.37	43.10	72.79	80.38	85.29	--
F. Current account ⁽²⁾	-2.5	-6.0	-8.7	-15.0	-24.9	-23.5	-29.2
G. Total public spending ⁽¹⁾	40.0	34.4	28.5	27.0	--	--	--
H. Public investment ⁽¹⁾	4.4	3.9	5.0	5.2	--	--	--
I. Financial deficit ⁽¹⁾	12.5	5.6	1.0	-1.5	-0.5	-0.7	0.3
J. Primary deficit ⁽¹⁾	-8.1	-8.6	-10.8	-5.6	-5.9	-3.7	-2.3
K. Operational deficit ⁽¹⁾	3.6	1.7	-2.3	-2.7	--	--	--

⁽¹⁾ As percentage of GDP; ⁽²⁾ Billions of dollars; ⁽³⁾ As percentage of the total foreign investment.

Source: A, B, C, and F, ESLA (1995: 256-257), figures for 1994 are preliminary; D, Heredia (in Serrano and Bulmer-Thomas 1996: 143); E, calculated from Bank of Mexico data provided by Heredia (Idem); G, H, and K, Aspe (1993: 14, 15, 32); I and J, Carstens and Schwartz (in Serrano and Bulmer-Thomas 1996: 114).

According to the policy-makers, the PSE was set in motion without the help of the IMF, thus suggesting its domestic-inspired nature (Aspe 1993: 34). The proximity of the elections may have convinced them of the need to introduce some innovative elements -generally seen with suspicion by foreign investors- into an essentially orthodox stabilisation programme. The most important was its corporative ingredient. As claimed by president de la Madrid, the PSE was not really a 'shock plan' because it did not freeze prices; rather, it was aimed at controlling both wages and prices on a negotiated basis. In other words, the 'pact' component of the programme inhibited the use of shock measures.

Four main factors account for the success of the PSE in reducing inflation during 1988. First, it was the first time such an economic programme dealt with the various components of inflation simultaneously (Roxborough 1992: 656). Second, this programme's key policies and goals had the total approval of both president de la Madrid and candidate Salinas. Moreover, they not only fully supported the agencies charged with its implementation, but participated actively in its monitoring.¹⁰ In other words, no conflicting signals were sent to the economic agents. Third, despite having notoriously failed to win votes in July 1988, the PSE was not adjusted in any significant way, thus providing a rare example of policy coherence under severe political pressures. Last, but not least, the peculiarities of the Mexican political system facilitated the corporative arrangements under the PSE (Alvarez and Mendoza 1993: 35). In addition, these particular arrangements improved, in turn, the system's traditional capacity to prevent wage-price spirals (see Philip 1996: 14).

In his inaugural speech, president Salinas not only made clear his intention of taking full advantage of the proven effectiveness of the PSE, but announced its institutionalisation. Accordingly, the *Consejo Nacional de Concertación Económica* was created a few days later. As will be discussed in the next section, these decisions consolidated significant changes in the economic policy making. In late December 1988, the PSE was renamed *Pacto para la Estabilidad y el Crecimiento Económico* (PECE). Making government's fiscal policy consistent with lower inflation and gradual economic recovery (see Aspe 1993: 25) justified the renaming. As in the past, however, these agreed adjustments did not imply major changes in the basic modus operandi of the Pact. Comparatively speaking, the Mexican pact formula would prove more successful in bringing inflation down than its counterparts in Brazil and Argentina (see Roxborough 1992; Alvarez and Mendoza 1993).

A different set of factors underpinning economic success were related with the shrewd way the Salinas administration dealt with the problem of how to finance its economic programme. Considering that recession "was not the natural state of our economy", candidate Salinas proposed four driving forces for sustained growth (Salinas 1988: 109). They were private investment, non-oil exports, public investment in

¹⁰ In the months that followed the creation of the PSE, for example, the economic cabinet met three times a week in the presence of the president (Aspe 1993: 22).

infrastructure, and expansion of the internal market. To begin with, he was certain that without reducing the debt's heavy burden government could hardly increase public investment, or contribute to the expansion of the internal market. As noted by Wilkie, Porfirio Díaz's expenditure on the debt averaged only 30 percent compared with more than 50 percent during de la Madrid's years (68 percent in 1987) (1989: 1102).

This explains Salinas's campaign promise of adopting a clearer position on this issue than his predecessor: "If we do not grow because of the weight of the debt, we do not pay" (Salinas 1988: 110).

Towards a free trade agreement

As with other issues having top priority in the presidential agenda, Carlos Salinas did not waste time in facing the debt constraint. In early 1989, the Mexican government announced to the IMF its intent to reduce payments on its foreign debt by 60 percent over the next three years (see *Los Angeles Times* 9/3/89: 6; *La Jornada* 12/4/89: 20-21). The international conditions seemed to be on its side, for severe criticism of the Baker Plan had been voiced during World Economic Forum in Davos, Switzerland. In particular, the proposal of an alternate debt plan by president Carlos Andrés Pérez of Venezuela made clear that the Baker Plan was no longer acceptable to the developing world. Acknowledging the failure of this plan, a new formula was swiftly outlined by US Treasury in March 1989. The so-called Brady Plan aimed at reducing the total Third World debt by an average of 20 percent through 'debt swaps' and other financial schemes (see Wilkie 1989: 1098-1100). Mexico was picked out in 1989 as "the first beneficiary of the Brady initiative" (Whitehead in Roett 1991: 256). As under the Baker Plan, the country became again a guinea pig.

Because of the agreement reached in February 1990, Mexico's foreign debt was reduced from around \$100 billion in 1988 to \$85.8 in 1990. In addition, it was estimated that about \$4 billion in debt service would be saved each year from 1990 to 1994 (Pastor 1990: 4). Although these unimpressive reductions were much lower than expected by the government, they allowed some funds to be diverted to investment. Together with the debt negotiations and a renewed access to international credit, the whole package of economic reforms had the effect of generating confidence. This was reflected by both capital repatriation and higher investment which allowed the country to return to positive growth, thus reinforcing expectations. In its issue of July 1990, the influential *Forbes*

magazine informed investors about the "great economic miracle . . . [that] will take place right on our borders".

Despite this optimistic forecast, the moderate rate of economic growth achieved in 1989 (3.1%) had made apparent the insufficiency of both domestic and foreign investment to finance Salinas's ambitious economic programme.¹¹ It led government to pursue alternatives that would "shake up" expectations (Lustig 1992: 56-57).

Until February 1, 1990, at least in public, president Salinas did not include a free trade agreement with the US in his political agenda as he categorically stated in Davos, Switzerland (Borge 1993: 209). Three months later, however, he expressed publicly his sympathy for that course of action. In late September, 1990 the US Congress was already studying granting president George Bush 'fast track' authority to officially start negotiations with Mexico (Grayson 1991: 109). Despite these events, foreign direct investment actually declined from \$3.1 billion in 1989 to \$2.6 billion in 1990, while there was only a moderate increase in portfolio investment. This cautious response is mostly responsible for the large-scale privatisations announced in 1991 (Castañeda 1993b: 61). By the end of 1991, more than 80 percent of the parastate entities that existed in 1982 were no longer in the hands of the government (Aspe 1993: 31).

Eventually, the combination of the policies discussed so far produced the results so eagerly sought by government. Apart from the huge revenues generated by the divestiture of public enterprises, Mexico would receive massive inflows of foreign capital from 1991 onwards. Despite a slight drop in GDP, it seemed as if the country had returned to the path of sustained economic growth abandoned in 1982, and even better with declining levels of inflation. The picture was, of course, more complex.

Four facts made the country's economic prospects particularly worrisome. First, the current account deficit in 1991 reached alarming levels (see table 6.2). Second, the impressive amounts of foreign investment were mostly in the form of short-term portfolio investment. Third, because the Pact was "anchored" in the exchange rate, the possible overvaluation of the *peso* was neglected (see Carstens and Schwartz in Serrano and Bulmer-Thomas 1996). Fourth, the steady decline of public investment in basic industries still in public ownership severely handicapped their operation, thus affecting the whole

¹¹The National Development Plan 1989-1994, for instance, had forecast annual rates of GDP ranging from 5.3 to 6.0 percent in the period 1992-1994 (Plan 1989: 139).

development strategy.¹² These factors would have important economic and political consequences in the years to come.

6.2 ECONOMIC POLICY AND BUREAUCRACY

Though president Salinas did not begin his term announcing spectacular reforms to the public sector in the manner of his two predecessors, he affected the operation of this sector in a significant way. This was the result of several factors of which two of them need to be underlined: higher concentration of power in the presidency and the institutionalisation of the Pact's operative arrangement. The creation of the presidency's *Oficina de Coordinación* in December 1992, a usually neglected reform, is the best physical evidence of the two developments, and also of the link between them. After exploring the manner in which the Economic Cabinet was staffed, this section discusses the impact of both centralisation of decision making and institutional change on the existing distribution of institutional resources within this cabinet, and on the status of its constituent parts.

The 'SPP-Salinas cluster' and the Economic Cabinet

According to Camp, the "most notable feature of Salinas's collaborators is the diversity of their camarilla affiliations" (1990: 101). The fact that more than half of the cabinet appointees did not belong to Salinas's inner circle, however, should not obscure two more relevant facts.¹³ First, about 37 percent of the ministries were given to key members of Salinas's *camarilla*. Second, by and large, they received the most important cabinet positions. Before going further, some comments on the Salinas *camarilla* are in order. Table 6.3 shows the members of his cluster, while suggesting the importance that the institutional setting had in shaping the composition of this *camarilla*. As was argued regarding those of López Portillo and de la Madrid, the institutionally-grounded character of Salinas's inner circle was associated with its developing within the economic-policy network.

¹² For instance, because of production constraints due to anemic investment since 1982, PEMEX could only increase its daily oil production 12.3 percent in late 1990, thus missing the opportunity provided by the invasion of Kuwait (Grayson 1991: 110).

¹³ This percentage excludes the heads of the military posts and Manuel Bartlett (SEP), who was associated with the 'SPP-De la Madrid' cluster, but includes the president of PRI (7 posts out of 19).

The same figure reveals that, more clearly than in the case of de la Madrid's *camarilla*, Salinas's was made up almost entirely of his associates at the SPP. These individuals becoming synonymous with the former cluster was the result of Salinas's long stay within this agency in combination with his extensive appointment powers as discussed in the previous chapter. These facts account for the relative cohesiveness and homogeneity of the 'SPP-Salinas cluster', as the Salinas *camarilla* will be called. As stressed by Camp (1990), members of various political groups were ratified in their posts or allowed to join the cabinet. Nevertheless, the real 'president's men' were those drawn almost exclusively from the cluster aforementioned. The way the Economic Cabinet was staffed illustrates our point. In this regard, four appointments deserve special attention.

TABLE 6.3 Salinas's institutional *camarilla*, 1977-1988
(Individuals who worked with Salinas at different stages)⁽¹⁾

	SHCP 1977-79	SPP 1979-81	IEPES 1981-82	SPP ⁽¹⁾ 1982-88	Key post in the Salinas Administration
Rogelio Montemayor	Y	Y	Y	Y	E,G
Olga Elena Peña Martínez	Y	Y	Y	Y	P
Ernesto Sentíes Hoyos	Y	Y	Y	Y	P
Sócrates Rizzo García	Y	Y	Y?	Y	E,G
Carlos Altamirano Toledo	Y	Y	Y?	Y	L
Luis Raúl Domínguez Terrazas	Y	Y	N	Y	M
Humberto de Jesús Molina M.	Y	Y	N	Y	M
Javier Castillo Ayala	Y	Y	N	Y	M
Aarón Dychter Poltolarek	Y	Y	N	Y	L
Amalia Lucila Adame Niño	Y	Y	N	N	N
Juán Mariano Acotzin Vidal	Y	Y	N	N	S
María Elena Vázquez Nava	Y?	Y	N	Y	C
Marco Antonio Bernal	N	Y	Y	Y	M
Manuel Camacho Solís	N	Y	Y	Y	C
José Córdoba Montoya	N	Y	Y	Y	P
Manuel Cavazos Lerma	N	Y	Y	N	E,G
Luis Donaldo Colosio	N	Y	N	Y	E,C
José Bernardo Gómez Palacio G.	N	Y	N	Y	L
María de los Ángeles Moreno	N	N	Y	Y	C,E
Pedro Aspe Armella	N	N	Y	Y	C
Bruno Kiehle Mutzenbeche	N	N	Y	Y	M
Rubén Valdez Abascal	N	N	Y	Y	P
Patricio Chirinos Calero	N	N	N	Y	C,G
Otto Granados Roldán	N	N	N	Y	P,G

Y= Yes N= No

P= Offices of the Presidency

E= Elective posts (mayor, diputý, senator)

C= Cabinet post

G= Governor

M= High-rank post at the executive branch

S= Position at the state level

L= *Director General* at the executive branch

?= Not totally clear from the source

⁽¹⁾ For the posts held at the SPP, see appendix 2.

José Córdoba Montoya, a Salinas collaborator at the SPP since 1979, was appointed head of the presidency's *Oficina de Coordinación*. This new office replaced both the Directorate of the Technical Cabinet Secretariat and the Committee of Economic Advisors created during the de la Madrid administration. From this obscure office and with the president's consent, Córdoba would emerge as an extremely influential bureaucratic actor. In retrospect, it seems clear that Salinas himself did favour the emergence of a strong intermediary unit between the presidency and the ministries. But, what for? An earlier piece of writing by Salinas sheds some light on this question: "It is essential that . . . economic policy considers suitable mechanisms that will guarantee not only . . . the efficient implementation of programmes, but also *strict control of the institutions and persons* in charge of carrying them out" (in Aspe and Sigmund 1984: 538, the emphasis is ours).¹⁴

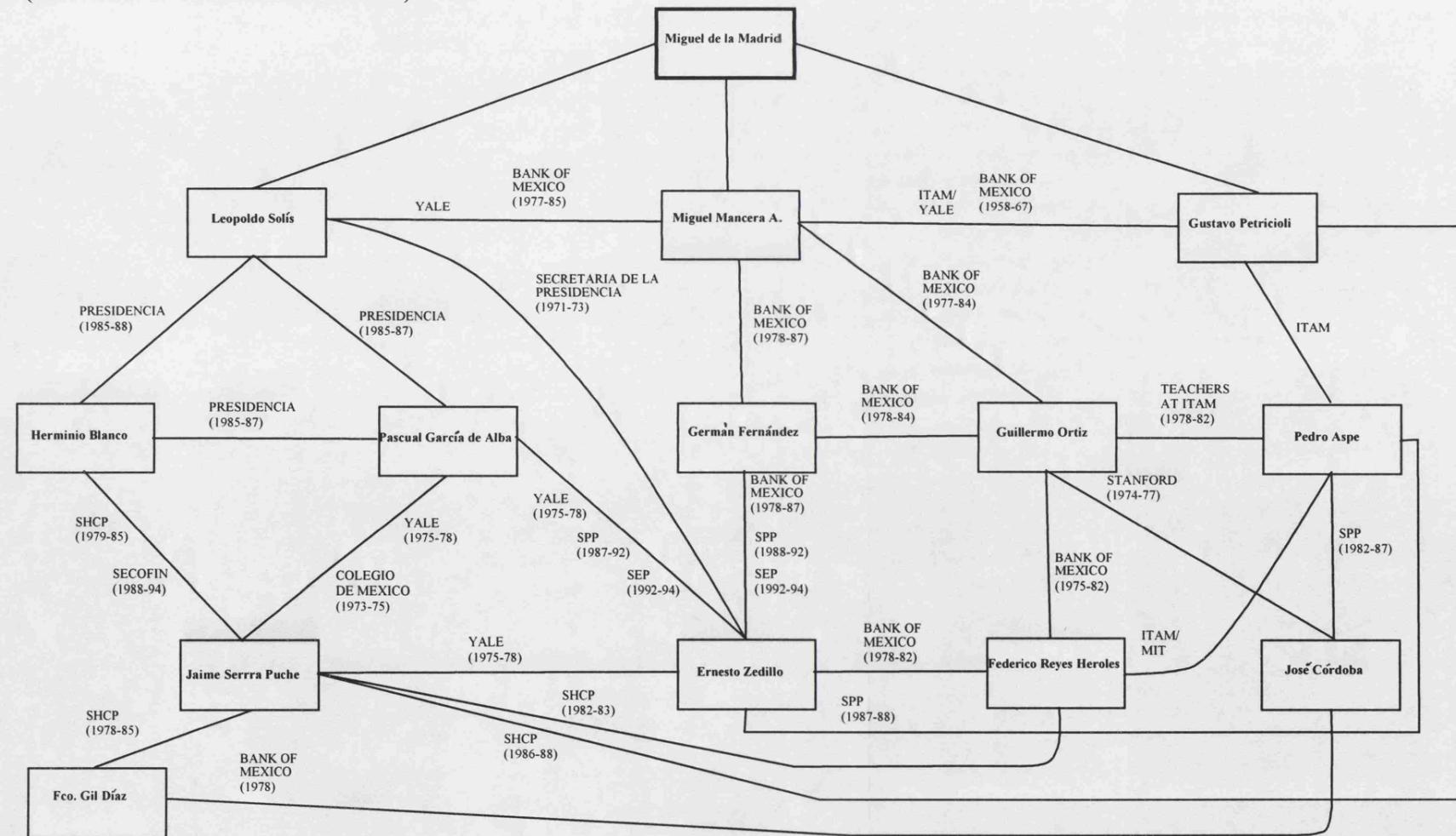
Pedro Aspe, another member of the 'SPP-Salinas cluster', was appointed finance minister. SPP's under-secretary between 1985 and 1987, Aspe had replaced Salinas after the 'unveiling'. By far, Aspe's major achievement as head of the SPP was his participation in the design and implementation of the PSE. This fact enlarged his stature and prestige. Aspe was linked to Córdoba for three reasons. First, the reshuffle that the struggles between Silva-Herzog and Salinas caused inside the SPP in 1985 had the effect of strengthening their status and power within Salinas's inner circle. It was only logical, considering that their economic advice had played a fundamental role in Salinas's survival. Second, both of them were the most committed to the restructuring of the Mexican economy within the SPP. Their contributions to Salinas's economic policy proposals since the 1986 cabinet crisis are not difficult to find (see Aspe 1992; Córdoba Montoya 1987).

Finally, they shared the same basic connections with the influential bureaucratic financial network outside the SPP. This network, called *Advisory Cluster* from here onwards, was a new phenomenon in Mexican politics. Figure 6.2 attempts to identify the most notable members of this cluster.¹⁵ Miguel Mancera, Gustavo Petricioli, and Leopoldo Solís, three old friends of de la Madrid, made up the core of this cluster. Their

¹⁴It is worth noting that the new role of Córdoba resembled that he had played within the SPP between 1983 and 1985 as Salinas's chief economic advisor.

¹⁵Much of the analysis that follows is based on data from the *Diccionario Biográfico* (1992).

FIGURE 6.2 Advisory Cluster, 1958-1994
(Main academic and institutional links)



Source: Diccionario Biográfico (1987, 1992), *Proceso* (various issues).

friendship had started in the corridors of the Bank of Mexico, and had been cemented throughout de la Madrid's long stay at the SHCP. Two key elements linked the careers of economists Mancera, Petricioli, and Solís, namely their being Yale postgraduates and their association with the Bank of Mexico. During the Echeverría presidency, the three of them had already reached key middle-rank positions within the government's financial network.

Petricioli, an ITAM graduate, was SHCP income under-secretary from 1970 to 1974; while Mancera, also an ITAM graduate, became the second in command at the Bank of Mexico in 1973. Leopoldo Solís worked as head of the directorate of economic and social programming at the *Secretaría de la Presidencia* from 1971 to 1975. Little by little, new members joined this exclusive cluster. For instance, Solís brought Francisco Gil Díaz (ITAM) from the central bank and recruited economist Ernesto Zedillo (IPN) in 1971. While being manager at the Bank of Mexico, Gil Díaz, who was under the command of Mancera, recruited Córdoba Montoya in 1978.

The *Advisory Cluster* gained momentum during de la Madrid's years. To begin with, in early December 1982 president de la Madrid re-appointed Mancera as head of the bank of Mexico, while appointing Petricioli as head of the influential NAFINSA. As discussed in the previous chapter, the mid-term economic problems, including the tensions between Silva-Herzog and Salinas, are responsible for Solís becoming de la Madrid's chief economic advisor between 1985 and 1988. The arrival of Petricioli at the SHCP in mid-1986 in place of Silva-Herzog suggests the notable influence already enjoyed by this cluster. At a less visible level, Aspe's connections with this cluster had played a decisive role in his joining the Salinas's IEPES team in 1981, and in his 1985 and 1987 promotions.

The same connections were also associated with the arrival of Ernesto Zedillo at the SPP, and his meteoric promotion as head of this ministry in December 1988. Strictly speaking, he did not belong to the Salinas-SPP cluster. Zedillo not only held exactly the same posts than Aspe within the SPP (excluding INEGI), but twice in a row the latter secured his promotion. Following Aspe becoming head of the SPP in October 1987, Zedillo was brought from FICORCA to occupy the under-secretariat left by Aspe. Some antecedents clarify this move. Zedillo's career was closely associated with the heads of the Advisory Cluster, namely Leopoldo Solís and Miguel Mancera Aguayo (see figure

6.1). After finishing his Phd courses at Yale in 1978, Zedillo joined the Bank of Mexico. In 1983, both Solís and Mancera proposed Zedillo to president de la Madrid as candidate to head FICORCA (Ayala 1995: 32).

The importance reached by this trust is illustrated by the following fact: The 1986 rescue financial package included the refinancing of \$11 billion in private sector debt, thus covering the FICORCA's loans (Durán in Philip 1988: 103). The close institutional relations between the SPP and FICORCA favoured the emergence of a strong friendship between Zedillo and Córdoba.¹⁶ As with Aspe earlier, Córdoba played a fundamental role in introducing Zedillo deep into the Salinas' inner circle, thus strengthening his *own* position within it. It has been contended that, with Córdoba's support, Zedillo was candidate Salinas's personal representative during the first stages of the PSE (Ayala 1995: 37).

Finally, Salinas appointed Jaime Serra Puche, the only SHCP official to become minister during the Salinas years¹⁷, as head of SECOFI (Commerce and Industrial Promotion). He complemented the nucleus of Salinas's young, highly cohesive, and ideologically homogeneous Economic Cabinet.¹⁸ Unlike Córdoba and Aspe, Serra Puche was not a member of the 'SPP-Salinas cluster'. Moreover, he had never worked for the SPP. His ascending career is mostly explained by his connections with both the *Advisory Cluster* and some members of the 'SPP-Salinas cluster' (see figure 6.2). It is worth noting that when Petricioli became head of the SHCP, he promoted Serra Puche to the post of income under-secretary despite his having been Silva-Herzog's economic advisor between 1982 and 1986.

Division of labour within the Economic Cabinet

The way the PSE was implemented from December 1987 is responsible for significant changes in the economic policy-making process. To begin with, it brought to a sudden end the system of cabinet agreements, usually based on behind-the-scenes political alliances, in operation since 1977. In addition, the PSE operation had an

¹⁶ According to Ayala (1995: 32), the latter helped the former finish his PhD thesis in this period.

¹⁷ In the de la Madrid first Cabinet the SHCP personnel got two posts, namely the SHCP (Silva-Herzog) and Tourism (Savignac).

¹⁸ The exception was seventy-five-years-old Fernando Hiriart, another non-member of the 'SPP-Salinas cluster', whose ratification as head of SEMIP (Energy, Mines and Parastate Industry) further confirmed the steady decline of this agency since 1983.

important impact on the operation of the Economic Cabinet. Salinas's institutionalisation of the PSE *modus operandi* gave those changes a permanent, formal character. After the fall of Silva-Herzog in mid-1986, the SPP became dominant in economic policy-making for the first time since its inception. This institutional dominance was assured by the SPP's guidance role in designing the PSE, and in gathering consensus around the new stabilisation programme. Moreover, the SPP was also charged with its implementation and periodic evaluation (see Aspe 1993: 20-27).

Three combined factors inhibited the emergence of strong bureaucratic opposition against this unprecedented concentration of power, namely its informal nature (no legal changes were carried out), the forthcoming presidential transition, and the total support given to the SPP minister by both president de la Madrid and candidate Salinas.

Without doubt, the most notable feature of the PSE *modus operandi* was its tripartite nature that brought together SPP officials, business, and unions and peasants representatives at the *same* negotiation table (Roxborough 1992: 659-660). It implied an important shift in the way government had traditionally dealt with both its corporative support bases and the private sector. First, the PSE brought to an end the informal (usually secret) character of these relationships. Second, the economic-policy network not only continued being the main liaison between government and the business community, but became involved in the bargaining process with the system's corporative machinery. In the past, this process mostly involved the PRI, and three federal ministries: *Gobernación*, Labour, and Agrarian Reform. This two-fold arrangement allowed presidents since Cárdenas to lean on either sector for political support as required.

Bringing the organised labour and peasantry, two of the three PRI major pillars, into the virtually day-to-day Pact negotiations had noteworthy political implications. First, it changed their traditional political role, which had mostly been limited to political control (e.g., strike prevention) and electoral functions. Second, these corporative structures being brought *closer* to the sphere of influence of economic agencies weakened not only the relative unity and autonomy of the network for political control, but also the authority of *Gobernación* and the PRI within this network. Something similar can be said regarding the Labour Ministry, another key actor within the PSE operative apparatus. Third, the deliberate exclusion of political criteria from the Pact negotiations led to the gradual technocratisation of the decision making process. Four, the *visible* involvement

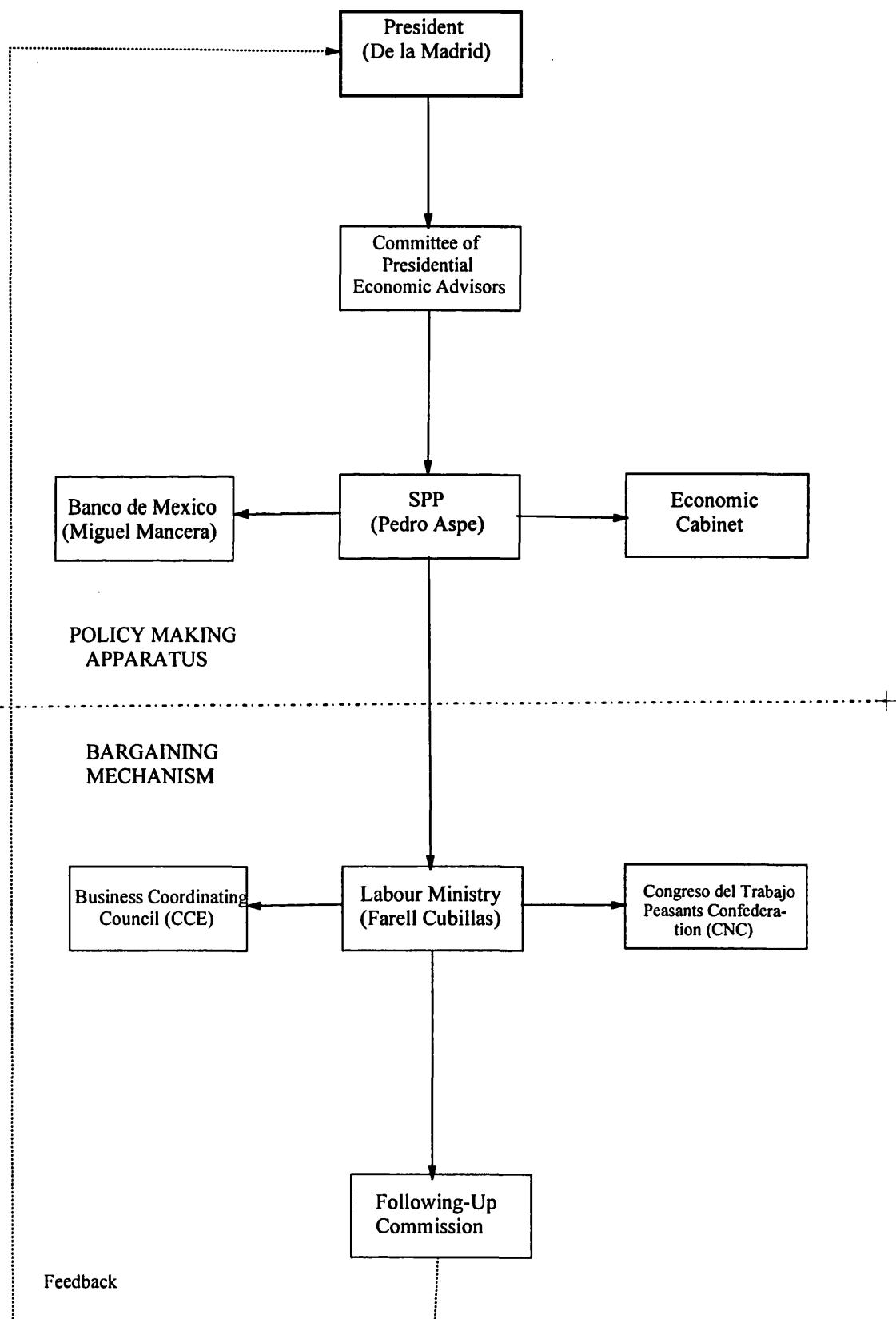
of the unions, grouped under the umbrella of the *Congreso del Trabajo*, in bringing inflation down made more apparent than ever their traditionally camouflaged role in controlling wages. It appears to be clear that these developments reduced the PRI unions' electoral power in the 1988 elections.

Figure 6.3 shows the PSE original institutional arrangement, and is useful to discuss the two major changes introduced by president Salinas. First, the *Oficina de Coordinación* came to replace the Committee of Economic Advisors. Its emergence represented the peak of a process of growing presidential involvement in economic policy making that began in 1970 (see Ibarra and Alberro 1989: 159). President de la Madrid allowed Leopoldo Solís, the head of that committee, to play an influential advisory role to the presidency between 1985 and 1988. However, Salinas went much further by permitting Córdoba to exercise extensive executive power on his behalf. Though this situation increased presidential control over the economic policy-making, it had a significant consequence. Because of his unrestricted access to the president, his holding a supra-ministerial position, and his extensive *de facto* and *de jure* powers, Córdoba came to be "known as the second most powerful man in Mexico" (Centeno 1994: 96, see also Ortúzar's article in *Proceso* 1064, 23/3/97).

Second, the SHCP came to replace the SPP in the arrangement. This was the result of Salinas's decisions of appointing Aspe as head of SHCP¹⁹ and charging him with *exactly* the same responsibility in the implementation of the PECE he had had as SPP minister. One question arises: Why was Aspe moved to the SHCP when the PSE had been successfully implemented within the SPP setting? Two plausible explanations are possible: (a) In a context of radical pro-market reform, the finance minister offered a more suitable home for the forthcoming PECE; (b) the institutional links between the SPP and the fledgling PRONASOL would have made it difficult to insulate the Pact negotiations from social and political pressures. In any event, Aspe's appointment would have the effect of displacing for good the locus of macro-economic management from the SPP to the SHCP. Although within the new context, Aspe emerged as a powerful finance minister, his action was still greatly dependent on Córdoba's sanction.

¹⁹Gustavo Petricioli, the outgoing finance minister, was appointed Ambassador to the United States in December 1988.

FIGURE 6.3 The Economic Solidarity Pact (PSE), December 1987-November 1988
 (Institutional arrangements and authority lines)



The rest of the arrangement under discussion remained unaltered. Significantly, president Salinas ratified both Arsenio Farell (Labour) and Mancera (Bank of Mexico), two key actors associated with the Pact, in the same posts they held since 1982.²⁰ These appointments, including that of Aspe, are the best evidence of both the smoothness of the presidential transition and the wish to maintain the same economic-policy course. They also exhibited the high degree of influence *candidate* Salinas had had over the policy-making process through his indirect control over the PSE. On the whole, the latter exhibited a crucial paradox: To stabilise and *modernise* the Mexican economy, government had little option but to make extensive use of the old, state-coopted, patronage-based, undemocratic labour organisations. The relationship that developed between Pedro Aspe and Fidel Velázquez because of the PSE, illustrates the symbiosis of these antagonist forces.

6.3 PRONASOL: TARGETING THE POOREST

Soon after his inauguration, president Salinas set in motion the *Programa Nacional de Solidaridad* (PRONASOL) under the umbrella of the SPP. This programme was designed to improve the living conditions of the rural and urban poor and their access to basic services. In this way, government attempted to address the negative social effects of austerity. From its inception, however, it became increasingly apparent that PRONASOL was more than just a poverty alleviation strategy. Its complexity stemmed from this programme's multi-dimensional character. Functionally, two key features characterised PRONASOL: its direct control by the president and its insulation from economic policy-making. Drawing a clear-cut dividing line between economic and political management suggested Salinas's intention of modernising presidential centralism along similar pre-1976 lines.

PRONASOL: An all-encompassing, multi-dimensional programme

Less than two months before the elections, candidate Salinas sketched his social policy in a speech pronounced in Chalco, a shanty town of about one million people on the periphery of Mexico City (Salinas 1988: 73-90). In his inaugural speech, he not only

²⁰ A similar phenomenon happened during the '*desarrollo estabilizador*' era when Antonio Ortíz Mena (Finance), Salomón González Blanco (Labour), and Rodrigo Gómez (central bank) served under presidents López Mateos (1958-1964) and Díaz Ordaz (1964-1970).

reiterated his promise of reducing "extreme inequalities" through "a frontal attack to poverty", but announced the birth of PRONASOL (see *La Jornada* 2/12/88). Numerous scholars have argued that this programme was Salinas's response to the legitimacy crisis caused by the 1980s economic crisis and the shift to a market-orientated economy (e.g., Cornelius *et al.* 1994; Guevara in Serrano and Bulmer Thomas 1996). Officially, PRONASOL was aimed at benefitting not only specific groups that had been or were hurt by structural adjustment, but "17 million Mexicans living in extreme poverty" (Dresser 1991: 1).

From this perspective, Salinas's ambitious social programme can be regarded as a member of the family of 'compensatory' programmes implemented at the time in many other developing countries (see Graham in Cornelius *et al.* 1994). These programmes had the purpose of facing the strongest critique against neoliberal stabilisation strategies, namely their scant concern for the high social costs involved. PRONASOL's palliative nature, however, should be considered as one of its many facets.

Strictly speaking, PRONASOL was not a single, well-articulated programme on its own. It is better characterised as an 'umbrella' concept containing dozens of heterogeneous programmes categorised under the subheadings 'social welfare', 'production', 'regional development', and 'special'.²¹ It is worth noting that most of these specific programmes were not totally new (see Bailey and Boone in Cornelius *et al.* 1994). For this reason, it could be argued that the real innovation was bringing them together under the same institutional roof, while allowing for the creation of new programmes. Not surprisingly, PRONASOL's all-encompassing character and multiple objectives have generated considerable confusion and skepticism about its true objectives (Cornelius *et al.* 1994: 3).

A critical feature of PRONASOL is its partisan-political dimension. It is hard to deny that reversing the PRD victories became a *part* of the programme's political agenda (Dresser 1991). However, to conclude that PRONASOL emerged as a response to the PRI

²¹ For example, the specific programmes of PRONASOL dealt with matters ranging from urbanisation to education; from welfare to ecology; from staple food production to small-scale mining; from federal to local public services. Their recipients included unions, peasants, retired teachers, children, Mexicans working in the United States, women, and even prisoners. For a detailed description of each of these programmes, see PRONASOL (1994: 165-208).

electoral setback in July 1988 is an oversimplification.²² At this point, the origins of the programme comes into picture. As put by Pedro Aspe, Salinas's 1978 doctoral dissertation at Harvard "is the seed" of what came to be PRONASOL (interviewed by Borge 1993: 135). More important, it gave it its core conceptual and theoretical underpinnings. In brief, Salinas's dissertation explores the relationship between public spending and political support to the political system in the Mexican context (quoted by Borge 1993: 125-138). It finds that higher investment in rural programmes does not lead necessarily to higher support. As result, some changes are suggested to make the formula work. They include less bureaucratic red tape, higher decentralisation of decision making, and greater popular participation. A special breed of public officials, 'extension agents' as Salinas called them, was key in "stimulating" the recipients' participation in the programmes and their support for the regime.

Salinas's arrival at the SPP in 1979 gave him a unique opportunity to put his thesis about "how to buy political support" to the test. For this ministry was responsible for *allocating* public funds and *designing* investment programmes. Various factors favoured Salinas's building and operating a powerful regional support machinery along the lines of his PhD dissertation. Apart from his long stay within the SPP, they include this ministry's extensive powers over regional development and its financing, president de la Madrid's emphasis on decentralisation²³, the electoral advances of the rightist PAN at local level, and the context of forced austerity since 1982. Understandably, this machinery's ultimate political goals was carefully camouflaged behind modernising concepts such as 'social and rural development' and 'regional development'.²⁴ In any event, it could plausibly be argued that while Salinas's dissertation gave PRONASOL its theoretical foundations, the SPP institutional setting gave the programme a decisive finishing touch to its operative mechanisms and eventual objectives.

During de la Madrid's presidency, the SPP's rapidly growing regional machinery was extensively used with electoral purposes, with two main results. On aggregate levels,

²² This view was suggested not only by some opposition leaders, but also by some scholars. See, for example, Alvarez and Mendoza (1993: 33), Castañeda (1993b: 60), and Santiago (in Castro 1993: 146).

²³ An interesting analysis of the links between De la Madrid's decentralization policies and Salinas's SOLIDARIDAD can be found in V. Rodríguez (1993).

²⁴ In 1984, for instance, minister Salinas published an article in English entitled "Production and Participation in Rural Areas" (in Aspe and Sigmund 1984). Although it was a summary of his PhD thesis, he avoided using the term "support to the system" in the title as in the original document.

its success in gaining votes for the PRI proved marginal. Paradoxically enough, this machinery proved highly effective in winning more targeted elections.²⁵ The nature of the patron-client relationships encouraged by a more selective allocation of financial resources may explain these paradoxical outcomes. In simpler words, while failing to bring support to the regime, the SPP patronage machinery proved highly efficient in enhancing the political prestige of individual bureaucratic patrons. This fact would be fully exploited by Salinas after his appalling electoral performance. Apart from explaining his becoming PRONASOL's *first* and more active 'extension agent', it sheds light on the cosmetically improved clientelistic facet of the programme.

Beyond doubt, the most important innovative elements of PRONASOL are related not to its 'compensatory' goals, but to the proposed structures and mechanisms to achieve them. No programme gave Salinas a better chance to fully put into practice his doctoral *contents-free*, implementation model, and he did so with few adjustments. According to this model, successful programmes required: (i) bypassing traditional mechanisms of representation; (ii) being aware that if a programme is "introduced late or incompletely . . . the results will be counterproductive in terms of [political] support"; and (iii) decentralising "the disbursement of funds" to a group of "receptive" development administrators (Salinas in Aspe and Sigmund 1984: 536-538).

In addition, a key ingredient of the model was granting the direct beneficiaries of the programme a more active role in its design, execution, and supervision. Consonant with this idea PRONASOL introduced important innovations such as respect for local initiatives, active grassroots participation in the projects, and the notion of co-responsibility (Méndez 1994: 191). The unprecedented leverage of PRONASOL's recipients in their dealings with the state added more complex political and even ideological facets to the programme.

An equally critical characteristic of Salinas's social strategy was its deliberate insulation from his aggressive neoliberal programme. The operation of the PSE throughout 1988 had made increasingly apparent the difficulties in harmonizing economic reform with 'social justice'. Sharply put, the pact formula proved more successful in controlling wages than in controlling prices (Roxborough 1992: 660).

²⁵ A good example is provided by ex-SPP official Luis Donaldo Colosio's indisputable victories as federal deputy in 1985, and as a senator in 1988.

Including selected subsidies and price controls to protect the poorest within the *same* list of economic goals not only did not prevent the further decline of their living standards, but also hampered the process of structural adjustment. Thus, the insulation of the latter process from social pressures became a prerequisite for achieving "a healthy and strong economy", Salinas's real top priority.

This separation was carried out by renaming the PSE, and borrowing the word *solidarity* from its title to christen the fledgling social programme. It would imply the emergence of two parallel policy processes, and also two bureaucratic structures. Interesting enough, they both had been already developed within the SPP as it will be discussed later.

PRONASOL in action

Nowhere was Salinas's personal governing style clearer than in the way he administered PRONASOL. It is illustrated by the central role he granted himself in its execution and supervision. Salinas's poor performance in the 1988 elections played a significant role in this decision as well as in raising the profile of the programme in the future president's eyes. In early December 1988, the National Commission of PRONASOL was created (DOF 6/12/88). This commission was headed by the president and composed of selected ministers and directors of welfare agencies: Its decisions were to be implemented by a general-coordinator appointed by the president (see Guevara in Serrano and Bulmer Thomas 1996: 156-157). Still, PRONASOL was formally considered as a part of the SPP. From the very beginning, however, president Salinas centralised de facto the top decision making by actively participating in the process. In addition, he became the programme's "most *visible* and tireless advocate, spending nearly every weekend visiting urban neighborhoods and rural communities where Solidarity projects were under way" (Cornelius *et al.* 1994: 8, the stress is ours).

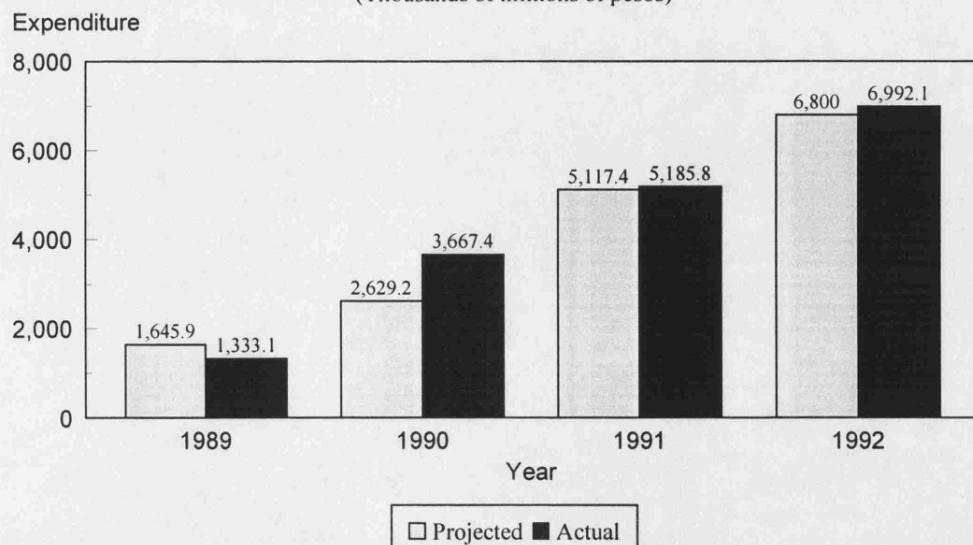
The so-called *Comités de Solidaridad* represented the bottom of the PRONASOL's structure. These committees were made up by democratically-elected representatives of the projects' recipients. On paper at least, PRONASOL did not require the creation of "bureaucratic apparatuses". For they would be provided by the existing SPP's *Subsecretaría de Desarrollo Regional* and its state-based network. Salinas's deliberate attempt to keep "traditional bureaucracies" at arm's length from PRONASOL deserves special attention. One of the conclusions of Salinas's PhD dissertation was that

the red-tape, waste, inefficiency, and corruption associated with these bureaucracies were mostly responsible for programme failure. Therefore, they should be replaced by non-bureaucratic, programme-committed promoters.

Apart from great presidential involvement, the lack of visible, well-defined intermediary bureaucratic structures put Salinas virtually in a direct line with the programme's beneficiaries. It allowed him to profit, in an unprecedented way since the Cárdenas's years, from "the patron-client relationship that traditionally has linked the most successful Presidents to their countrymen" (Grayson 1991: 136).

As shown in figure 6.4, PRONASOL's budget rose impressively.²⁶ In US dollars, it was estimated that this budget increased from \$680 million in 1989 to \$2.1 billion in 1992 (Dresser in Cornelius *et al.* 1994: 149). Nothing illustrates better the growing importance of the programme in the presidential agenda. Partly as a result, government's total social spending grew, though less impressively. For example, expenditures for health, education, and social security rose from 14.9 percent of the federal budget in 1988 to 26.5 percent in 1991 (Centeno 1994: 207). In any event, Salinas was able to reverse the downward trend in social spending since the late 1970s.²⁷ PRONASOL grew not only in budgetary terms, but also in the number of specific programmes under its sphere of action.

FIGURE 6.4 PRONASOL Expenditure, 1989-1992
(Thousands of millions of pesos)



Data source: PRONASOL (1994: Cuadro A2)

²⁶It is worth noting that the 'umbrella' character of the programme also gave its implementors control "over an unquantifiable percentage of other agencies' budgets" (Centeno 1994: 65-66).

²⁷ For statistics from 1972 to 1988, see (Ward in Cornelius *et al.* 1994: 51).

Moreover, its reputed efficiency in dealing with the poverty problem was further overemphasized by both the president's discourse and an extensive publicity campaign. Even the visit of pope John Paul II in May 1990 to Mexico, an overwhelmingly Catholic country, would be shrewdly used by the Salinas administration to legitimize PRONASOL (Grayson 1991: 136).

In his third annual address to Nation, president Salinas reported that between 1989 and 1991 more than 150, 000 projects had been carried by the already 64,000 *Comités de Solidaridad*. This meant, according to him, that 6 million people had been incorporated into health services, eight million had got access to drinking water while eleven million in 10,000 communities to electricity, among other impressive material outputs. Whether we believe these figures or not, the achievements of PRONASOL as a 'compensatory' programme are difficult to deny. Many factors explain its success. They include the fact that the programme provided "smaller amounts of benefits through more targeted mechanisms" (Bailey in Cornelius *et al.* 1994: 99), higher participation of the local communities, and lower levels of red-tape and corruption. However, the operation of the programme also made apparent its other not less significant facets.

There is agreement in that PRONASOL funds were frequently allocated using primarily political and/or partisan criteria with the ultimate goal of marginalising opposition.²⁸ In not a few cases, these funds were used to build or reinforce patron-client relationships involving mostly members of the Salinas's inner circle. In Nuevo León, for instance, the prime beneficiary of the programme was Monterrey Mayor Sócrates Rizzo (1986-1991), who was subsequently elected governor of Nuevo León (Bailey in Cornelius *et al.* 1994: 112). In other cases, the objective was almost exclusively winning votes for the PRI. Two successful examples are the Alvaro Obregón District of Mexico City and the state of Michoacán as a result of the 1991 congressional elections and the 1992 gubernatorial elections respectively (Dresser in Cornelius *et al.* 1994: 155-156, 158-159). In some other cases, the aim was to co-opt independent civil organisations for electoral and/or political control purposes (e.g., COCEI in the state of Oaxaca). It appears clear that the 'umbrella' character of PRONASOL played a significant role in achieving *simultaneously* such contrasting objectives.

²⁸ See, *inter alia*, Dresser (1991), Alvarez and Mendoza (1993), Castañeda (1993b), Centeno (1994).

Figure 6.4 shows that government was, by and large, able to keep PRONASOL spending to its authorised levels. It was especially significant in 1991 because of this year's mid-term congressional elections. Apart from substantial budget increases, a better coordination between the SHCP and the SPP and more efficient spending controls account for this fact. The funding process of PRONASOL involved three main stages. First, the SPP set the budget 'roofs' for the programme and its specific projects following the economic guidelines determined by the PECE. Second, the discussion of these 'roofs' was normally excluded from the negotiations over resource allocation between PRONASOL officials and the states and municipalities. Third, the SPP, under SHCP supervision, exercised strict controls over spending, and did the periodic audit of the corresponding accounts.

The process described suggests a clear-cut division between economic and political management within the SPP. As will be discussed next, the institutional arrangements underpinning this division of labour shed enormous light on the decline of this ministry and its eventual end.

6.4 SPELLING OUT THE CAUSES OF THE SPP DECLINE

As suggested above, many factors contributed to the rapid decline of the SPP from December 1988. Clarifying their role and importance is the unique purpose of this closing section. Salinas's campaign phrase "growth without inflation and with equity" gives the best summary of his economic strategy as president (Salinas 1988: 107). As things turned out, the SPP played a modest role in achieving each of those broad goals. It is argued here that the immediate causes of this phenomenon had more to do with a combination of random political and institutional factors than with Salinas's deliberate programme of structural adjustment. They include a significant redistribution of institutional resources within the executive branch which was largely intended by a process oriented to reinforce presidential power even further.

SPP's internal policy-networks

Neither the rise nor the decline of the SPP can be fully understood without considering a significant, though often neglected, internal development. Because of the 1976 administrative reform, the SPP was legally engaged in *critical* policy areas from its

inception. This fact triggered an internal process of "fragmentation between the technical and political bases for public policies" (Desveaux 1994: 32), which would have important organisational consequences. Gradually, two distinctive, parallel bureaucratic machineries began to develop within the SPP. On the one hand, the 'planning/budgeting' apparatus was composed of the SPP technical areas, and dealt with the on-the-desk elaboration of budgets, statistics, and macro-economic analyses. On the other hand, the 'regional development' network was in charge of the more pragmatic relations and negotiations with governors, mayors, PRI officials, and local interest groups.

Table 6.4 provides empirical evidence of marked differences in the educational and bureaucratic backgrounds of the personnel associated with these bureaucratic machineries in the period 1982-1992. It is clear from there that, as compared with the 'planning/budgeting' apparatus, the 'regional development' network recruited or promoted more UNAM graduates, more engineers, and less highly-trained economic experts. Another feature is their weak connection with the finance ministry and a stronger link with the PRI. Finally, the same table reveals that, unlike their counterparts, many of them occupied high-rank positions at PRI and/or electoral posts after leaving the SPP. These findings suggest the importance of specialisation in the integration of SPP elites.²⁹

The strategic role played by each machinery under discussion is at the heart of the SPP's ever-growing political success since 1979. Ironically, the dramatic impact that this bifurcated institutional setting had on its personnel, together with the arrival of the 'SPP-Salinas cluster' at power in December 1988, would eventually conspire against the two key power pillars of the SPP. A closer look at Salinas's originally technical *camarilla* clarifies how these developments took place.

In 1979, Salinas and his team of economic experts arrived at the SPP's most critical unit: the DGPEyS. The extensive powers of this think-tank gave its members the opportunity to become involved in most SPP policies, including regional development.³⁰ Salinas's appointment as head of the SPP in December 1982 speeded up this embryonic process of functional differentiation. The same effect had the recruitment of more

²⁹ Lawyer Eduardo Pesqueira, head of the *Coordinación de Delegaciones* between 1979 and 1982, provides an early example. An SHCP official for 14 years, and even Mexican representative to the World Bank (1977-78), Pesqueira became General Director of BANRURAL (1982-84) and head of the SARH (1984-88), two agencies with a strong regional involvement.

³⁰ During this period, for instance, Salinas appointed Córdoba as Regional Planning Director, and later recruited Luis Donald Colosio, an expert on regional development (see *Proceso* 632, 12/12/88: 24).

TABLE 6.4 Profile of the SPP high-rank personnel by speciality, 1982-1992
(Percentages of selected samples)⁽¹⁾

	Planning/Budgeting (N=40)	Regional Development (N=37)
<u>Place of birth</u>		
Mexico City	57	59
<u>First degree</u>		
UNAM	30	64
IPN	17	0
State universities	17	9
ITAM	13	9
ITESM	13	4
Other	10	14
<u>Profession</u>		
Economics	67	41
Engineering	13	32
Accounting	10	0
Law	10	4
Other	0	23
<u>Post-graduate studies</u>		
Yes	73	60
Master's degree (economics)	53 (50)	55 (9)
PhD (economics)	47 (40)	28 (9)
<u>Post-graduate studies in the US</u>		
Master's degree	70	33
PhD	100	40
<u>SHCP background</u>		
In the SHCP at any time before joining the SPP	67	14
SHCP dominant in career	20	0
First post in the SHCP	30	4
In SHCP before joining the SPP	60	0
<u>Political activity</u>		
Posts in PRI before SPP	27	54
Electoral posts before SPP	0	0
High-rank posts in PRI after SPP	10	39
Electoral posts after SPP (excluding the presidency)	10	27

⁽¹⁾ The 'Planning-Budgeting' sample includes personnel who held the post of *director de área* or higher in the following under-secretaries: planning, budget control and accountancy, and programming and budgeting for the industrial and service sectors. The 'Regional Development' sample comprises personnel of the same levels in the following under-secretaries: regional development and social programming and budgeting.

politically-orientated individuals to staff the 'regional development' network.³¹ This phenomenon, which would eventually split Salinas's relatively compact *camarilla* into two groups, gives many insights into the role played by the 'SPP-Salinas cluster' during the de la Madrid administration, and beyond.

In the period 1983-1988, internal structural reform greatly encouraged not only the SPP dual organisation, but the development of a nationwide, bureaucratic machinery for 'regional development'. One early indication of minister Salinas's plans is provided by transferring the *Dirección General de Programación y Presupuesto Regional* (DGPyPR) from the 'planning/budgeting' apparatus to the *Subsecretaría de Desarrollo Regional* in early 1983. The new location of the unit in charge of funding regional programmes gave its hosting network relative financial autonomy. In addition, it would have the effect of politicising an originally technical area. This phenomenon is clearly illustrated by the future career of Luis Donaldo Colosio, the head of the DGPyPR under the new arrangement. In May 1985, he was selected PRI deputy candidate, and later President of the Commission for Programming and Budget of the Chamber of Deputies³² (see table 6.5 below).

Between 1983 and 1986, under-secretary Manuel Camacho emerged as the indisputable leader of the 'regional development' network. Furthermore, as he told the author, "because of my role in the president's trips around the country, I became in practice a sort of coordinator of under-secretaries within the SPP . . ." (interview, London, 1/12/95). Two facts, however, would substantially change this picture: the 1985 internal reshuffles within the 'planning/budgeting' apparatus and Camacho's appointment as head of SEDUE in February 1986.³³

The way these two key issues were dealt with had the effect of widening the gap between the technical and political machineries of the SPP. On the one hand, the

³¹ Apart from María de los Angeles Moreno, they include former PRI and Labour official Patricio Chirinos, and *Gobernación* official Alejandra Moreno Toscano.

³² According to *Proceso* (29/11/93: 11), Sócrates Rizzo, the head of the DGPEyS, was Salinas's candidate for this post, but his triumph being questioned by PAN was the reason for choosing Colosio. An alternative interpretation is that Rizzo's performance at the SPP had been internally questioned during the events which led to Montemayor's leaving his post in 1985 (see Chapter 5).

³³ This appointment made apparent not only the salient position of Salinas, but also the rising political status of the SPP 'regional development' network. According to Camacho, he was sent to SEDUE because, in the president's eyes, the effects of the 1985 earthquakes had become "government's most important political problem" (interview, London, 1/12/95).

technocratic credentials of Aspe and his team, together with the ongoing cabinet debates over economic policy, enhanced the technical role of the 'planning/budgeting' apparatus. On the other hand, though María de los Angeles Moreno *formally* replaced Camacho, in practice minister Salinas took over the leadership of the 'regional development' network. His being well aware of the political potential of this network explains this decision. Clearer than with de la Madrid, Salinas extensively used 'regional' clientelistic patronage to get the presidential nomination (see *Proceso* 572, 19/10/87: 12-15; Lara Brito 1988).

Like in the previous presidential campaign, the candidate's men took total control of the PRI machinery (see Adler *et al.* 1993). By then, the impact of the SPP institutional setting on Salinas's *camarilla* was apparent.³⁴ As observed by *Proceso* (608, 27/6/88: 6-9), this cluster constituted not one, but two distinctive groups. The first group, headed by Córdoba, dealt with preparing the candidate's economic programme and with lobbying foreign financial circles. Its main liaison with government was SPP minister Aspe. Differently, the second group, led by Manuel Camacho, took charge of the political tasks. Linked to this group, PRI *Oficial Mayor* Luis Donald Colosio became *de facto* the campaign head. The way Salinas integrated his cabinet would reveal the existing balance of power within its bifurcated *camarilla*.

As Centeno argues, "Salinas was masterful in balancing institutional powers with personal influence in his distribution of cabinet seats" (1994: 95). Regarding the SPP, the creation of the *Oficina de Coordinación* was the first indication that this ministry would not be longer the main liaison between the presidency and the federal bureaucracy. Moreover, Salinas's presidency-dominant, centralist style meant that no ministry would be called to play a leading role. Córdoba's appointment, however, suggested that the former SPP 'planning/budgeting' cluster had consolidated its power as a group.

Neoliberal reform and the SPP

Between 1986 and 1988, the SPP helped rather than hampered neoliberal reform. Why did this ministry have to conspire against the latter afterwards? The centralist character of the PSE is associated with the peak of the SPP power, and also with its decline. During Salinas's political campaign, Zedillo became Aspe's right-hand man at the SPP. Simultaneously, the line of authority Salinas-Córdoba-Aspe-Zedillo in economic

³⁴ It should be born in mind that Salinas was the head of the SPP who came to spend more time within the ministry (around 8 years).

matters began to develop. This was so because of candidate Salinas's direct involvement in the PSE through his main economic advisor Córdoba. After December 1988, this authority line was fully adopted with a critical difference. Aspe's appointment as head of the SHCP, with Salinas's decision to keeping him responsible for the PSE, meant that the SPP (now headed by Zedillo) would occupy the last link of the chain.

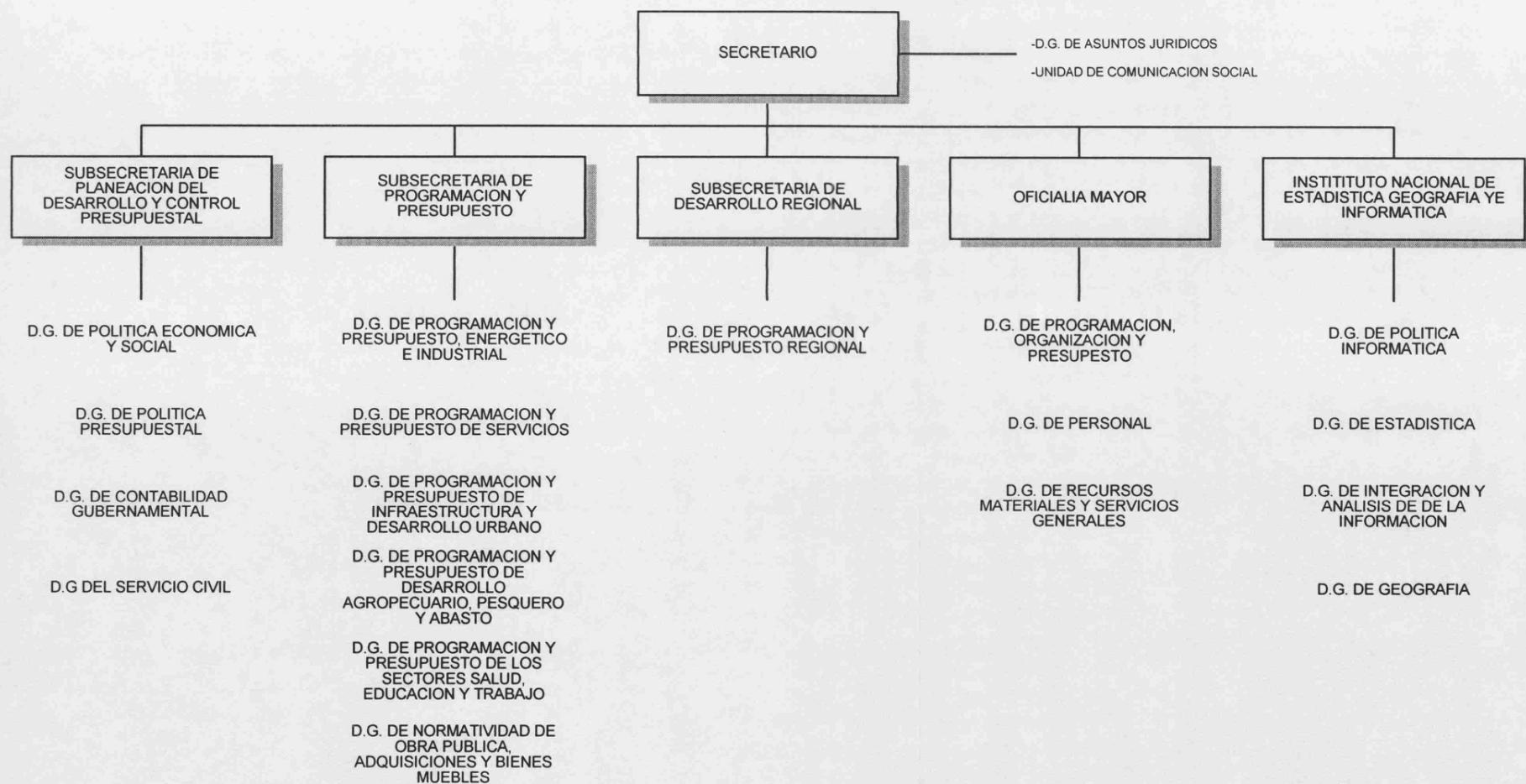
More than anybody, incoming president Salinas was aware of "the inherently conflictual relationship" between planning and finance (Greene 1994: 64). For he himself had been a key participant in the struggles since 1979. In addition, he knew well that having *one* minister responsible for the economic policy had been crucial to the success of the PSE. Clearer authority lines and better institutional coordination not only "eased the instrumentation of the economic policies", but reduced the margin of policy error (Córdoba 1991: 4). If Salinas wanted, as he did, to take advantage of these improvements meant that two potentially powerful economic ministries could no longer coexist. His reaching power allowed him to put into practice a measure that as SPP official he had opposed for political reasons: the neat separation between economic management and politics.

One example of president Salinas's early attempts to weaken the SPP is provided by his reorganisation of this ministry in January 1989. Figure 6.5 shows the resulting organisation chart. Regarding the 'planning/budgeting' apparatus, one change deserves special attention. The creation of the *Subsecretaría de Programación y Presupuesto* brought under its umbrella all the *direcciones generales* directly associated with the budgeting process. As can be seen in the same figure, the only exception was that dealing with regional development. The rationale for this reform was clear: In the future, this ministry's central economic role would be limited to the formulation and supervision of the annual expenditure budget. As Hernández put it, the SPP was transformed ever since into "effectively, an under-secretariat for budgeting" (1993: 167).

Unlike ministers de la Madrid and Salinas, Zedillo did not have a free hand in staffing the SPP. At the highest echelons, he only managed to appoint one under-secretary out of three, and the *Oficial Mayor*. They were Pascual García Alba³⁵ (*Planeación y*

³⁵ Zedillo and García Alba attended Yale together from 1975-1978. When in 1983 Sócrates Rizzo replaced Córdoba as head of the DGPEyS, García Alba, who was a Córdoba's associate, left the SPP. In 1985, he became de la Madrid's adviser, and later head of the powerful DGPEyS (1987-88) under Zedillo.

FIGURE 6.5 SPP Organisation Chart, 1989-1992



Source: *Reglamento Interior de la SPP* (DOF 24/1/89) and *Manual de Organización General de la SPP* (DOF 2/10/89).

Control Presupuestal) and Esteban Moctezuma respectively. At lower levels, many key officials identified with either Salinas or Aspe remained in office. They include José Gómez Palacio (responsible for the coordination between the SPP and the SHCP since 1985) and Carlos Altamirano (director general of *Política Presupuestal* also since 1985). Similarly, the DGPEyS was headed by Carlos Hurtado, an ITAM graduate identified with Aspe. A weak control over these critical areas may explain why some of Zedillo's '*coyuntura*' economic studies were made within the area of the *Oficial Mayor* Moctezuma (interview C, London, 12/4/95).

During the Zedillo years, the SPP was particularly efficient in keeping public spending under tight control for the first time since its inception (see table 6.2 above). Though the presidential measures described and the logic of the PSE greatly reduced the SPP discretionary power over the expenditure budget, it would be hard to deny that Zedillo's personal commitment to structural adjustment contributed to that outcome. This may also account for the few, minor tensions between the SHCP and the SPP that would be reported by the media.³⁶ Ironically enough, Zedillo and his economic team's balanced-budget approach to public finances would become an additional cause for the SPP decline, and the consequent rise of the SHCP.

From the outset, finance minister Aspe began to play an outstanding role in economic policymaking. Apart from his ratified involvement in the Pact, two facts explain this. First, he received notable support from the president. In December 1988, for instance, Ana Paula Virginia Gerard was appointed Technical Secretary of the Economic Cabinet (the same post held by Salinas during the López Portillo administration). This ITAM graduate had worked with Aspe at the SPP between 1983 and 1987. Second, Aspe's arrival at the SHCP gave him access to the institutional resources of the SHCP, which would prove fundamental in implementing Salinas's neoliberal programme. Some examples clarify our point. With the president's backing, Aspe could raise tax revenues by 13.4 percent by simply enforcing the tax laws for the first time in Mexican history (Pastor 1990: 4, see also Elizondo 1994).

³⁶ The only examples found by the author can be found in *Proceso* 682 (27/11/89: 12-19) and *El Universal* (8/1/92: 2). In part, the reason was that the SPP personnel had Zedillo's instruction to have good relations with the SHCP (interview C, London, 12/4/95).

In his inaugural speech, Salinas instructed Aspe to begin negotiations with those creditors. Access to foreign creditors has traditionally been an SHCP's source of power. Leading a team that outclassed that of George Bush, Aspe worked hard and moved swiftly to achieve that goal.³⁷ The preliminary agreement on the debt signed in July 23, 1989 gave Salinas the opportunity to triumphantly declare on television that the debt crisis was over (see *Proceso* 665, 31/7/89: 6-10). The same institutional resources also put in Aspe's hands the privatisation programme, whose importance derived not from the number of enterprises put on sale (around 100 between 1989 and 1990), but from their size and economic importance. They include, for instance, Cananea (one of the world's largest copper mines), TELMEX (the national telephone monopoly), and the major commercial banks.

Aspe's growing prestige and political stature essentially stemmed from two facts: his capacity to generate the financial resources so anxiously needed by the Salinas administration and his leading role in the PECE that allowed him to influence nearly all policies having an impact on the economic programme, including PRONASOL. From this perspective, it looked as if neoliberal policies had inherently strengthened the finance ministry, just as in other countries undergoing similar processes (e.g., Brazil, Israel, Great Britain). From a political perspective, however, the situation was more complex. Aspe's dominance over the economic decision making was far from being absolute, for his action was still greatly dependent upon the sanction of the presidency, through its *Oficina de Coordinación*. Moreover, the NAFTA negotiations had brought a new political actor to the fore: SECOFI.

Despite its economic dimensions, both the decline of the SPP (as an economic agency) and the rise of the SHCP needs to be seen as the result of a highly centralised presidential strategy to restructure the Mexican economy along neoliberal lines, while reducing the risks of bureaucratic disruptions. In this sense, it could be argued that president Salinas successfully culminated the process of presidential direct involvement in the economic policy making that had begun during Echeverría's years.

³⁷ For a critique of the debt renegotiation and agreement, see Castañeda's articles "Mexico's IMF credit may only make thing harder still" in *Los Angeles Times* (16/4/1989), and "Mexico's dismal debt deal" in *The New York Times* (25/2/1990).

PRONASOL and the end of the SPP

The decline of the SPP cannot be fully understood without having in mind the institutional antecedents of PRONASOL. Despite its unquestionable innovations, the latter programme was not as original and innovative as claimed by its main advocate: the president. Seen as a set of specific programmes, it represented the last of a long series of attempts to deal with a historical process of highly distorted development.³⁸ The introduction of centralised planning in 1976 turned the SPP into government's most important agent of social and regional development. Elaborated by Ramón Aguirre during de la Madrid's presidential campaign, the 1982 Expenditure Budget was the first to include the line 'Regional Development', also known as *Ramo 26* (DOF 31/12/81). This budget line contained the programmatic elements that later evolved into PRONASOL (Bailey in Cornelius *et al.* 1994: 109).

As table 6.5 shows, the SPP emerged early as an important stepping stone to elective office, which indicated that its sphere of influence extended to PRI and Congress (interview D, London, 4/5/96). When this party's lists for Congress were known in early 1985, politicians joked that the PRI had a fourth sector: the SPP (Bailey in Grayson 1990: 27). A closer look at the background of the individuals listed in table 6.5 reveals that what those politicians were talking about was not the SPP, but its 'regional development' network. This fact sheds light on Story's observation that PRI and government "have become closely intertwined at the local level" (1986: 131). What needs to be stressed here is that the influential network aforementioned was the political-bureaucratic apparatus in charge of implementing not only the SPP's social and regional policies up to 1988, but also PRONASOL afterwards.

How did president Salinas so successfully transform a structural and functional component of the SPP into an original, non-bureaucratic presidential programme? Apart from his becoming the most visible advocate of PRONASOL, a plausible answer involves his translating the locus of decision making from the SPP to the presidency, and his deliberate attempts to de-emphasize the role of bureaucracy in the programme. The best evidence of the 'presidentialisation' of PRONASOL is the fact that after December

³⁸ See Aguilar-Barajas and Spence (in Philip 1988). These authors convincingly demonstrate that Echeverría was the first to incorporate the "regional problem" into the presidential agenda.

TABLE 6.5 SPP presence in the Chamber of Deputies, 1982-1994
(Ex-SPP officials by selected committees)

	LII LEGISLATURE (1982-1985)	LIII LEGISLATURE (1985-1988)	LIV LEGISLATURE (1988-91)	LV LEGISLATURE (1991-1994)
Comisión de Programación y Presupuesto	<p>President <i>Manuel Cavazos Lerma</i></p> <p>Members <i>Genaro Borrego Estrada</i> <i>Dulce María Sauri Riancho</i> <i>Juan Mariano Acotzin</i> <i>Luz Lajous Vargas</i> <i>Antonio Fabila Meléndez</i></p>	<p>President <i>Luis Donald Colosio</i></p> <p>Members <i>Sócrates Rizzo</i> <i>Marcela González Salas</i> <i>Gilberto Nieves Jenkin</i> <i>Noé Garza Flores</i></p>	<p>President <i>Rogelio Montemayor</i></p> <p>Members <i>Manuel Cavazos Lerma</i> <i>Melchor de los Santos</i> <i>Javier Bonilla</i> <i>Narciso Amador Leal</i> <i>María del Rosario Guerra D.</i> <i>Jesus Oscar Navarro</i></p>	<p>President <i>Maria de los Angeles Moreno</i></p> <p>Secretary <i>Eloy Cantú Segovia</i></p> <p>Members <i>Guillermo Hopkins</i> <i>Oscar Luebert Gutiérrez</i> <i>Laura Alicia Garza Galindo</i> <i>Tomás Yarrington Ruvalcaba</i></p>
Comisión de Hacienda y Crédito Público	<p>Members <i>Juan Mariano Acotzin</i> <i>Antonio Fabila Meléndez</i></p>	<p>Members <i>Luis Donald Colosio</i> <i>Marcela González Salas</i> <i>Héctor Ulibarri Pérez</i></p>	<p>President <i>Manuel Cavazos Lerma</i></p> <p>Members <i>Rogelio Montemayor</i> <i>Javier Bonilla</i> <i>Narciso Amador Leal</i></p>	<p>Members <i>Maria de los Angeles Moreno</i> <i>Laura Alicia Garza Galindo</i> <i>Tomás Yarrington Ruvalcaba</i></p>
Comisión de Vigilancia de la Contaduría Mayor de Hacienda	<p>President <i>Rogelio Carballo Millán</i></p>	<p>Secretary <i>Sócrates Rizzo</i></p>	<p>Secretary <i>Melchor de los Santos</i></p> <p>Members <i>Javier Bonilla</i></p>	<p>President <i>Laura Alicia Garza Galindo</i></p> <p>Members <i>Tomás Yarrington Ruvalcaba</i></p>
Comisión de Gobernación y Puntos Constitucionales	<p>Members <i>Genaro Borrego Estrada</i> <i>José Antonio Alvarez Lima</i> <i>Ernesto Luque Feregrino</i></p>		<p>Members <i>Rogelio Montemayor</i> <i>Manuel Cavazos Lerma</i></p>	<p>Members <i>Oscar Pimentel González</i></p>

Source: *Diccionario Biográfico* (1984, 1987, 1989, 1992).

1988 the headquarters of the *Subsecretaría de Desarrollo Regional* were given a new physical location: *Los Pinos* (Cornelius *et al.* 1994: 14). Yet, PRONASOL was kept, at least formally, under the umbrella of the SPP. This agency still being responsible for public spending explains why.

The SPP organisation chart, approved in January 1989, showed a de-bureaucratised *Subsecretaría de Desarrollo Regional* (see figure 6.5 above). Where had the 'regional development' network gone? Since it was not touched by the reorganisation, its 'disappearance' illustrated Salinas's views of bureaucracy as well as his plan to personally benefit from PRONASOL. His animosity to bureaucracy was clearly showed in an interview with Borge: "Neither the people nor I use the term Pronasol but *solidaridad*, the former is used only by bureaucracies" (1993: 137). Someone, however, had to administer the programme. According to Salinas, those involved were not bureaucrats but 'extension agents' who should act outside traditional bureaucratic structures, this time in an *anonymous* way.

Interesting enough is the fact that both Camacho and Moreno, the ex-SPP officials most identified with the 'regional development' network up to 1988, were deliberately kept at arm's length from the fledgling PRONASOL. This is suggested by their appointments as heads of the DDF and Fisheries respectively. Instead, president Salinas deliberately chose an unknown, grey SPP official to head the *Subsecretaría de Desarrollo Regional*. Carlos Rojas, a former low-rank associate of Camacho, had been 'social acts' coordinator during the Salinas's campaign. Before July 1988, his activities scored low in the candidate's eyes. However, as an interviewee close to Rojas told Dresser: "After the elections, when all hell broke loose, Rojas's programs became crucial" (in Cornelius *et al.* 1994: 154). Despite this fact, Salinas's dominating and overbearing personality mostly explains why Rojas did not become an influential actor in his own right.

Institutionally, the SPP was the major casualty of president Salinas's personal control over PRONASOL. In *camarilla* terms, the victims were minister Zedillo and his team. The limited role they were allowed to play in the achievement of this programme is illustrated by the fact that none of the high- and middle-rank officials of the *Subsecretaría de Desarrollo Regional*, apart from one or two state *delegados*, were members of Zedillo's group. Not surprisingly, this situation created permanently internal tensions between SPP minister's weakened 'planning/budgeting' apparatus and Rojas's

strengthened team (interview C, London, April 12, 1995). Paradoxically, the technocratic credentials of minister Zedillo's *camarilla* or their scant resemblance to Salinas's 'extension agents' had prevented them profiting politically from PRONASOL.

On January 6, 1992, Salinas confidentially told Bartlett that he would be replaced by Zedillo at the Secretariat of Education (*Proceso* 793, 13/1/92: 6). Next day the most important national newspapers (e.g., *La Jornada*: 1; *Unomásuno*: 1) circulated the "not scotched" rumour that senator and PRI leader Luis Donald Colosio would become the new head of the SPP. To stop speculation going further, a brief press bulletin from the presidency announced that "to strength the cohesion of the fiscal and financial policy" the SPP and the SHCP would be fused. With this euphemism, the death of the SPP was announced. News associated with the defunct agency, however, did not stop coming out. In April 1992, the *Secretaría de Desarrollo Social* (SEDESOL) was created and Colosio appointed head of it. Having the *Subsecretaría de Desarrollo Regional* as its backbone, this ministry was charged with the implementation of PRONASOL. After its short-lived 'disappearance', the SPP 'regional development' network was on view again.

Salinas's set of decisions posed a central question: Why were they taken in the middle of the *sexenio*, not at the beginning when major reforms to the public sector are usually carried out.³⁹ The existing economic and political conditions at the end of 1991 provide a plausible explanation. On the one hand, this particular year marked the peak of Salinas's economic achievements (see table 6.2 above).⁴⁰ Moreover, the NAFTA negotiations were on a promising course. On the other hand, the PRI managed to win with ease the August midterm elections, thus reversing historical trends.⁴¹ Apart from Salinas popularity, the causes for this included the success of the duo PRONASOL-PRI in "buying political support", and Colosio's effective work at building up the PRI machinery after 1988.

³⁹ The only exception is Echeverría's transformation of the departments of agrarian affairs and tourism into secretariats in 1975.

⁴⁰ Even good luck seemed to be on his side as proved by the Gulf-War-related mini-oil boom, which lifted international reserves to nearly \$8.5-billion worth of oil by early 1991 (Grayson 1991: 111).

⁴¹ This party got 320 seats out of 500 at the Chamber of Deputies and 62 seats out of 64 at the Senate.

This favourable context allowed president Salinas to prepare his own succession. Despite the opinion of some PRI politicians,⁴² it was clear that SEDESOL had been created having this objective in mind as observed by Luis H. Alvarez (PAN) (*Unomásuno* 8/1/92:4). The separation of the two structures of the SPP made it apparent that Salinas's successor would be a member of either the 'planning/budgeting' apparatus or the 'regional development' network. By providing the settings and the players, the SPP once again played a crucial political role in January 1992, though admittedly for the last time.

CONCLUDING NOTE

Contextual political factors are at the heart of the decline and death of the SPP. President Salinas's overall policies are best defined by the terms "presidential, executive-dominant, and centralist" (Bailey in Cornelius *et al.* 1994: 104). Though it accounts for the so-called 'Salinas's economic miracle', this personal style had significant political implications. First, *de facto* rather than *de jure*, the president substantially altered the existing distribution of institutional resources within the cabinet, thus modifying the role to be played by the federal bureaucracy. Second, the shift from a *ministerial government* to a *presidential government* meant significant changes in policymaking. Third, it brought to a sudden end the role of the SPP as the main liaison between the presidency and the federal bureaucracy.

In retrospect, there is little doubt that exercising political power was one of Salinas's obsessions.⁴³ This driving force had been carefully hidden behind a facade of a modernising, competent, young economist. Ideological considerations aside, a clear parallel between presidents Echeverría and Salinas emerged (see Schmidt 1991; Reyes Heroles 1991: 168-180). Both of them would extensively use the presidency's powers not to rescue the political system from discredit, but to strengthen their own leadership to impose their programmes. In both cases, a renewal of *presidencialismo* was associated with the loss of legitimacy stemming from deep political crises, namely, the 1968 massacre and the 1987 PRI split respectively.

⁴² For instance, Juan José Osorio (*Unomásuno* 8/1/92:4), and María de los Angeles Moreno (*El Día* 9/1/92: 3).

⁴³ The best biography of Carlos Salinas is provided by the ex-*Sandinista* Tomás Borge (1993). It is clear from this account the important role played by Salinas's father, old-school politician Raúl Salinas, in moulding his personality and conceptions. See also Ayala (1995).

Because of his own experience, president Salinas was well aware of the immense power of the SPP. He himself had used it as minister "to overshadow de la Madrid, specially, after 1986" (Centeno 1994: 96). In essence, control over public spending was the key source of this power. By 1988, it was apparent that the SPP had reproduced, internally, the 'dual policy-network system' in operation until 1976. Budgeting control was responsible for the emergence of two bureaucratic machineries within the SPP. One gave technocratic legitimacy to the regime, the other reinforced the most traditional features of the system. After December 1988, minister Zedillo did not have access to these institutional resources, for Salinas had decided to transfer them to *Los Pinos*.

The death of the SPP is associated with the way president Salinas wanted to solve his succession. Insofar as it involved the *economic-policy network* and the *network for political control* in the process, his strategy resembled that of Echeverría. There was, however, a crucial difference. Excepting Zedillo, the strongest presidential candidates included only key members of Salinas's institutional *camarilla*. The Mexican ruling elite continued shrinking.

Fifteen years of SPP: Conclusions

"Nothing is so permanent as a temporary government bureau."
(Gortner 1981: 17)

By focusing on the life-cycle of a federal ministry, this thesis has examined the connection between politics and bureaucracy in the period 1976-1992. Because this link is still neither well understood nor widely appreciated by scholars, there is not much agreement on what kind of approach to use in addressing it. While focusing on both the presidency and political elites, most literature on Mexican politics emphasizes the importance of "the fluid world of group politics" (Atkinson and Coleman 1992: 155). On the other hand, Mexican bureaucracy has traditionally been analysed using a descriptive, legalistic approach.¹ As invaluable as these works are, the lack of a common theoretical perspective makes it difficult to integrate their observations and conclusions into a coherent body of knowledge.

Conventional literature on Mexican politics usually sees politics as "a market of trades in which individual and group interests are pursued by rational actors" (March and Olsen 1996: 248). It stresses bargaining, negotiation, coalition formation, and exchange, while paying little attention to the institutional setting. Despite its virtues, this perspective leaves many crucial questions unanswered. For instance: Is there a relationship between de la Madrid, Salinas and Zedillo reaching the presidency and their having headed the SPP? Was the critical role of this agency in shaping public policy exclusively the result of group politics, coalitions, and conjunctural factors? What is the impact of the institutional settings in which bureaucracy operates on group formation and *camarilla* performance?

¹ See bibliographies in Cortiñas (1988 and 1992) and SECOGEF/FCE (1995).

Though the new *statist theory* enriches our understanding of the institutional foundations of economic performance, it has two serious limitations: While failing to uncover the workings of the state's constituent parts, it equates "the state with bureaucrats" (Moon and Prasad 1994: 364-365). Therefore, this theory is not particularly useful in exploring specific bureaucratic dimensions and their interplay. Also under the umbrella of *new institutionalism*, a theoretical alternative assumes that the state structure is not an coherent, unitary entity. As a result, it emphasizes the need to deconstruct the state when analysing the role of identifiable institutions and public organisations in structuring and shaping political life.

By adopting the second theoretical and analytical perspective, the thesis seeks to show that this approach can be of greatest use in exploring the link between bureaucracy and politics. The originality of this work, including some distinctive views of its author, stems from this re-emerging approach in political science. As a whole, the evidence provided by this thesis tends to confirm the hypothesis that the study of specific bureaucratic organisations and settings can shed light not only on intra-bureaucratic dynamics, but also on broader political processes. Thus, by addressing the issue of executive leadership in Mexico from a bureaucratic perspective, the thesis contributes to the knowledge of Mexican presidentialism.

This final chapter is divided into three brief sections. The first section summarises and integrates the analysis and the partial conclusions developed throughout the thesis. It identifies the main implications of the fifteen-year existence of the SPP. The following section discusses their relevance in understanding some key developments after the demise of the SPP. In both sections some aggregated data is presented to further support our views. The chapter ends with some general remarks on the implications of technocratisation of politics in the country's democratic prospects.

7.1 THE RISE AND FALL OF THE SPP: MAIN IMPLICATIONS

The most obvious conclusion of the thesis is that *the SPP was created by presidentialism and ended by it*. Both decisions illustrate the significant impact that presidential action may have on bureaucracy. However, as the same work argues, this important variable was only a part of the story of the SPP. For structural, institutional and bureaucratic factors also played a significant role in this agency's becoming an influential

political agent. More specifically, the case of the SPP suggests that concentration of strategic institutional resources in as highly centralised a setting as the Mexican one can be a source of considerable bureaucratic power and autonomy in its own right. In some respects, this fact challenges conventional views of Mexican presidentialism.

Policy networks and institutional reorganisation

As compared with its Western counterparts, the Mexican federal bureaucracy has a greater control over political and policy agendas. This has been the result of its being embedded in the presidency, the country's most influential political institution, in a context of limited pluralism. This fact does not necessarily mean that the presidency's interests and those of its bureaucracy should coincide. On the contrary, the evidence presented in this thesis suggests that this has rarely been the case. The tensions between both institutions shed light on the abundant presidential efforts to contain the technical and political power of bureaucracy by manipulating the public sector. As a result, it can safely be concluded that *public sector reorganisation in Mexico does not have a cosmetic nature*. The implication of this is that the study of institutional reform may provide useful insights into the nature of politics more broadly conceived (March and Olsen 1989: 70).

Post-revolutionary Mexico witnessed the emergence of two distinctive policy networks in charge of economic and political management. Insulating economic policymaking from political influences proved a highly efficient formula until president Echeverría decided to make the economic policy at *Los Pinos*. Higher presidential involvement in shaping economic policy inaugurated an era that has been called 'economic presidency' (Zaid 1990; Erfani 1995: 166). *This move represented a relevant stage in a long process of centralisation of institutional resources in the office of the presidency*. This time the major victim was the finance ministry. The arrival of self-declared anti-SHCP López Portillo at the presidency not only gave continuity to this policy, but allowed its institutionalisation. Unexpectedly, his ambitious and innovative administrative reform turned out to have an dramatic impact on the existing dual policy-network system.

Up to 1976, the network for political control was left virtually untouched, while most presidential efforts to reform the public sector were directed to the economic-policy network. As the 1958 and 1976 reforms clearly show, these efforts had the central

purpose of dealing with the issue of bureaucratic concentration of power stemming from ever-expanding state intervention in the economy. After 1976, the network for political control began to experience significant changes in its operation and role, though in a way not immediately visible to the naked eye. Two linked factors are at the heart of this development: the 'economic presidency' and the SPP. By bringing the economic-policy network to the fore, they would alter the delicate balance of power between the two networks.

President López Portillo presented the SPP, the centrepiece of his reform, as a breakthrough in budgeting and programme evaluation. This view was consonant with the theories characterising bureaucracy as an instrument for scientific, neutral, modern administration in fashion during the 1960s. *However, the SPP was also conceived as a political contrivance designed to promote executive control along traditional lines.* It was thought that this ministry could overcome existing bureaucratic constraints to presidential action, while performing effectively under the president's direction. Neither of these goals was fully achieved. More significant, the artificial separation of 'planning' and 'finance' proved to be highly disruptive. To begin with, the Tello-Moctezuma affair reproduced in 1977 a policy deadlock comparable to that caused by the institutional bickering between ministers Flores de la Peña and Margain between 1970 and 1973. Ironically, centralisation made the president highly dependent upon the adequate functioning of the SPP.

Before the creation of the SPP, presidential control over the federal bureaucracy was partly done by a deliberate fragmentation between the technical and political bases for public policies. In essence, this was the central role of the dual policy-network system. *By blurring this fragmentation, the 1976 administrative reform introduced significant changes into the presidency-bureaucracy relationship.* The SPP case illustrates clearly this point. Though belonging to a long tradition of imaginative presidential centralism, this agency was different from past experiments in the sense that it did not emerge as an ordinary supervisory *presidential office*, but as a *fully-fledged* ministry for control. Sharply put, president López Portillo attempted to control bureaucracy by using a 'modern' instrument, but what he created was a super-bureaucratic apparatus capable of pursuing its own interests.

At the beginning, president de la Madrid relied heavily on the institutional changes introduced by his predecessor. In particular, he made an extensive use of cabinet meetings and planning mechanisms and rhetoric. However, a departing point was observed in 1985, mostly because of the intrinsic difficulties associated with the institutional separation of *finance* and *planning*. Similar backgrounds and ideological orientations did not make the confrontation between ministers Silva-Herzog and Salinas less virulent than in the past. *De la Madrid's response was further presidential intervention in economic policymaking.* This is proved by his creating the Council of Economic Advisors in 1985. This strategy, however, could not prevent the SPP gaining total control of economic decision-making after Silva-Herzog's resignation in mid-1986.

This centralisation trend reached its peak during the Salinas administration when the *Oficina de Coordinación* was charged with the general supervision of the economic policymaking process. Because of losing access to its institutional resources, the SPP would emerge as the main casualty of Salinas's revival of presidentialism. Interesting enough is the fact that both the creation and the death of this ministry had the same basic purpose: strengthening the role of the presidency.

The SPP: Amid efficiency-orientated goals and politics

Soon after the 1976 administrative reform was introduced, it became apparent that its modernising promises far exceeded its outcomes. During most of López Portillo's presidency, oil revenues rather than his improved bureaucratic apparatus allowed high rates of economic growth under an 'economic presidency'. Many factors account for the gaps between the expectations raised by the creation of the SPP and its performance, but one stands out: *the symbiotic relationship in Mexico between politics and bureaucracy.* As everywhere, Mexican bureaucrats are expected to deliver technically feasible solutions to critical problems within a political framework. The features of this framework in Mexico, together with the SPP's involvement in critical policy areas, mostly explains why an agency originally charged with technical tasks rapidly encroached upon the political realm.

Because of notable differences in terms of status and power between ministries, the Mexican cabinet has always been a 'cabinet of unequals'.² The dual policy-network

² This term is borrowed from Cronin (in Rourke 1986), who uses it in reference to the American Cabinet.

system, however, prevented any ministry from concentrating excessive institutional resources by limiting intra-network interaction. The SPP came to alter this arrangement in a significant way. The sequence of events leading to this outcome began with president López Portillo's use of this ministry to revive the ideal of a strong state in charge not only of the promotion of the private sector, but also of the provision of social welfare. Concentration of critical resources under the SPP umbrella placed this ministry where virtually all lines of public policy converged. Because of this fact alone, the role of the SPP would have a significant impact not only on the operation of the economic-policy network, but on that of its counterpart.

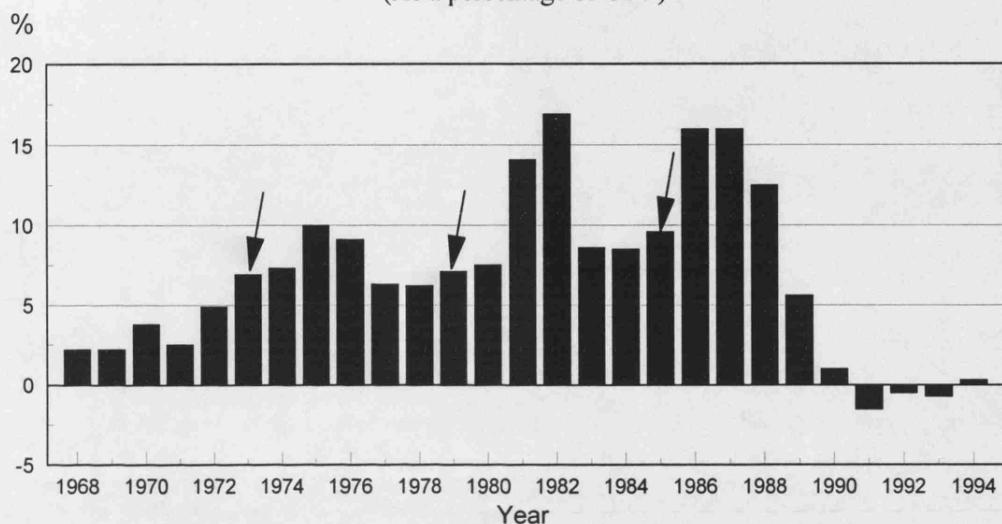
One example illustrates how the second development began. The elaboration of the 1980-82 national plan by the SPP is responsible for the widespread use of the concept 'national security' among government's planners. Until then, the open discussion of this issue had been a taboo subject. The following national plan, launched in 1983, went much further by defining the concept of 'security' and the role of the armed forces (Plan 1983: 61). Even more, it announced that an "integral security policy" would be formulated, though without indicating by who. Particularly after 1982, the 'conceptual' encroachment of the SPP upon the traditional functions of the network *Gobernación-PRI-Congress* would reach an operational level as the thesis has shown.

Because of its broad policy powers, the SPP developed "bifurcated strategies, one designed to satisfy social and political expectations, and the other geared toward technical problems" (Desveaux 1994: 50). This *hybrid* character is at the heart of this agency's mixed performance, for "policy outcomes depend not only on linkages between agencies and elective bodies, but also on the shape of bureaucratic structures themselves" (idem:32). Theoretically at least, the SPP was to supervise and control *increased* public spending. As can be seen in figure 7.1, this ministry failed almost invariably to achieve its expected role of keeping spending to its authorised levels. This failure was particularly notable in the periods 1981-1982 and 1986-1987 when unprecedented financial deficits were observed.³ The fact that these deficits were mostly the result of external economic variables should not obscure the impact of deficiencies in managing public finances.

³For instance, the amount spent in excess of its projected budget by PEMEX in 1982 was equivalent to 56 percent of the *entire* parastate sector as originally projected! (Wilkie 1985, table 3404: 874)

FIGURE 7.1 Public sector financial deficits, 1970-1994

(As a percentage of GDP)



Source: 1968-1975, Wilkie (1988: 921); 1976-1994, as in Table 4.1, Table 5.2, and Table 6.2 of the thesis.

One of the most important single questions about the record of the SPP was its failure to prevent the economic debacle that followed the 1981 drop in oil prices. In many respects the 1982 crisis was worse handled than the 1976 crisis despite greater bureaucracy and educational qualifications of those involved. As the thesis argues, economic mismanagement was not limited to the SPP. The fact that the giant end-of-administration deficits were financed with short-term foreign debt suggests that the decline of oil prices, or at least its economic shock, was thought by the SHCP to be temporary.

From a political perspective, the SPP provides a totally different picture. Although its economic estimations were often misleading (Greene 1994: 64), this ministry proved highly successful in influencing presidential decisions, in shaping public policy, and in serving as a significant stepping stone to high office. At the heart of the political success of the SPP, in spite of its appalling technical record, was its also *hybrid*, critical resources. The rapid rise of the SPP challenges conventional views about the sources of agency status in many respects. In the case of this ministry, the latter sources were not, say, agency budget, seniority, or size, *but the combination of more sophisticated institutional and political resources*. They include its role as the main liaison between the

presidency and the bureaucracy, the backing it received from the presidency as a result, and above all its control over public spending.

From the outset, contextual factors enhanced the political role of the SPP. An expansionist oil strategy gave this ministry plenty of oil revenue not only to 'plan' with, but to allocate. After the 1982 collapse of the oil/debt boom, social spending was reduced by cutting generalised clientelistic patronage, while strengthening more targeted programmes (Fox 1994: 165). As with expansion, its control over public spending enabled the SPP to successfully manage contraction after the 1982 crisis (Erfani 1995: 143). The main implication of these facts is that its institutional resources had placed the SPP at the centre of the system's patronage network. López Portillo's selection of his successor would reflect the importance of this development.

Bureaucracy and the presidential succession

Up to 1970, the ministry in charge of administering the budgetary system was deliberately kept away from the struggles associated with the presidential succession. As shown in figure 7.2 below, the policy network for political control produced *all* the presidents between 1940 and 1970. This system, together with the presidency's limited role in macro-economic management, prevented sharp policy shifts, while reducing uncertainty during the transfer of political power. Echeverría's 'economic presidency' and his selection of finance minister López Portillo as his successor brought this practice to an end. The shift was bought at a high cost. As can be seen in figure 7.1 above, financial deficits began to increase, in a significant way, in 1973, 1979 and 1985. It was not accidental that these years marked *exactly* the middle of the corresponding presidential terms.

As argued in this thesis, relaxation of spending controls was successfully used by the three ministers responsible for public expenditure in each of those years to get the presidential nomination. After 1976, the critical succession battles took place within the economic policy network. Not surprisingly, ministers in charge of managing the economy being perceived as strong contenders for the presidency greatly distorted the whole economic policymaking process. This disruptive phenomenon was particularly marked throughout the period 1977-1986. The developments under discussion had relevant, long-lasting political implications. First, they technocratized the process of selection of the PRI

presidential candidate, and important segments of the political process as a result (Erfani 1995: 167).

Second, they caused significant intra-network tensions which would reach its peak during de la Madrid's presidency. Beneath disagreements over economic policy, the issue of elite displacement was at the core of these tensions. *In essence, it accounts for the fissure of PRI in 1987.* As a PRI official put it: "A group of marginalized politicians saw that the arrival of [Salinas] at power would extend their own marginalization for another six, if not twelve years." (interview with Dresser in Cook *et al.* 1994: 132). One of them regarded Salinas's selection as "a bloodless coup d'état" (Muñoz Ledo interview with Gil 1992: 187). What he really meant was that the network for political control had eventually been displaced by its counterpart as the *only* ascending path to the presidency.

FIGURE 7.2 Ministries producing the PRI presidential candidate, 1940-1994

ECONOMIC MINISTRIES	POLITICAL MINISTRIES
	EDUCATION Ernesto Zedillo (1994-2000) SEDESOL Luis Donaldo Colosio (murdered)
SPP Carlos Salinas (1988-1994)	
SPP Miguel de la Madrid (1982-1988)	
SHCP José López Portillo (1976-1982)	
	GOBERNACIÓN Luis Echeverría (1970-1976)
	GOBERNACIÓN Gustavo Díaz Ordáz (1964-1970)
	LABOUR Adolfo López Mateos (1958-1964)
	GOBERNACIÓN Adolfo Ruiz Cortines (1952-1958)
	GOBERNACIÓN Miguel Alemán Velasco (1946-1952)
	DEFENCE Manuel Ávila Camacho (1940-1946)

Third, de la Madrid and Salinas's accession to the presidency altered the balance of power within government's technocracy. *The SPP was instrumental in this development.* To begin with, López Portillo coming to power and the creation of this ministry made the distinction between the 'technocrats of the presidency' and the 'technocrats of the system' meaningful (Adler in Adler *et al.* 1993: 360). Even though in the period 1976-1979 the first group was dominated by 'structuralists', a key presidential decision would invert this picture. In order to save his administrative reform, López Portillo handed the SPP not to the 'technocrats of the system', but to the tiny group of SHCP orthodox financiers led by de la Madrid.⁴ Since December 1982 onwards, the ideological spectrum of the technocratic governmental elite has steadily shrunk.

It is clear from figure 7.2 that the SPP came to replace *Gobernación* as the main factory of presidents. What factors decided the selection of de la Madrid and Salinas? It was not friendship, according to the individuals who chose them. Like López Portillo, de la Madrid thinks that "the decision is guided by objective conditions and qualities rather than by friendship" (interview with Borge 1993: 141-142). This thesis has argued that, together with economic variables, institutional and bureaucratic factors played a fundamental role. Apart from those already mentioned, they include alliance/coalition behaviour (resource addition) and 'bureaucratic imperialism'⁵ (resource extraction). *Their relevance in influencing the selection of the PRI candidate was a new phenomenon in Mexican politics.* In combination, these factors showed the president's limits to decide his own decision as well as the new 'rules of the game' of the technocratic rule.

Before December 1976, cabinet meetings held with the purpose of discussing macroeconomic policy were rare. The separation of 'planning' and 'finance' made the holding of frequent collective meetings inevitable. In López Portillo's view, they did not pose any danger to presidential government, for the president could serve as the final decision maker (1988: 540). Reality proved this view wrong. Almost as a rule, cabinet meetings became highly divisive and confrontational, thus favouring alliance/coalition building. The result was often the incorporation of conflicting policy proposals into the

⁴López Portillo wrote in his memoirs: "De la Madrid in Programming [SPP] is making good proposals. This is the last opportunity I have to bring off the axis of the administrative reform" (1988: 839).

⁵ The term and its definition is borrowed from Holden (in Rourke 1986: 28, 44). It applies either when "two or more agencies try to assert control over the same jurisdiction", or when "one agency actually seeks to take over another agency".

same economic strategy. The SPP not only encouraged cabinet polarisation, but "tilted the bureaucratic balance in favor of the dependencies inclined towards spending" (Ibarra and Alberro 1989: 161).

TABLE 7.1 The SPP and the cabinet, 1982-1994
(SPP ex-officials occupying cabinet posts)⁽¹⁾

	De la Madrid's cabinet	Salinas's cabinet
<u>Economic-policy Network</u>		
SPP	Carlos Salinas (1982-87) Pedro Aspe (1987-88)	Ernesto Zedillo (1988-92)
<i>Hacienda</i>	--	Pedro Aspe (1988-94)
Parastate Industry	Francisco Labastida (1982-86)	--
Communications	--	Emilio Gamboa Patrón (1993-94)
Agriculture	Eduardo Pesqueira (1984-88)	--
Fisheries	--	María de los Angeles Moreno (1988-91)
<u>Policy Network for Political Control</u>		
<i>Gobernación</i>	Manuel Bartlett (1982-88)	--
PRI	Adolfo Lugo Verduzco (1982-86)	Luis Donaldo Colosio (1988-92) Genaro Borrego (1992-93)
Foreign Relations	Bernardo Sepulveda (1982-88)	Manuel Camacho (1993-94)
Federal District	Ramón Aguirre (1982-88)	Manuel Camacho (1988-93)
Public Education	Miguel González Avelar (1985-88)	Manuel Aguilera Gómez (1993-94) Manuel Bartlett (1988-92) Ernesto Zedillo (1992-93)
SECOGEF	Francisco Rojas (1982-87)	María Elena Vázquez N. (1988-94)
SEDUE/SEDESOL	Manuel Camacho (1986-88)	Patricio Chirinos (1988-92) Luis Donaldo Colosio (1992-93) Carlos Rojas (1993-94)

Source: Keesing's (various years), *Proceso* (several issues), and SPP1 (see Appendix 2).

The ruling elite has significantly changed after 1976. Elite change, however has not been erratic, but consonant with clear historic trends (see table 1.1. in chapter one). Conventional wisdom regards the president, together with *camarilla* politics, as the most important single factor shaping elite composition. The findings of the thesis suggests that there is an alternative way to look at this. It emphasizes the importance that the bureaucratic settings associated with the economic-policy network have on *camarilla* integration. This is proved by the heterogeneity in terms of both professions and ages of the inner-circles of the presidents since 1976. These approaches are, of course, not mutually exclusive. The arrival of López Portillo at the presidency greatly accelerated

ongoing elite trends (see table 1.1 in chapter 1). However, it was so for two reasons: the institutionally-shaped character of his *camarilla* and the across-the-board adoption of the PPB technique which enhanced the role of government's technicians. *After 1976, the SPP would emerge as the most important single path to high office.*

A closer look at the cases of the two SPP-presidents par excellence illustrates more clearly our point. Presidents de la Madrid and Salinas resorted to their *camarillas* to staff the key cabinet posts. *What made this special was the connection of these bureaucratic clusters with the SPP.* As can be seen in table 7.1 above, what really happened was that the SPP personnel spread twice in a row throughout the cabinet. In elite mobility and political terms, this unprecedented development was far from being irrelevant. There are three major implications. First, by confirming ongoing elite trends, it made the rise of the techno-bureaucratic elite even more apparent. Second, this elite's steady arrival at the network for political control reduced the previously sharp differences between economic and political managers (see table 7.1). Third, the fact that each new minister often arrived with his own SPP *camarilla* reconfirmed the influential role of the SPP in shaping the composition of the ruling elite.

For these reasons, it is interesting to know who arrived at the SPP in the first place. Table 7.2 presents data showing the evolution of the background of the SPP high-rank personnel in the period 1976-1992. It is clear from there that a low number of SPP officials held the post of *Director General* or higher before joining the SPP. This means either that their arrival at the SPP implied a promotion, or that they were promoted while in the SPP. Another interesting feature of the SPP personnel is their steadily growing political background. To sum up our point, the background of these personnel was not only a consequence of historical political elite trends, but a crucial reinforcing factor as well.

7.2 RECENT EVENTS AND THE SPP's SHADOW

The role played by the SPP cannot be fully understood without considering at least three key political developments that took place immediately after the death of this ministry. They are the most complex, turbulent, and disconcerting presidential transition in memory (Cansino 1995: 60), the so-called 'failed fiesta' (Conger 1995), and the failure of the state's intelligence/police apparatus to forecast the Chiapas uprising. A brief

TABLE 7.2 Background of the SPP high-rank personnel, 1976-1992
(Percentages, unless otherwise specified)

	Joined the SPP between December 1976 and April 1979 (N=74)	Joined the SPP between May 1979 and November 1982 (N=60)	Joined the SPP after November 1982 (N=71)
<u>Place of birth</u>			
Mexico City	60.0	60.0	59.7
<u>First degree</u>			
UNAM	71.4	61.1	53.6
ITAM	0.0	5.5	15.9
IPN	8.9	11.1	7.2
UIA	3.6	7.4	4.3
ITESM	1.8	7.4	2.9
U.Anahuac	5.3	0.0	2.9
Other	8.9	7.4	13.0
<u>Subject studied</u>			
Economics	37.9	37.3	43.7
Engineering	18.2	6.8	12.7
Law	12.1	18.6	23.9
Accounting	18.2	25.4	4.2
Business	4.5	1.7	2.8
Other	9.1	10.2	12.7
<u>Post-graduate studies</u>			
Masters or higher	37.5	43.6	53.7
Master's degree	27.0	40.0	40.8
PhD	9.5	13.3	26.8
<u>Post-graduate studies in the US⁽¹⁾</u>			
Master's degree	7	12	16
PhD	2	6	14
<u>Director General before joining the SPP</u>	30.5	32.1	22.7
<u>Promoted while in the SPP</u>	36.5	53.3	47.9
<u>Political activity before joining the SPP</u>			
A PRI member	73.6	78.4	89.4
Posts in PRI	24.4	33.3	50.0
Electoral office	0.0	0.0	2.3

⁽¹⁾ Absolute data

discussion of them may also further support the main conclusions of this thesis, while showing the analytical potential of the theoretical framework used.

The SPP and the 1994 presidential transition

There is a double link between the SPP and the 1994 succession process. First, the presidential decision to eliminate the former ministry was taken with the latter process in mind. Second, the SPP served as stepping stone to the *strongest* presidential aspirants. This was the case of both frustrated presidential candidate Colosio and current president Zedillo. A great deal of scholarly political literature on recent events in Mexico focuses on *Salinismo*. As usual, authors' main interest was to analyse group politics. In our view, a more fruitful approach to the Salinas succession would underscore the importance of assessing the economic, political, and institutional context before and after the selection as well as Colosio's SPP bureaucratic background. Let us begin by discussing these issues in reverse order.

The thesis has shown the dramatic impact that the SPP institutional setting had on Salinas's camarilla. The split of this cluster into two distinctive groups played a fundamental role in the 1994 succession process. Colosio, a member of Montemayor's team at the SPP, joined in 1982 the 'regional development' network headed by Camacho. This fact and his becoming federal deputy in 1985 protected him from bureaucratic infighting within the 'planning/budgeting apparatus of the SPP which affected Montemayor and other friends of Colosio badly. When minister Salinas was selected as the PRI presidential candidate, Colosio was no longer an operative technocrat but a first-class 'extension agent'. Meanwhile, Camacho, his former boss, had lost the latter title. Ironically, the reason was mostly his promotion as head of SEDUE. A shift of institutional settings sheds light on both developments.⁶

The posts they received at the beginning of the Salinas administration supports this interpretation. Camacho's becoming PRI General Secretary in August 1988 made his appointment as head of *Gobernación* only logical. This, however, did not happen. According to Camacho, the president gave him the task of tackling "the country's major

⁶In the case of Camacho, for instance, his leaving the SPP created a conflict between him and those who could not follow him (interview with Camacho, London, 1/12/95).

political problem", namely, Mexico City⁷: "If you govern this city well and win the 1991 elections . . . you can move to any other place" (interview, London, December 1, 1995). He did not. In contrast, Colosio was given what was called an 'impossible mission': reforming the PRI (Rodríguez and Ward in Aitken *et al.* 1996: 92).

By the end of 1991, PRONASOL had become the most well-known programme of the administration (Méndez 1994: 192). It had passed its real test during the mid-term elections held in August that year.⁸ Reversing historical trends, the PRI got 320 out of 500 seats in the Chamber of Deputies and 62 out of 64 seats in the Senate. Though the popularity of both Salinas and his policies is at the core of these results (Centeno 1994: 67), two other contributing factors should not be neglected. First, the PRI normally does better in mid-term congressional elections because the party machine counts for more. Second, there is no doubt that the party's leader Colosio worked effectively to build up the PRI machinery after 1988.

This encouraging panorama, together with a booming economy, allowed president Salinas to prepare well in advance his own succession. Both the death of the SPP and the creation of SEDESOL had this central purpose. This move, together with Colosio's appointment as head of the latter ministry, strengthened considerably his position in the presidential race. The death of the SPP had another beneficiary: finance minister Aspe. At the same time, it counterbalanced the overt presidential aspirations of his old friend Manuel Camacho. The interior minister Gutiérrez Barrios leaving the Cabinet in January 1993 made it clear that the future president would be chosen from this trinity (see *Proceso* 891, 29/11/93). One fact linked them: their belonging to the SPP-Salinas cluster, or more precisely to Salinas institutional camarilla. With three 'strong' pre-candidates, president Salinas reduced bureaucratic pressures, and kept the succession struggle under relative control.

After the demise of the SPP, however, the country's panorama began to change. This development is crucial to understanding the process under discussion. As the thesis has showed regarding the period 1970-1988, environmental factors have always played

⁷ In the 1988 elections, Carlos Salinas received only 27.25% of the vote in Mexico City (Federal District) as compared with 49.22% got by Cárdenas in the same entity (*El Cotidiano* 25, September-October 1988: 16).

⁸For a further discussion on these elections see Cornelius (1991) and Valdés (in Castro, 1993: 163-176).

a relevant role in this process. While the country's economic prospects began clouding (see table 6.2 in chapter 6), the elections in the United States and their result brought the NAFTA negotiations to a halt. Moreover, there was a significant political mobilisation in several states, which "seems to have taken the president by surprise" (Méndez 1994: 198).⁹ Additionally, an agreement between PAN and PRD to push for greater democratisation was reached. This changing context not only enhanced the succession battles, but made them more visible to the naked eye.

The key succession struggles were not fought either within the dual policy-network, partly reactivated by the separation of the economic and political structures of the SPP, or within either of its networks. The real battles were fought by the key members of Salinas's institutional *camarilla*. Despite this fact, each of the three factions in which this *camarilla* was divided offered different 'projects of nation'. The first of them, led by the president's star economic advisor José Córdoba, based its project on NAFTA. In his meeting with members of president-elect Clinton's team held in Washington in November 1992, Córdoba said: "To us times are very important . . . the ideal is to have it finished [NAFTA] before August . . . at the most before December . . . In December 1993, we will have a presidential candidate" (quoted in *Proceso* 839, 30/11/92: 9).

Apart from broad economic and political arguments, he had particular reasons for wanting things to happen along that timetable. As noted by American academic John D. Lindau, it was clear that the success or failure of NAFTA would have a decisive impact on the succession process: "If it fails and the relationships [with the US] become distant the *destapado* will be an individual able to deal with the traditional Mexican nationalism" (interview with Correa in *Proceso* 874, 2/8/93). This individual was no other than Manuel Camacho. For Córdoba's group the candidate could be anybody but the head of the DDF.

As in the two previous succession processes, bureaucratic coalitions played a fundamental role in the process under scrutiny. The importance of these coalitions depended on the institutional resources held by their individual constituents. On Camacho's side were his long friendship with Salinas, a nation-wide network of supporters, and the extensive powers he exercised. Though his jurisdiction was formally

⁹For an extensive discussion of the political developments during 1992 and 1993, see Ayala (1995), Quintero and Rodríguez (1994).

reduced to the limits of the country's capital city, his influence went far beyond those limits. In brief, he had become a *de facto* minister of *Gobernación*. This did not go unchallenged. Camacho's presidential aspirations aroused the hostility of Córdoba. On the side of the latter were his *closeness* to the president, his holding the influential *Oficina de Coordinación*, his being a member of the *Advisory Cluster*, and his international connections. Colosio, on the other hand, had Salinas's total backing and his favourite patronage machinery: PRONASOL.

Just as in the cases of Díaz Serrano and Silva-Herzog, a powerful and huge bureaucratic coalition was built against Camacho. This was a fundamental factor in his not gaining the presidential nomination. President Salinas astutely capitalised upon the rivalry between Camacho and Córdoba to hide, till the last moment, his own choice. On November 28, 1993, Colosio was 'unveiled' as the PRI presidential candidate. During his political campaign, Salinas had said in Chalco that since the 1980s had been a decade of "severe drop in living standards", the next decade "has to be the one of explicit equity promotion" and "deliberate justice" (Salinas 1988: 89). It worth stressing that the 1990s included not only his administration but the following one. Near the "unveiling", Salinas gave a picture of his successor: He should be "[a] politician with solid technical capacity" (interviewed by Borge 1993: 145).

Camacho, an experienced political operator, was far from being a "solid" economic expert, while exactly the opposite applied to Aspe. The only minister holding both attributes was Colosio. Many factors combined to make Colosio Salinas's choice. First, Colosio assured more than Camacho the continuation of the Salinas's economic reform. After his selection, for instance, he was often referred to as 'Mr. Continuity' (Russell 1995: 54). Second, like Echeverría, his major goal was to secure an outstanding place in Mexican history. PRONASOL, a programme totally identified with *Salinismo*, could assure this. Three, Salinas had shaped Colosio's career, like nobody else's, to meet his personal interests. Last, but not least, Colosio's candidature was supported by the 'financial cluster' because it precluded that of Camacho.

Up to this point, Salinas's strong leadership had effectively contained overt bureaucratic in-fighting: His dominance over the succession process had been total, and managed masterly. Although its candidate was not chosen, Córdoba's group was granted an important concession: Zedillo would be responsible for Colosio's political campaign,

which guaranteed him a ministerial post in the incoming administration. The uprising of peasants in the state of Chiapas on January 1, 1994 would alter dramatically this happy end of administration. This event not only threatened each of Salinas's achievements, but put Camacho again in a position to fulfil his presidential aspirations. This possibility triggered an explosive, fierce reaction from those who had opposed him. Candidate Colosio was caught in the middle of this bureaucratic in-fighting. On March 23, 1994, he was assassinated in Tijuana. Since the fatal shooting of the president-elect Obregón in 1928, nothing similar had occurred in Mexico.

In very delicate political circumstances, Salinas opted for Zedillo. It has often been suggested that the president was able to choose his successor not once but twice. A more plausible interpretation of Zedillo's selection relates to the power of the coalition led by Córdoba and its economic allies both national and foreign. It exhibited, once more, the president's constraints in influencing his succession. Borge had asked minister Zedillo, if he and Carlos Salinas were friends, he answered: "It could be vain to say that we are friends... My relationship with the president has been a working one" (interviewed by Borge 1993: 171-172).

Economic management without the SPP

As argued earlier, a worrying economic panorama began to emerge in 1992. In this year, the current account deficit grew 72.7 percent, to reach over 6 percent of GDP (about \$22.8 billion) as compared with 4.7 percent in 1991 (*El Financiero*, 22/4/93: 4; Castañeda 1993b: 63). Economic growth continued to decline, reaching in 1993 its lowest level since 1988 (less than 0.5 percent) as a result of a self-induced recession. Moreover, 80 percent of the total foreign investment in 1992 was speculative, short-term portfolio investment. This in particular left the country "highly vulnerable to shocks that could lead to interruption of the inflows of capital" (Weintraub 1995: 109). And these shocks materialised in 1994.

The December 1994 balance-of-payments crisis provides the most recent example of economic mismanagement (see *Proceso* 959, 20/3/95: 6-15).¹⁰ Particularly after 1990, president Salinas and his team of economic experts assumed that foreign investment would continue pouring into the country mainly because of the NAFTA negotiations.

¹⁰For extensive analyses of this crisis see Castañeda (1995); Springer and Molina (1995); Weintraub (1995); Carstens and Schwartz (in Serrano and Bulmer-Thomas 1996); Philip (1996).

Thus, oil expectations during the López Portillo administration were paralleled by trade expectations during the Salinas one. Within this optimistic scenario, the unprecedented deficit of the current account would seem somehow manageable, and any corrective measures could well wait till the next presidential administration. A series of shocking political events throughout 1994, not only proved government's assumptions wrong, but destroyed the myths surrounding Salinas's economic 'miracle'.

Since 1976 Mexico has experienced periodic economic crises (Basáñez 1991). The fact that these events have generally occurred at the end of a presidential term make their partial explanation in political terms plausible (Philip 1996). Traditionally, the cyclical nature of the Mexican political process had increased uncertainty as the presidential term came to an end. This fact, however, was magnified during the 1976, 1982, and 1994 economic crises. Something similar can be said about the financial crisis precipitated by the 1987 stock market crash. In the period 1976-1994, as a result, expectations about the future course of the economy became increasingly sensitive to the president's last decisions, including the selection of the PRI presidential candidate.

High academic qualifications and efficient economic management had become synonymous concepts within government. In spite of their comparing favourably with those of any developed country, the cabinets of the last three presidents have not prevented economic mismanagement. This fact questions the link between managerial efficiency and Weberian bureaucracy. As the Mexican case shows, one of the causes of economic mismanagement is the ongoing symbiosis between politics and the bureaucracies in charge of economic policy during the SPP years and after them.

Institutional change and political instability

This thesis suggests a link between institutional change and political instability. More specifically, it has argued that the manipulation and/or dismantling of much of the state apparatus had the effect of undermining the pre-existing institutional order without providing a suitable replacement. Partly at least, this may account for the system's growing incapacity to tackle the challenges to its authority stemming, in part, from an abysmal economic performance. This interpretation coincides with that endorsed by president Zedillo and his team. In his inauguration speech, president Zedillo denounced not only the "growing climate of insecurity" the country was experiencing, but "the deficient performance of the institutions in charge of public security". A few months

later, *Gobernación* officials would publicly blame "the previous administrations" for having dismantled the national security apparatus (*La Jornada* 12/7/95: 1).

From de la Madrid's presidency onwards, the aforementioned apparatus began to be dismantled rather than *modernised*.¹¹ In part, this was a consequence of the technocratic background of presidents de la Madrid and Salinas. In part, it was the result of government's use of targeted patronage rather than repression. As the thesis has argued, the SPP was the beneficiary of this policy. Institutional reform also conspired against *Gobernación*'s traditional intelligence role. The same accord that created the *Oficina de Coordinación* established a National Security Cabinet for the first time in Mexican history (Aguayo in Roett 1991: 60). More important, this cabinet was placed "functionally and operatively" under the authority of that office (DOF 7/12/88: 4). This meant that decisions over internal security would be reached by *technocratic consensus*.

According to Carlos Montemayor, the bureaucratic in-fighting between Camacho and Cóboba had the effect of taking some of *Gobernación*'s powers away from this ministry, and transferring "national security" to the desk of the presidential advisor (in *La Jornada* 30/8/96). This was, however, only partly true because Camacho had reproduced, albeit with limited success, *Gobernación*'s police/intelligence apparatus within the DDF. In early December 1988, Camacho, with Salinas's approval, appointed Javier García Paniagua to head the Federal District's police.¹² This decision sheds light on Salinas's plans to tackle political opposition in Mexico City (Reding 1989: 708). The nationwide character of Camacho's repressive apparatus is proved by the early use of the group *Zorros*, García Paniagua's paramilitary unit, to crush a prison uprising in the State of Nayarit (see *Proceso* 635, 2/1/89: 7-13).

Not surprisingly, the existence of various agencies with claims over 'national security' threw them into disarray. The effects of this would be felt during the shocking events of 1994. As noted by various scholars, the Chiapas rebellion caught the Mexican government by surprise (Springer and Molina 1995; Wager and Schulz 1995). For the first time in decades, government's intelligence/police apparatus had failed to foresee an

¹¹ For instance, the DDF's secret police unit was closed in 1983 as a response to its criminal abuses during Durazo's years as chief of the metropolitan police. Later, the role of the intelligence-police offices of *Gobernación* would be substantially reduced.

¹² A few days later, he named Miguel Nazar Haro to the newly created direction of intelligence services within the capital's police. It is worth noting that both García Paniagua and Nazar Haro had been successive heads of *Gobernación*'s Federal Security Directorate (DFS) between 1977 and 1980.

event predicted by many other observers!¹³ On August 23, 1993, for instance, *Proceso* (877, 23/8/93: 14-16) revealed that, after some attacks on soldiers in Ocotzingo, the government of Chiapas had confirmed the existence of armed groups and training camps in the State since May 1993. According to head of *Gobernación* Patrocinio González, who had been governor of Chiapas immediately before becoming interior ministry in January 1993, the existence of guerillas in Chiapas was a "*falso rumor*"..

TABLE 7.3. Ministerial turnover per presidential administration, 1958-1996
(Number of ministers per agency)⁽¹⁾

	1958-64	1964-70	1970-76	1976-82	1982-88	1988-94	1994-97	Total
General Attorney (PGR)	2	2	2	1	1	5	2	15
<i>Hacienda</i>	1	2	2	3	2	1	2	13
Parastate industry	1	2	2	1	3	2	2	13
Foreign Relations	2	1	2	2	1	3	2	13
Labour	1	1	3	3	1	2	2	13
Turism	3	1	2	2	1	3	1	13
Urban development	1	1	1	1	4	3	1	12
Agrarian Reform	1	1	2	4	2	1	1	12
Education	1	1	1	2	2	3	2	12
<i>Gobernación</i>	1	1	1	2	1	3	2	11
Agriculture	1	1	2	1	2	2	2	11
Federal District (DDF)	1	2	2	1	1	2	1	10
Communications	1	1	1	1	2	2	2	10
Public Health	1	2	2	2	1	1	1	10
<i>Presidencia/SPP</i>	1	1	2	3	1	1	--	9
Commerce	1	1	2	2	1	1	1	9
Navy	1	1	1	1	1	2	1	8
Defence (SDN)	1	1	1	1	1	1	1	7
Fisheries	--	--	--	1	1	2	1	5
Comptroller (SECOGEF)	--	--	--	--	2	1	2	5
Hydraulic Resources	1	1	2	--	--	--	--	4
<u>Rate of turnover</u>	1.21	1.26	1.74	1.79	1.55	2.05	1.53	
(Number of ministers divided by the number of ministries)								

⁽¹⁾ This excludes the changes provoked by the selection of ministers as PRI presidential candidates.

Source: Table elaborated with data from Camp (1982), Keesing's (various years), and *Proceso* (several issues).

At the heart of the aforementioned failure was the way presidents de la Madrid and especially Salinas managed government's intelligence/police apparatus. As table 7.3 shows, in the period 1988-1994 there were five general attorneys, and three heads of

¹³ The emergence of a number of independent peasant organisations in Chiapas since the 1970s has been a common topic for research. See, for instance, Alvarez (1988), Harvey (1988), and Harvey (in Foweraker and Craig 1990: 183-198).

Gobernación! In the past, low rates of turnover had characterised these agencies. Here a broader remark is in order. Because the president is free to integrate his cabinet, turnover is a good indicator of bureaucratic and extra-bureaucratic problems. During the presidencies of Echeverría and López Portillo, the ministerial rates of turnover increased considerably as compared with those of previous administrations. This phenomenon was, in large part, associated with bureaucratic factors. As the same table reveals, the highest rate of turnover was observed during the Salinas years, and this had mostly political causes

Only one institution has escaped from presidential institutional manipulation: the army. As can be seen in table 7.3, excluding the abolished and newest agencies, the SDN has had the lowest ministerial turnover. Both facts suggest that "the armed forces have shown an important degree of independence from the turbulence underlying the political system" (Serrano 1995: 446). This, however, could change for this institution has significantly increased its role within that system. Moreover, it has been argued that both government and the opposition have favoured the "politicization" of the armed forces by encouraging their policing of electoral processes (Camp in Rodríguez 1993: 256).¹⁴

7.3 TECHNOCRACY AND DEMOCRACY: FRIENDS OR FOES?

Dramatic changes in the Mexican economic structure characterise the last two decades. They include a transformation of the role of the state, including that of its machinery, and a significant shift in the country's developmental model. Two broad stages can be distinguished. First, the López Portillo presidency represented the peak of a long statist process greatly encouraged by oil developments. Second, the steady decline of oil prices, together with the economic crisis it triggered, led to the eventual adoption of radical pro-market policies from 1986 onwards. The direction of these relevant developments was neither associated with social movements or with democratic practices. Apart from international factors, the principal driving force of policy change was the techno-bureaucratic elite in power since December 1976.

From the Díaz Ordaz administration onwards, fewer and fewer top cabinet ministers have held elective office. This was a clear indication that bureaucracy had

¹⁴ See "Alemán politizó al Ejército, Salinas lo lleva a determinar los comicios" by Enrique Maza (in *Proceso* 810, 11/5/92: 6-11).

eventually replaced the PRI as the main pillar of presidentialism. In any event, the Mexican political system still retained some internal pluralistic elements. The rise of the techno-bureaucratic elite came to change this picture of limited pluralism in a significant way. As a PRI official told Denise Dresser: "The technocrats gained access to the political class, not through the wide door of political struggle, but through the narrow door of technical expertise" (in Cook *et al.* 1994: 131). As the case of the SPP shows, they reproduced the rules of recruitment and promotion of government's 'efficiency pockets'. This has not only slowed down renewal of leadership, but enthroned a system of 'rule by purge'.¹⁵ In any event, technocratic rule has had important policymaking consequences.

In authoritarian regimes, the style of leadership involves "mentalities" rather than ideologies (Linz 1970: 257-259). Mexico's recent experience, however, tends to prove the link between a highly professionalised federal bureaucracy and the emergence of a system of 'ideological corporativism' as defined by Dunleavy (1981). In his view, the unified view of the world and ideological cohesion of the dominant 'professional community' is "likely to have major and direct implications for the substantive content of public policies" (*ibid.*: 8). Within nondemocratic contexts, as the Mexican case shows, it may also enhance insulation from environmental political influences. In the final analysis, the disrepute that economics and economists have gradually fallen into reflects "the increasing isolation in which economic policy discussion and decision making are carried out" (Ibarra and Alberro 1989: 167).

There has been a great deal of debate on whether or not technocratic elites pose a danger to democracy.¹⁶ According to Pedro Aspe, "without well-trained politicians and economists" no modernisation programme could be successful (1993: 55-56). In his view, these "top-grade people" should be "in areas of budget control, domestic and international trade, privatization, industrial regulation, social security, labour management, social development, taxation, and financial policy". In other words, they should rule the country. There is certainly an irony here. To rule, some electoral legitimacy is required. This sheds light on the 'unhappy marriage' between technocratic elites and the PRI since 1981. Any

¹⁵ As the thesis shows, the casualties of this system were first traditional 'politicians', and later an increasing number of rival technocratic elites. The most extreme expression of this phenomenon is provided by the struggles within Salinas's 'compact' inner circle. The term 'rule by purge' is borrowed from Sandschneider (in Calvert 1987).

¹⁶ For a summary of this debate see Centeno (1993: 308).

recent attempt to build up the ruling party beyond a certain point has encountered opposition not only from its own constituents, but from the ruling technocratic elites themselves.¹⁷ In essence, broader electoral reform has been fiercely opposed by the latter elites because their survival is also at stake.

Partly as a reaction to the developments under discussion, Mexican elections have become more competitive. This fact has not, however, been sufficient for the consolidation of democracy. Elections have some impact only if government can be controlled (Krasner 1972: 160), and this has not yet been the case in Mexico. Despite the unquestionable electoral advances of the opposition, the ruling elite have repeatedly managed to keep their congressional majority (see Domínguez and McCann 1995). Moreover, this elite has proved successful in replacing "rigid, antiquated controls with new, more sophisticated clientelistic arrangements without necessarily moving towards democracy" (Fox 1994: 155). To be sure, the electoral system has been modified countless times, but these efforts have never been primarily directed to building solid democratic institutions. At the heart of this historical persistence is the prevalent mechanism of presidential succession.

In December 1993, the director of the foreign trade bank José Angel Gurría (today minister of foreign relations) assured a group of Japanese investors that the selection of Colosio as the PRI candidate guaranteed 24 years of continuity of the Salinas's economic policies (quoted in *Proceso* 892, 6/12/93: 13). For the president in the year 2000 would emerge from president Colosio's economic team. When making this forecast, Gurría was most probably thinking of Ernesto Zedillo, who some days before had been appointed coordinator of the presidential campaign by Salinas. Because of Colosio's death, there was no need to wait six years to see that Gurría was right. Apparently, the possibility of such accurate predictions questions the feasibility of a simultaneous transition towards both democracy and the market.

At first sight, the turbulent nature of the 1976-1994 period gives the observer the impression that an 'old bureaucratic order' had been replaced by a new one. As this thesis has argued, it was not exactly the case. Rather there was a mixture of old and new patterns, ideological principles, practices, rules of the game, and trends. Nowhere was this

¹⁷ See, for instance, Hernández (1991), Dresser (in Cook *et al.* 1994), and Rodríguez and Ward (in Aiken *et al.* 1996).

confusing mixture clearer in government's attempts at economic reform amid a context of political inertia. The major casualty of this was the highly institutionalised pre-1976 dual policy-network system. Since 1982, the Mexican state has been dismantled rather than modernised. The crucial problem here is that to replace what is gone will depend on a delicate, *long-term* process of institution building. What still needs to be seen is whether this process will reinforce authoritarianism or engender more democracy (Davis 1994: 380).

Because of its leading role in the 'technocratic revolution', the SPP will necessarily be associated with the outcome of this process whatever it turns out to be. Regarding this ministry, Gortner was totally right when writing that nothing may be so permanent as a temporary government bureau.

Appendix 1: A note on primary sources and methodology

1. PRIMARY SOURCES

This first section explains the primary sources of the data used in the thesis. The term *primary source* is understood as comprising "deliberate", "unadvertised", and non-interpretative sources of data "which came into existence in the period under research".¹ Here, they are grouped into two broad categories: documentary sources and interviews. We refer the reader to the general bibliography for the complete references of the documents cited.

1.1 Documentary sources

Official publications and other written sources

The thesis considers the SPP original structure and *all* the organisational changes undergone by the ministry to its end. They are presented in seven charts throughout the thesis (see List of Tables and Figures). The data comes from the various versions of the *Reglamento Interior de la SPP* and *Manual de Organización de la SPP*, and also from several administrative fiats (see selected laws and fiats in Bibliography). Additionally, these official documents provided relevant information about the agency's legal powers and formal operation. Gathering the data under discussion implied extensive documentary search in the *Diario Oficial de la Federación* (DOF)². Archival work was carried out in the library of the *Secretaría de Gobernación* and in the *Archivo General de la Nación*.

Regarding the rationale for the creation of the SPP, various official publications were consulted. They include speeches pronounced during the 1975-76 presidential campaign as published by the PRI, *Filosofía* (1980) on the president's view of his administrative reform, and *Bases Jurídicas* (1977) on the legal changes this reform implied. The four volumes of the *Memoria Institucional de la SPP* (1981) provided useful insights not only on this issue, but also on the performance of the SPP during its first four years, the problems and constraints its personnel faced, the rationale for internal organisational change, and key internal procedures (e.g., budget elaboration).

For the fifteen-year existence of the SPP, empirical evidence is provided by a wide-array of governmental and non-governmental documents. Official addresses include *informes presidenciales* (annual presidential addresses to the nation) and speeches pronounced by the head of the SPP contained in *Memoria Institucional de la SPP* (1981) and other written sources (e.g., newspapers). Other sources of data are the various SPP's periodic publications and ad hoc publications such as national plans, academic papers (e.g., SPP 1981), and documents of institutional enhancement (e.g., SPP 1986;

¹ Bell, Judith (1987), *Doing Your Research Project* (Milton Keynes: Open University Press): 53-54.

² The DOF is a daily official publication, whose central task is to publicise new federal legislation as well as changes in the existing legislation.

PRONASOL 1990). Statistics on projected expenditure by agency come from the annual budget annually published in the DOF, while those on actual expenditure from NAFINSA (1986, 1990).

The thesis includes only a few *deliberate sources*.³ Ex-president López Portillo's two-volume memoirs (1988) shed enormous light on crucial bureaucratic events and political processes involving the SPP up to 1982. Considering the self-vindicating character of this book, the data used in the thesis is balanced, or compared, with evidence from other sources as far as possible. The same applies to academic documents produced by other participants partly with a similar purpose or where bias is detected (e.g., Silva Herzog 1988; Ibarra and Alberro 1989).

Qualitative and quantitative data for the period under study is provided by various periodical publications. Comprehensive research involved the following: *Keessing's Records of World Events* (*Keesing's Contemporary Archives* until 1986), *Statistical Abstract of Latin America* (SALA), and *Economic Survey of Latin America and the Caribbean* (ESLA). The collection of *Latin America Newsletters* at the Institute of Latin American Studies (ILAS) was also consulted, though in a less extensive way. Other general sources of economic indicators, including descriptions of the country's economy, are *Country Report: Mexico* produced by the Economist Intelligence Unit, and the annual report of the Bank of Mexico. On institutional change involving the entire federal public sector, the thesis relies on the DOF (see selected laws and fiats in Bibliography).

Magazines and newspapers

Journalistic material proved to be a valuable primary source. Many interviews, biographies, speeches, behind-the-scenes information, leaked documents, and bureaucratic coalition/infighting evidence examined by or quoted in the thesis comes from this source. The weekly magazine *Proceso*⁴ was systematically researched for the period 1976-92. In a first stage, the author relied on his own collection up to 1990. Missing and more recent issues were consulted in the collections at the *Biblioteca México*, ILAS, or via Internet. Similarly, the Mexican newspapers *La Jornada* and *Reforma* were systematically consulted via Internet in the last year and a half of the research project. *La Jornada* and the other magazines and newspapers listed in the bibliography were consulted mostly in Mexico for specific periods, events or issues. Relevant inferences were also drawn from journalistic political analysis.

Biographical data

The biographical data examined or presented in the thesis comes from various sources. First, Roderic Ai Camp's *Mexican Political Biographies, 1935-1981* (1982) and *Who is Who in Mexico Today* (1988) provides information only for the individuals in the position of Oficial Major or higher (high-rank officials), mostly up to the beginning of the López Portillo administration. Second, auxiliary historical sources of names of lower-rank officials are the *Directorio del Poder Ejecutivo Federal* (1971) and *Directorio de la Administración Pública Centralizada y Parastatal* (1978, 1979, 1980). Third, for more

³ Bell (1987: 54) defines these kinds of primary sources as those produced with self-vindication or reputation enhancement purposes for the attention of future researchers.

⁴ This influential magazine was launched simultaneously with creation of the SPP, which offered the advantage of covering the whole period under study.

recent and better organised data, the thesis relies specially on *Quien es Quien en la Administración Pública de México* (1982), and on the four editions of the *Diccionario Biográfico del Gobierno Mexicano* (1984, 1987, 1989, and 1992). The last official publications contain complete biographical information of individuals holding the post of director general or higher (middle-rank and high-rank officials).

In addition, the thesis relies on the relatively abundant aggregated data on Mexican 'political elites' provided by secondary sources to make inferences. Examples include Centeno (1990, 1992 and 1994) on general trends, and Galindo (1993), who presents the latest findings on educational background of high-level government officials following an impeccable methodology.

1.2 Interviews

Some empirical evidence examined in the thesis comes from eighteen unstructured interviews. They were conducted by the author in Mexico City (April-May and September 1993), Madrid (July 1994), and London (April 1995, May and December 1995; May 1996). The interviewees include four high-rank SPP ex-officials, seven middle-rank ex-officials, six low-rank ex-officials, and one ex-member of Congress. As the condition of most interviewees was a pledge of absolute confidentiality, only the following material obtained in this way is identified and quoted in the thesis:

Manuel Camacho Solís: SPP low-rank official (1979-1981) and Under-secretary for Regional Development (1982-1986), London, December 1, 1995.

José Ramón López Portillo: SPP *director general* (1977-1980) and Under-secretary for Evaluation (1980-1982), London, April 29, 1994 and December 1, 1995.

Interviewee A: SPP *director general* (1983-1985), Mexico City, April 28, 1993.

Interviewee B: SPP *director de área* (1984-1985), Mexico City, May 5, 1993.

Interviewee C: Member of staff in the office of SPP minister Ernesto Zedillo (1990-1992), London, April 12, 1995.

Interviewee D: Federal deputy (1976-1979) and member of the Commission of Programming and Budget, London, May 4, 1996.

Though many interviews are not identified, they provided many insights into agency operation, internal political processes generally invisible to the naked eye, intra-bureaucratic infighting, 'resource' distribution, organisational attitudes, and institutional relations with the exterior. Interview material different from that discussed above either comes from official publications and newspapers and magazines, or is borrowed from secondary sources.

2. METHODOLOGY

Although the thesis focuses on one ministry, testing its main hypotheses implies the analysis of a complex multidimensional phenomenon. Neither is there nor can there be a single method to deal with that phenomenon in its entirety. This explains the eclectic character of the methodology used in the thesis. Thus it is acknowledged that the nature of each issue, event and process to be explored demands the selection of suitable methods and techniques of data collection and analysis. Frequently, the causes and implications

of the phenomena under observation are subject to different, if not conflicting, interpretations. Alas, usually because of the lack of data, testing counterfactual hypotheses is not always possible. Thus, more often than not the analysis carried out in the thesis is speculative, based on inferences drawn from both primary and secondary sources.

In general, only the biographical data of the SPP personnel required complex elaboration. Among other things, the thesis attempts to investigate the relationship between the organisational setting provided by the ministry under study and the personnel associated with this setting. This demanded building a suitable biographical database. The rest of this section explains the way the data was collected (including its sources and characteristics), the particular methods and techniques employed for organising and analysing it, and the problems encountered when doing so.

2.1 Listing the SPP personnel

In an early research phase, a preliminary list of around 180 SPP officials in the position of *director general* or higher (middle- and high-rank officials) for the period December 1976-January 1992 was created. This was the result of three months of archival work at various libraries in Mexico City. The sources for this list are *Directorio de la Administración Pública Centralizada y Parastatal* (1978, 1979, 1980); *Memoria Institucional de la SPP* (1981); *Quien es Quien en la Administración Pública de México* (1982); and the four editions of the *Diccionario Biográfico del Gobierno Mexicano* (1984, 1987, 1989, and 1992). At this stage, one problem became apparent. The information provided by these works was limited to those individuals in office when the source was produced. Obviously, this fact made it difficult to estimate the size of the total population at the higher echelons of the SPP.

To tackle these problems, complementary sources such as non-specialised official publications, newspapers, magazines, interview material, and secondary sources were researched. After time-consuming efforts to perfect the preliminary list, it was possible to integrate a final list of 205 middle- and high-rank officials. In addition, a careful review of the data eventually allowed the author to estimate the total population at not more than 300 individuals. Appendix 2 presents this list in hierarchical order, indicating the name of the post held by each official among other information.

There were several problems in developing a sample of SPP officials holding positions below the level of *director general*, the most important being the lack of data. This problem was partly overcome in two ways. First, the analysis of the sample mentioned in the previous paragraph showed that around 30 percent of the cases included had held lower positions before being promoted (see Appendix 2). Second, it was possible to widen this sample by searching in the available sources of data for individuals who never occupied middle-rank positions or higher within the SPP, but who would do so outside the agency. To make the sample as representative as possible, the author included personnel from most of the areas of the SPP. The list of personnel obtained in this way (68 individuals) is presented at the end of Appendix 2.

2.2 Designing and building a database

Having located the data, the next step was to plan the creation of a database, and to decide what specific data it was to contain. Two relational tables, called SPP 1 and SPP 2, were built using Paradox for Windows (version 1.0). The data assembled for each

record can be grouped into four broad categories: personal and educational background; bureaucratic and political career before joining the SPP; information while working in the SPP; bureaucratic and political career after leaving the SPP. More specifically, these categories are composed of 53 *fields*, mostly alphanumeric.

Two main problems emerged when assembling the data, namely, the lack of data involving often many *fields* and the contradictions found when more than one source was available. In particular, collecting personal and educational data for the period 1977-1978 was hindered by the lack of information. Complete data for specific years was readily available from both *Quien es Quien* (1982) and the *Diccionario Biográfico* (1984, 1987, 1989, and 1992). As already said, missing data comes from a wide-range of primary and secondary sources.

2.3 Analysing the data and presenting the findings

Searching for required data was done by performing *query* operations. The *query* system allowed constructing time series for specific SPP administrations. It worth noting that all the analysis of the SPP personnel carried out in chapters four to seven is based on data obtained in this way. The most relevant findings are presented in six tables presented throughout those chapters (see List of Tables and Figures). Regarding these tables, a final remark is necessary. Not available data for specific categories was redistributed to the other categories according to their proportional representation in the total.

Appendix 2: List of the SPP personnel, 1976-1992¹

1. High-rank personnel²

1.1 Secretarios (including some key staff)

†Ernesto Zedillo Ponce de León (1 December 1988-7 February 1992)

- †Eduardo Almeyda Armenta (1988-92), private secretary
- †Carlos Mancera Corcuer (1988-92), chief of advisers

†Pedro Aspe Armella (6 October 1987-30 November 1988)

- †Alejandro Moreno Walter (1987-88), private secretary
- †Luis Tellez (1987-88), chief of advisers

†Carlos Salinas de Gortari (1 December 1982-5 October 1987)

- Bruno Kiehnle Mutzenbecher (1982-87), private secretary
- →José Córdoba Montoya→ (1983-85), chief of advisers

†Ramón Aguirre Velázquez (25 September 1981-30 November 1982)

- †Fernando Hernández Valenzuela (1981-82), private secretary

Miguel de La Madrid Hurtado (16 May 1979-25 September 1981)

- Alfonso Muñoz de Cote (1979-81), private secretary
- †Emilio Gamboa Patrón (1981), private secretary
- Manuel Bartlett Díaz (1979-81), political advisor
- Bernardo Sepulveda Amor (1981), economic adviser

Ricardo García Sáinz (16 November 1977-16 May 1979)

- Genaro Borrego Estrada (1977-79), private secretary
- Emilio Gamboa Patrón† (1977-79), auxiliary secretary

Carlos Tello Macías (1 December 1976-16 November 1977)

- Marco Antonio Pascual Moncayo (1977), private secretary
- Sergio Mota Marín† (1976-77), chief of advisers

¹See the previous appendix, for an explanation of the sources, size and characteristics of the sample contained in headings one and two.

²An upward arrow next to some names means promotion within the SPP, while the horizontal arrow continuation in a position similar in rank. The lack of arrows indicates that the official arrived and left the agency holding the same post. In all cases, their tenure of the corresponding post is showed within brackets after the name.

1.2 Subsecretarios (including some key staff)

Planeación y Control Presupuestal; Planeación del Desarrollo; Programación

†Pascual García Alba Iduñate (1988-92)
 - †Héctor R.Orozco Vázquez† (1988-91)

Ernesto Zedillo Ponce de León† (1987-88)
 - Carlos Mancera Corcuerá† (1987-88), adviser

†Pedro Aspe Armella† (1985-87)
 - †Alejandro Moreno Walter† (1985-87), private secretary
 - †Antonio Sánchez Gochicoa†, chief of advisers
 - †Fermín Carpio Suárez† (1985-87), administrative coordinator

†Rogelio Montemayor Seguy† (1982-85)
 - Melchor de los Santos Ordóñez† (1982-85), administrative coordinator

Francisco Labastida Ochoa (1979-82)
 - Mario Barreido Pereira (1979-82), administrative coordinator

José Alfonso Cebreros (1978-79)

Eduardo Pascual Moncayo (1976-78)

Presupuesto

†Miguel Angel Dávila Mendoza (1981-82)

Ramón Aguirre Velázquez† (1979-81)
 - →Carlos E. Solórzano Juárez† (1979-81), chief of advisers

Miguel Rico Ramírez (1977-79)
 - Carlos E. Solórzano Juárez→ (1977-79), chief of advisers

Control Presupuestal y Contabilidad; Evaluación

†Javier Castillo Ayala (1983-85)
 - †Luis Raul Domínguez Terrazas† (1983), administrative coordinator

†José Ramón López Portillo (1980-82)
 - †Guillermo Ruiz de Teresa (1979-81), private secretary

Rosa Luz Alegria Escamilla (1976-80)

Programación y Presupuesto de Desarrollo Industrial y de Servicios

Juan José Páramo Diaz (82-88)

Programación y Presupuesto de Desarrollo Social y Rural

María de los Angeles Moreno (82-88)
 - Cristina Ramos, chief of advisers
 - Yolanda Cedillo, administrative coordinator

Desarrollo Regional

†Carlos Rojas Gutiérrez (1988-92)
 - †Gerardo Huerta (1988-92), chief of adviser

†Manuel Camacho Solís (1982-86)
 - †Fernando Silva Nieto (1984-86), private secretary
 - †Carlos Rojas Gutiérrez† (1985), chief of advisers
 - Juan Bueno Zirion (1983-86), administrative coordinator

Programación y Presupuesto

Rogelio Gasca Neri† (1988-92)
 - Jorge Gutiérrez Padrón† (1988; 1990-92), private secretary
 - Luis Ramírez de Arellano† (1989-91), "
 - Aarón Dychter Poltolarek (1990-92), chief of advisers

1.3 Oficiales Mayores

Esteban Moctezuma Barragán (1988-92)

†José Rubén Valdez Abascal (1987-88)

Otto Granados Roldán (1986-87)

†Salvador Gabriell Cruz (1985)

Marcela González Salas (1982-85)

†José Bustani Hid (1981-82)

Adolfo Lugo Verduzco (1979-81)

Sergio Alardín Azuara (1978-79)

Eleazar Cota Izaguirre (1976-78)

1.4 Coordinadores Generales (and some key staff)

Programa Nacional del Desarrollo de Franjas Fronterizas

Manuel Calderón de la Barca (1979)

Manuel Aguilera Gómez (1977-78)

Delegaciones

Eduardo Pesqueira Olea (1979-82)

- Luis Sáenz Arroyo Trejo (1981-82), private secretary
- Héctor Ulibarri Pérez (1979-81), private secretary

Alfonso Murillo Guerrero (1978-79)

Control de Gestión

†Olga Elena Peña Martínez (1983-85)

†Javier Castillo Ayala (1982-83)

†Carlos Enrique Solórzano Juárez (1981-82)

Francisco Rojas Gutiérrez (1980-81)

**INEGI; Sistema Nacional
de Información**

†Carlos Jarque Uribe (1988-92)

- †Fernando Zepeda Bermudez† (1988-91), private secretary
- †Mario Rodante Esquivel→ (1989-90), chief of advisers
- †Antonio Puig Escudero (1991-92), chief of advisers

†Humberto de Jesús Molina Medina (1988)

↓Rogelio Montemayor Seguy (1985-88)

Pedro Aspe Armella† (1982-85)

†Sergio Mota Marín (1978-82)

René Iturriaga de la Fuente (1976-78)

2. Middle-rank personnel

2.1 Secretario's in-line directores generales

Asuntos Jurídicos

→María de la Luz Ruiz Mariscal (1992)

Germán Fernández Aguirre (1991-92)

†Olga Hernández Espíndola (1987-90)

†José Rubén Valdez Abascal† (1982-87)

José Manuel Villagorda (1978-82)

Urbano Farias Hernández (1977)

Difusión

Héctor Morales Corrales (1988-92)

Salvador González Pérez (1987-88)

Julio Pomar Jiménez (1985-87)

Demetrio Ruiz Malerva (1982-85)

Antonio Ibarra González (1981-82)

Miguel González Avelar (1979-81)

Luis Linares Zapata (1978-79)

Luis Felipe Duarte Moguel (1977)

Documentación y Análisis

José Ramón López Portillo† (1977-80)

**Unidad de Organización
y Métodos**

†Carlos Ortiz y Farfan (1978-81)

Eduardo Philibert Mendoza (1978)

Oscar Reyes Retana Márquez (1977)

**Centro de Capacitación para
el Desarrollo**

†Amalia Lucila Adame Niño (1982-83)

Mauricio Campillo Illanes (1978-)

Rolando Cordera Campos (1977)

**Unidad de Modernización de la
Administración Pública Federal**

†Salvador Gabriell Cruz (1984-85)

†Carlos Sierra Olivares (1983-84)

Unidad de Finanzas Públicas

Javier Castillo Ayala† (1980)

Contralor Interno

→Eduardo Agustín Montaño Resa (1983-88)

2.2 Directores Generales

Política Económica y Social

Carlos Hurtado López (1989-92)

Pascual García Alba Iduñate† (1987-88)

→José Córdoba Montoya (1985-87)

†Socrates Rizzo García (1983-85)

†José Córdoba Montoya→ (1982-83)

†Rogelio Montemayor Seguy† (1981-82)

Carlos Salinas de Gortari† (1979-81)

- Rogelio Montemayor Seguy† (1979-81), *Subdirector general*

Alejandro Castillón Garcini (1976-79)

Programación

†Melchor de los Santos Ordóñez† (1984-85)

†Celso Cartas Contreras (1983-85)

†Sócrates Rizzo García→ (1982-83)

Federico Torres Arroyo (1979-82)

Jorge J. Izquierdo Rodríguez (1978-79)

Julio Boltvinik Kalinka (1976-78)

Ánalisis de Ramas Económicas

José Humberto Mosconi Castillo (1980-82)

Inversiones Públicas

Eduardo González González (1979-80)

Felipe Rivapalacio Guerrero (1977-79)

**Política Presupuestal;
Egresos**

→Carlos Altamirano Toledo (1985-92)

↑Pedro Fabela Espinosa (1982-85)

↑Javier Castillo Ayala↑ (1981-82)

Miguel Angel Dávila Mendoza↑ (1979-81)

José Luis Vives Parroquín (1977-79)

Pagos

↑Julio César Ruiz Ferro→ (1983-84)

↑Antonio Rodríguez Hernández→ (1981-83)

Fernando E. Hernández Valenzuela↑ (1979-81)

René Ortega Sanvicente (1977-79)

**Administración de Personal
del Gobierno Federal**

↑Salvador Gabriell Cruz↑(1982-84)

José Bustani Hid↑ (1979-81)

Servicio Civil

↑Hugo Barojas Beltrán (1988-92)

→Luis Ignacio Vázquez Cano (1985-88)

↑Manuel G. de León Maza (1983-84)

**Programacion y Presupuesto
Energético e Industrial; Presupuesto
Energético e Industrial**

Luis Raul Almeida Duran (1989-92)

→Julio César Ruiz Ferro (1984-88)

↑Luis Raul Domínguez Terrazas (1983-85)

↑Issac Osorio Corpi (1980-83)

**Presupuesto, Agropecuario
y Pesca**

↑Guillermo Castellanos Guzmán (1980-82)

Presupuesto, Desarrollo Social

↑Gilberto Nieves Jenkin (1980-82)

**Presupuesto, Administración
y Finanzas**

↑Eduardo Agustín Montaño Resa→ (1982-83)

Enrique González de Aragón (1980-81)

**Programación y Presupuesto
de Servicios**

→ Victor Manuel López González (1991-92)

↑ Jesús Alberto Cano Vélez (1988-91)

↑ Rolando Bon López (1987-88)

↑ Julio Cesar Ruiz Ferro→ (1984)

↑ Jose Bernardo Gómez Palacio↑ (1983-84)

**Programación y Presupuesto
de Desarrollo Agropecuario,
Pesquero y Abasto**

↑ Héctor Raul Orozco Vázquez (1991-92)

→ Flavio Avilez González (1988-91)

**Programación y Presupuesto
de los Sectores Salud,
Educación y Trabajo**

↑ Luis F. Ramírez de Arellano Haro (1991-92)

Victor Manuel López González→ (1988-91)

**Programación y Presupuesto de
Desarrollo Social y Rural Integral**

↑ Gilberto Andrés Zárate Tristán (1987-88)

↑ Rolando Rodríguez Cámara (1986-87)

↑ Alejandro Jaimes Escobedo (1983-85)

↑ Jaime Federico de la Mora Gómez (1982-83)

**Programación y Presupuesto de
Desarrollo Social**

↑ Gustavo Adolfo Guerrero Ramos (1983-85)

**Infraestructura y Desarrollo Urbano;
Infraestructura y Desarrollo Social; Programación
y Presupuesto de Infraestructura Básica**

Jorge Collard de la Rocha (1992)

José Reynoso Bonilla (1990)

↑ Carlos Mier y Terán Ordiales (1982-88)

**Contabilidad Gubernamental;
Contaduría de la Federación**

↑ Mauro I. Martínez y Martínez (1989-92)

↑ Daniel Robles Ferrer (1985-89)

↑ Carlos Altamirano Toledo→ (1982-85)

Luis Arevalo Perez (1977-79)

Análisis para la Evaluación

†Guillermo Ruiz de Teresa (1980-81)

Pedro Velázquez Peña (1978-80)

José Antonio Aguilera (1977)

Documentación y Análisis

†Miguel Alejandro Sandoval Lara (1982-86)

†Larry Levin Kosberg (1980-82)

Auditoría Gubernamental

†Jorge E. Contreras Alatorre (1982)

Rogelio Carballo Millan (1979-81)

**Normas sobre Adquisiciones,
Almacenes y Obras Públicas**

†María de la Luz Ruiz Mariscal (1991-92)

†Jorge Luis Gutiérrez Padrón† (1989-90)

†Flavio Avilez González↔ (1987-88)

†Antonio Gilberto Scheleske Farah (1985-87)

†María Elena Vázquez Nava↔ (1982-85)

Francisco González Rubio (1980)

†Enrique Ibarra Iriondo (1978-79)

Gustavo Cortés Fuentes (1977)

**Promoción y Operación Regional;
Programación Regional**

Luis Antonio de Pablo Serna (1979-82)

Carlos Vidali Carbajal (1976-78)

**Centro de Investigación para
el Desarrollo Rural**

Clara Jusidman Rapoport (1983-84)

Arturo Warman Gryj (1978-79)

**Fomento al Desarrollo Estatal; Apoyo a
la Operación de las Delegaciones**

†Narciso Acevedo Valenzuela (1979-82)

**Control Operativo de las Delegaciones;
Información Operativa de las Delegaciones**

†Mario Alberto Zubieta López (1979-82)

Arturo Olvera Cortez (1978-79)

Desarrollo Rural Integral

†Marco Antonio Morelos Chon (1980-82)

Programa de Zonas Fronterizas

Oscar E. Victoria Mascorro (1980-82)

Delegaciones

Patricio Chirinos Calero (1982-87)

†Jorge Espinosa de los Reyes (1988)

Programación y Presupuesto Regional

†Mario Luis Fuentes Alcalá (1991-92)

Guillermo Hopkins Gámez (1988-91)

†Antonio Sánchez Gochicoa (1987-88)

†Fernando del Villar Moreno (1985-87)

†Luis Donaldo Colosio Murrieta (1982-85)

**Política de Descentralización para
el Desarrollo Regional**

Margarita González Gamio (1986-88)

Alejandra Moreno Toscano (1982-86)

**Secretariado Técnico de Integración
Sectorial del PRONASOL**

Juventino Pineda Pinto (1989-92)

**Diseño e Implementación del Sistema
Nacional de Información**

†Carlos Enríquez Alcaraz→ (1978-81)

Luis M. de la Hoz (1977)

Sistemas y Procesos Electrónicos

Enrique Calderón Alzati (1977-80)

Estadística

Miguel Cervera Flores (1988-92)

†Humberto de Jesús Molina Medina† (1987-88)

†Carlos Jarque Uribe† (1984-86)

Carlos Camacho Gaos (1982-84)

Luis Eduardo Rosas Landa (1978-82)

José Manuel Gil Padilla (1977-78)

Política Informática

Victor Bustos y de la Tijera (1991-92)

Raul Hudlet Yáñez (1989-91)

†José Luis Soberanes Reyes (1985-88)

Luis Pablo Grijalva López (1983-85)

→Carlos Enríquez Alcaraz (1980-82)

**Integración y Análisis de la
Información**

↑Fernando A. Zepeda Bermúdez (1991-92)

↑Lucila Oralia Cuellar Tamez (1987-90)

↑José Luis Martínez Hurtado→ (1980-87)

**Geografía; Estudios del
Territorio Nacional**

José Alberto Villasana Lyon (1979-82)

Nestor Duch Gary (1982-92)

Juan B. Puig De La Parra (1977-79)

**Programación, Organización y
Presupuesto; Administración**

José Fernando Agraz Rojas (1988-92)

↑Fermín Carpio Suárez (1987-88)

↑Ernesto Sentíez Hoyos (1982-87)

Jorge Thompson Aguilar (1980-82)

José Murillo Alvírez (1978-79)

Mario Miguel Abraham (1977)

Personal

Raul Almanza S. (1991-92)

Francisco Javier Bravo Ramírez (1989-90)

→Antonio Rodríguez Hernández (1983-88)

Angela Vázquez Hernández (1983)

Carlos Sierra Olivares→ (1979-82)

Ladislao Solares y Vera (1978-79)

Octavio Peña Torres (1977)

**Recursos Materiales y Servicios
Generales; Servicios**

Fernando Solís Cámara (1988-92)

Rolando Torres Monroy (1982-88)

↑Germán Villar Martínez (1981-82)

José Luis Turveño Retana (1979-81)

Ricardo Flores P. de la Cueva (1977-79)

Servicios Sociales

María Eugenia Sthephan Otto (1982-85)

†Carlos Rivera Borbón (1981-82)

Juan Saldaña (1979-81)

Auditoría General

Carlos Hernández Rodríguez (1991-92)

Rodolfo Héctor Lara Ponte (1988-91)

Control de Gestión

Jesus Franco Guerrero (1979-81)

Programas Especiales

Fernando Paz Sánchez (1981-82)

Estudios Administrativos

†Guillermo Rojas Ortiz (1981-82)

3. Low-rank personnel³

Juan Mariano Acoltzin Vidal (1979-81)	Ernesto Luque Feregrino (1981-82)
José Alberro Semerena (1985-87)	José Luis Marzal Ruiz (1983-88)
Carlos Luis Alvarado Chávez (1978-80)	Rafael Antonio Mendivil Rojo (1981)
Narciso Amador Leal (1986-87)	Marco Antonio Michel Díaz (1980-81)
Abel Gerardo Arreguín Meza (1983-87)	Uriel de Jesús Montesano Rodríguez (1982-83)
Juan Enrique Azuara Olascoaga (1983-87)	Arturo Morales Isunza (1979-82)
Armando Ballinas Mayes (1978-81)	Mario Antonio Morelos Chon (1980-82)
Marco Antonio Bernal Gutiérrez (1979)	Jesús Oscar Navarro Gárate (1982-88)
Javier Bonilla (1983-88)	Miguel Angel Olea Sisneaga (1981)
Lorenzo Cabrera Valderrabano (1983-86)	Octavio Javier Ornelas Esquinca (1982-85)
Eloy Cantú Segovia (1983-85)	Armando Ortega Márquez (1980-82)
Manuel Cavazos Lerma (1979)	Adriana Ortega Vila (1981)
Luis Antonio Chagoya Rivera (1981-82)	Oscar Pimentel González ((1983-88)
José Ignacio Chapela Castanares (1977-82)	Roberto Peña Villanueva (1981)
Luis Antonio Chagoya Rivera (1983-84)	Silvia Piso Joo (1977-79)
Antonio Chumacero Gómez (1977-78)	Arturo Publita Pelesio (1980-82)
Benito Coquet Ramos (1981-82)	Agustín Quintanilla Ochoa (1982-86)
Cuahtémoc Cuenca Dardón (1979)	Enrique Quiroz (1988-92)
Serafín Domínguez Fermán (1979-81)	María Eugenia Reyes Guerrero (1983-85)
Aarón Dychter Poltolanek (1979-81)	Sergio Reyes Osorio (1983-84)
Marcelo Ebrard (1984)	Martín Reyes Vayssade (1979-81)
Lino Espinosa Palacios (1981-82)	Jaime Sancho y Cervera (1983-85)
Ricardo A. Ferrari Gleason (1979-81)	Roberto Salcedo Aquino (1983-87)
Gabino Fraga Mouret (1980-81)	Dulce María Sauri Riancho (1979-81)
Adolfo Galván Ulloa (1978-79)	Carlos Sobrino Sierra (1989-91)
Laura Alicia Garza Galindo (1983-86)	Jorge Salomón Azar (1989-91)
Noé Garza Flores (1985-87)	Juan Ignacio Villafranca Andrade (1979-81)
Ana Paula Virginia Gerard (1986-87)	Tomás Jesús Yarrington Ruvalcaba (1979-90)
Joaquín González Castro (1979-80)	Sergio Zavala Soto (1979-82)
Alejandro González Durán Juárez (1981-82)	
Napoleón Gómez Urrutia (1977-78)	
Federico Graf Campos (1982)	
María del Rosario Guerra (1983-88)	
Alfredo Hernández Tóriz (1988)	
Eugénio Hinojosa Cuellar (1983-87)	
Roberto Jiménez Alba (1981-82)	
Guillermo Kelly Novoa (1980-81)	
Juan José Larriva Sahd (1981-82)	
Héctor Lie Verduzco (1980-81)	

³ This is sample of officials who never occupied posts above the level of *director general* within the SPP, but who would occupy positions of that level or above in other agencies of the federal executive branch and/or elective federal offices (see Appendix 1)..

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