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The Neo-Capitalist Assault in Mexico: Democracy vis-à-vis the logic of the market

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Periodically, TJSGA publishes essays of relevance for The Living Wages North and South Initiative (LISDINYS). This essay explores what lies behind the growing pauperization and disintegration of the social fabric that Mexico has experienced in the last quarter century as a consequence of a change of economic paradigm imposed by those who wield power in Mexico. It argues that only if there is success in building an organized civil society, inclusive of and in solidarity with the disadvantage, would it be possible to stop the dictates of the market and force a paradigmatic change.

□ Introduction

For twenty-five years México has walked a path of permanent decline in its human and economic development. The gap between rich and poor has exacerbated to unimaginable levels that take us back to the early XIX century. In the economic stage, instead of reaching full-blown development, we have been incapable of laying out our own destiny and we are more dependent than ever on the first world and especially on the United States. Instead of developing our own technology, of developing our domestic market and of strategically opening only those sectors where top competitiveness has been reached, we have gone down the easy path of speculation, of technology dependency and, especially, of the pseudo-attraction of foreign direct investment by surrendering our labour force for a miserable price. This has been possible because Mexico continues to be a profoundly oligarchic country. Albeit we have finally lived a duly democratic

electoral process, we have only vindicated the ruling class so that it can keep subjecting the country to its usufruct and we are still quite far from real democracy. In this way, this essay reflects on the manner in which the oligarchy operates, and it disserts about its connivance with the first world to impose neoliberalism in Mexico, within a global context, and on how it pretends to consolidate it. Lastly, it poses the urgent need to organize a civil society, strong and supportive of the socially disadvantaged, which incorporates all ranks of society, gets fully and permanently involved in the public matter and commits itself to the common good in order to build a real democracy and a new country. Otherwise, we would be left to deal with an increasingly brutal ethos –always in a global context– reminiscent of times that were assumed we have long ago transcended.

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□ **Global background**

▪ **Democracy and aggregate demand**

In 1971 Richard Nixon, in the midst of his electoral campaign, breaks with the gold standard and the original spirit of the Bretton Woods Conference. The conviction to drive post-war development, anchored on the expansion of the markets under the logic of the Keynesian economic paradigm to support aggregate demand generation, is abandoned. Keynesianism, within the context of democratic societies, delineates an economic logic that demands the regulating role of the State through a very visible hand to counter the natural predatory and speculative instincts of capitalism. If these instincts are not controlled, a very unequal wealth accumulation in favour of the owners of capital is generated at the expense of the welfare of the majority of population, for most people participate in the market always under unequal terms. In times of recession, regulating Keynesianism outlines the need for the State to increase public spending, even when generating deficit, both in infrastructure, to increase productivity, and in the support of the Welfare State anchored on the Social Security System. In times of expansion, it demands fiscal discipline to eliminate the deficit generated during recession and balance the public budget. Thus, in broad terms, Keynesianism outlines a capitalist logic in which the central regulating role of the State is legitimized because it parts from the idea that the first responsibility of any society that boasts to be democratic is to procure the welfare of all ranks of society. Therefore, it does not allow the accumulation of capital to be placed above the social welfare. In this way, Keynesianism aspires to subject the interests of capital to the need for social welfare through the support of high levels of equilibrium of supply and demand, with full employment, and not at inferior levels of equilibrium: recessive, speculative, with unemployment and idle capital, as today occurs in Mexico.

This is how, with the full application of Keynesianism in 1945 in the U.S. and Europe, the opportunity as well emerges for the periphery to apply this paradigm to generate relative benefits for the majority of the population. The emphasis for the U.S. was to recover the economies of its main European allies, and even Germany, and of Japan and South Korea in the East as essential

dikes against communism. For this reason, the emphasis is centred on the development of the domestic markets by supporting the income of the population to provoke the growth of aggregate demand. With this scenario, Third World countries, especially in East Asia and Iberian America, also embarked on their social and economic development by building their own domestic markets, supporting aggregate demand generation through the support of full employment and the increase in the income of their workers.

However, this period barely lasts thirty years both in the centre and in the periphery, for the economic and personal interests and the geopolitics of the major powers have very rarely abided by the rules of economic discipline. On countless occasions, military spending or political campaigning have disrupted any possibility of economic discipline in the entire capitalist world, such as occurred with Nixon in 1971. At the same time, the decadent U.S. industry, with its rigid Taylorist production system, suffered the embattlements of the efficiencies of the flexible Japanese production system, which overwhelmed many sectors, such as the automotive, where their brands capture large portions of the global market. This forced U.S. corporations to establish structures of maximum flexibility in production and labour costs and in the access to markets. In this way, the U.S. completely abandons John Maynard Keynes at the start of the eighties and adopts Milton Friedman's monetarism where aggregate demand –the workers' income– is no longer supported, and supply –the owners of capital– is instead exclusively supported. This paradigm constitutes the return to the classical British capitalism of Victorian carriages and Dickensian inhuman factories of the industrial revolution. It is the return to the great trusts of the gilded age of savage capitalism of the U.S. robber barons.

The nature of any sort of capitalism is the accumulation of capital, which forces it to go on an unrelenting search for commodities, cheap labour and consumer markets. Thus, capitalism, in pursuit of maximum profits and efficiencies, is by nature exploitative of human beings. This is a feature inherent since the birth of modern capitalism in the mercantilist era of the XVII and XVIII centuries with the great merchant

companies of spices of the empires. Hence, there has always been a colonialist relationship between the power centres and the periphery. These centres exploit in partnership the human and material resources of the periphery, first in their colonies in the South and, after their independence, in a North-South partnership through a neo-colonialism that keeps maintaining in usufruct the exploitation of resources for the exclusive enjoyment of the North-South elites. This relationship is reproduced when the U.S. emerges as the new central power of the capitalist world with the post war.

Nonetheless, the specific feature that distinguishes global neoliberalism is not any more a strict relationship between a power and a periphery country. It is now truly global, not any more strictly North-South, for it cuts across social ranks, including some and eliminating others, both in the centre and in the periphery. The motive is the maximum flexibility of the factors of production, in such a way that the owners of capital can freely move in pursuit of the best locations to produce, to have access to the most efficient labour markets and to have free access to consumer markets.

▪ *Plutocracy and supply*

Friedman's monetarist paradigm is based on the classical theory of the "quantity of money", which Friedman brings back and reformulates to focus on the demand of money. Monetarism is a direct critique of Keynesianism, arguing that the economy only needs to regulate, through the central bank, the amount of money in the economy. It is not necessary to support demand because, in times of recession, it is enough to have a lax monetary policy to provoke investment and consumption through low interests that cheapen the cost of money. In the same way, during times of inflation, a rigid monetary policy, of high interests, should be applied to deter investment and consumption and combat inflation. In a nutshell, the whole concept is anchored in the level of money circulating in the economy depending on the cost of investment capital, and it is assumed that if there is investment, there will be consumption –if there is supply, there will be demand. Keynesianism is concerned about consumption and for the capacity to sustain and increase the demand for goods and services. Monetarism is concerned

about the levels of labour productivity and the growth of production. Keynesianism is preoccupied for a balanced development. Monetarism only seeks the plutocratic accumulation of capital.

In this way, monetarism asserts that governments should only intervene in the control of the money flow and abstain from promoting demand through public spending. It proposes as well low taxes and a deficit-free fiscal budget. Thus, it demands the reduction of social spending to its lowest common denominator, especially in unemployment programs so that people become motivated to look for work. It also demands the deregulation of all sectors of the economy, both domestically and internationally, supposedly so that everyone enjoys the opportunity to compete, with the most efficient and competitive ones emerging as the winners in the competition for the securing of markets. It disregards anti-monopoly laws and demands the freedom to merge and form global conglomerates, with the same rights to access domestic markets and equal treatment as a small domestic business. In synthesis, it seeks to reduce the role of the State to its minimal expression and impose the rule of the market in all aspects of life. In the case of individuals, it advocates the freedom to seek our self-interest, in an absolutely Malthusian and individualistic conception of the struggle for the survival of the fittest, anchored in the *laissez faire* of British classic liberalism. Monetarism absolutely lacks the idea of community, of solidarity, of equality, of seeking the common good as a basic principle of a democratic social contract of true liberty. Without reservations, it omits the fact that most people do not compete in the economy on a level-playing field and have no access to the same opportunities that enable the owners of capital to acquire the skills necessary to succeed, such as education. It is also named neoliberalism, because it supposedly brings back the principles of the classical British economists of the XIX century beginning with Adam Smith. The funny thing is that, albeit Smith did advocate the idea of looking for our self-interest and believed in the invisible hand of the market, the neoliberals omit the fact that Smith loathed monopolies and that, as with other classics such as John Stuart Mill and Robert Owen, the motive behind his ideals always was a search for the common good. Thus, Smith advocated the

freedom to look for the self-interest, but envisioning thousands and thousands of small artisans, merchants and industrialists and not with the idea of promoting the development of great oligopolies of which he was a profound antagonist.

Where there is much affinity between liberalism and neoliberalism is in how the owners of capital, both during the Industrial Revolution and in the current global capitalism, have corrupted the concepts to enunciate a bastard liberalism to impose the survival of the strongest: those who own capital and political power. This libertarianism is the same that engendered the exploitation of workers in the textile factories of Victorian England, where the ruling class considered poverty to be therapeutic. It was this same tergiversation that created the great railroad, oil and steel monopolies, which originated the robber barons of the gilded age in the U.S., who corrupted the governments. It is the same vein of capitalism that provoked the "Muckrakers", a group of U.S. writers, to denounce the corruption of the government by the entrepreneurs, as John Sinclair illustrated in his book "The Jungle", where he exposes the social Darwinism that Herbert Spencer and Walter Bagehot put into practice, who considered aid to the unfortunate as an abominable thing.

▪ ***Financial markets – the new Olympus***

Evidently, this paradigm raises the logic of the market to a level of mantra to rule the life of nations completely on top of the idea of the common good, of democracy, of social justice. In the same way that in 1929 financial speculation brought the U.S. economy down to a full crash, in the XXI century the markets of financial speculation have been put in the front once again, in the Olympus of the gods of money, of the entire global market system. The governments have acknowledge them as having the supreme power to decide what State policies are correct and which ones are reprehensible according to their perceptions and interests for the reproduction and accumulation of capital. Nowadays, the investment rating companies classify countries relative to their State policies in order to label them as friendly or unfriendly for institutional investment. In this way, the rating firms openly skewer countries and tell them what they need to do to get a better rating. These

criteria, completely deprived of any democratic ethics are applied with singular arrogance by the centres of power to the countries of the supposedly developing world. The only value applied is the capacity that these countries offer for investors to produce more wealth. Therefore, the demands arrive in the fashion of labour flexibility, the opening to investment and trade of all sectors of the economy, of privatization of every public company and as many as possible of the services normally provided by the State. It is no longer about national social communities, it is now simply about markets very or little friendly to big capital, with inhabitants who are commodities that are quotable in the labour markets and who can be used or excluded relative as to how exploitable their skills are at the lowest possible cost. There is a profound disdain for the pernicious impact of these demands on millions of human beings, who are reduced to live for the remainder of their lives as pariahs of the globalization of the most barbaric brand of capitalism that has ever existed in human history.

▪ ***Moribund democracy***

In this way, it is no coincidence whatsoever that the globalization of today's neoliberalism is predominantly featured by its perversity, which materializes in the profound corruption of the concept of democracy and of the governments responsible for honouring it and for its deep antagonism towards the spirit of solidarity and of procuring the welfare of all ranks of society. It is no mere accident that today's governments are being gradually co-opted by business moguls and technicians. For they have no other interest than establishing the ideal conditions for the greater amassment of wealth possible in the hands of businessmen whose only moral is money, and who reach power because they have bought the structures of political power, as in the case of Bush II and Berlusconi in the G7 and of Fox in Mexico, with the support of the business groups that finance them. Thus, the winners in the electoral battles seldom are those who seek a better future for their countries' citizenry. They are instead those who have the most money to overwhelm their opponents in the electoral propaganda. And those moneys come primarily from big capital, that in giving the money, they get to set the agenda of the new "*businesscrats*" in power, so to establish the ideal conditions for savage capitalism to thrive. And they typically do

it with the support of the mega media conglomerates that always belong to these oligarchic groups and that pursue their own ends by supporting with its fourth power the candidate of their interests.

- **Background in Mexico**
- **The Holy Oligarchic Alliance**

Twentieth-century post-revolutionary México stands out for the continuity of the oligarchic-plutocratic State, which has characterised the country since colonial times. Except for the government of Lázaro Cárdenas (1934-1940), where, despite corporatist control, policies of progressive development, of wealth redistribution, of social welfare for the majority of population and of a defence of the natural resources vis-à-vis the big powers, all other governments act to preserve the established order. Although post-revolutionary governments, starting in 1945, follow the path of the centres of power and apply a marginal Keynesianism to support growth and a relative generation of aggregate demand, the plutocratic structures remain intact and leave little latitude to the enormous population of the eternal dispossessed to reach a minimum level of dignity in their lives. It was and is a class structure that privileges the elites in the distribution of income. As Emmanuel Wallerstein says in his critique of *The Capitalist World Economy*¹, the marginalization of the masses seems to be the necessary condition for the upward mobility of a country. This appears to be the mantra of the Mexican oligarchies throughout history. Although the period of the so-called stabilizing development of import substitution and mixed economy clearly improved socio-economic indicators in areas such as health, education and income per capita to be sure, there is no doubt as well that the structures of exploitation and the dikes that block ample social mobility and inclusive progress are maintained. The distribution of wealth is marginal during the entire period, for a plutocratic economic growth is maintained, with strong protection and subsidies to a business class that through time, with few exceptions, has exhibited little know-how to compete without the protection of the State. In a symbiosis of corruption and paternalism, the political-entrepreneurial “*oligocracy*” builds a crony capitalism, which continues to emulate the latifundia economies of the landholders of long ago.

The protection against foreign competition is made effective with import substitution policies based on the CEPAL/Prebisch model.² The entry of foreign companies into the economy is hampered, but there is no promotion of technological development domestically, for a good part of import substitution is made with joint ventures with foreigners or with the acquisition of licenses. Concurrently, the symbiosis between the new revolutionary ruling class and the old business class is made effective with a new partnership of swapping of interests that has the purpose of fulfilling their very private monetary interests. In this way, the emphasis is put on supporting the generation of wealth without emphasising the generation of aggregate demand, for it is argued that before distributing wealth it must be generated, obviating the fact that wealth distribution is the main ingredient in the generation of aggregate demand and of the sustained growth of markets. In reality, except for the periods of confrontation with Cárdenas and Echeverría, there is a tacit agreement between the PRI governments and the local business oligarchy. The PRI governs with the financial support of the industrialists –and a share in the business– and guarantees the ideal ethos for both to thrive. The PRI limits foreign capital to joint ventures and to lines of business of little interest for the local oligarchy and maintains the unions and the agrarian sector under corporatist control, whilst it concurrently offers all kinds of fiscal incentives in infrastructure and in juicy contracts to mutually enrich themselves. And albeit publicly there is a rhetoric criticising the domestic and foreign exploiters, the PRI takes care of the politics and the oligarchy and the transnationals of enriching the pockets of all three.

By the early 1960s, 95% of consumer goods were supplied by domestic industry.³ Socio-economic indicators have already improved sensibly. Nonetheless, during this era of import substitution, between 1940 and 1980, the real wages of workers improved a scarce 38% because employers adjusted their prices to cope with inflationary pressure but did not adjust wages.⁴ Thus, a scarce increase in wages is generated in a period of forty years of import substitution, covering almost seven PRI governments. Then, in the next twenty years, real wages dropped more than 50%; thus, the net result for workers –of sixty years of PRI since

1940– is of clear and forceful pauperisation. In this way, the application of the paradigm to support aggregate demand is marginal at best, for it is neutralised in practice by the PRI-entrepreneurs' oligarchy by maintaining a policy of depressed wages. The real goal is not economic development per se. It is the securing of the old oligarchic structures, in adapting them to the new post-war ethos in accordance with the centres of global capital.

▪ ***Alliance with the centre***

North-South relationships, from the post-war onward, keep the asymmetric structures that continue to amply benefit the metropolis and their partners in the periphery. Despite the repeated demands to balance the terms of trade for the commodities of the Third World in the last fifty years, the North always maintained an absolute negative, as it continues to do to this date, to open its markets to the primary products of the South. Nonetheless, the countries of the Third World demand for decades from the U.S. and the rest of the G7 a treatment similar to that given to Europe and Japan during the period of reconstruction, asking for asymmetric conditions to benefit their terms of trade. It is thought that it should be of considerable importance for the U.S. to develop the South so to insure the long-term growth of the world's capitalist economy and to eliminate the possibility of the advancement of communism in the Third World. It is a demand similar to that applied to equalize the development of the countries of the European Mediterranean basin. But the big powers openly refuse to support the South's development. Thus, the failure of the recent WTO conference in Cancun is not at all surprising.

The fact is that the South plays a fundamental role in the world's capitalist exploitative system. Besides the advantageous conditions for the North in the terms of trade in the exchange of goods and services, the North also extracts profit margins far greater from its operations in the South. Selling manufactured products at high prices and buying cheap commodities is one thing, but directly participating in the exploitation of the South's natural resources represents far greater benefits. Often enough, with the direct support of the South's oligarchies, incredible conditions for the extraction of resources are obtained, including the labour used, which are then commercialised

globally –these are precisely the conditions that moved Cardenas to expropriate the oil. In the case of manufacturing, the royalties for the use of licences and brands are typically one of the best profits sources for the North. And if a transnational decides to invest in the South, it is because the comparative advantages guaranteed by the oligarchies, especially in labour, secure profit margins far greater than those obtained in the North. This has been the essential role of the oligarchies in the centre-periphery holy alliance. Besides offering wages perversely miserable, the governments from the South offer all kinds of fiscal incentives and an infrastructure to attract foreign direct investment and compete amongst themselves to offer the most beneficial conditions to the transnationals and least beneficial for their countries in exchange for a small share in the operation and their support to remain in power. This scheme has generated incredible comparative advantages for the North. In 1978 the income of U.S. transnationals in the South accounted for 35% of their total foreign income, despite the South accounting for only 25% of their investments, because the South's productivity was 65% greater at the expense of the misery of workers.⁵ This partnership between big capital in the North and the oligarchies of the South, the only ones benefiting from the arrangement, is the key factor behind NAFTA. It is a re-edition of neo-colonialism where the centre and the periphery not only participate in an asymmetric exchange of manufactured products and commodities, but where transnationals already have as well direct control of almost all sectors of the Mexican economy and of the factors of production, including the unrestrained use of labour, with the total connivance of the political-entrepreneurial oligarchy. Economists such as Prebisch and Ankie Hoogvelt depict this relationship within the so-called Dependency Theory.⁶ The theory argues that the North acts upon the South with a predatory attitude and imposes its political will, and if necessary its military power, to extract the asymmetric conditions that it wants. The North requires the natural resources as well as labour and the sale of its machinery, finished products and technology to sustain the economic growth of its corporations. The terms of trade and foreign investment are negatively asymmetric, thus; at the end, it extracts a net benefit extraordinarily favourable. Unfortunately, except for Asian

countries such as South Korea that give priority to social welfare by following its own model, the great majority of governments in the South elect the easy way of partnering with the North. It is precisely this relationship, where the Mexican political-entrepreneurial oligarchy continues to choose to remain a client of the centres of power of global capital that continues to block Mexico's development.

▪ ***End of Mexican Keynesianism***

The period of Luis Echeverría marks the change of paradigm and clearly illustrates the traditional position of the Mexican business class against a policy of redistribution and true development. In 1970, development through import substitution loses energy. Wages of misery block the potential for a thriving domestic market, and the scarcity of Mexican technology hinders the competitiveness of its corporations and the capture of foreign markets. Echeverría seeks to promote a real Keynesianism anchored on a meaningful contribution to development from the part of the business oligarchy that, in conjunction with the State, improves the social conditions, triggers aggregate demand and transforms Mexico into a competitive exporting country. Wages do not manage to improve enough to expand the domestic market. Capital outflows for licenses and technology transfers begin to surpass the flows of foreign direct investment. Thus, there is a pursuit for a strategic reduction of the dependency on the U.S. to the minimum possible. The strategy is described as "share development" since it is expected that the private sector contributes as much as the State. From its part, the State creates the Science and Technology Council and the Mexican Institute of Foreign Trade, and it seeks to energize the economy through public works investment and social spending. From the part of the private sector, a clear commitment with the nation through technological development, investment, better wages and its support of a progressive fiscal reform are demanded. However, this is the threshold that marks the end of Keynesianism since the business oligarchy decides to directly confront the State.

The reform attempts to perform a profound restructure of the fiscal framework to increase tax revenue from the business oligarchy. As it occurs today, in 1973 tax revenue was little more than

10% of GDP, quite below the norm in equivalent economies. The plutocracy enjoys a virtual fiscal paradise since, besides practicing enormous tax evasion, fiscal law was so lax that capital gains were not taxed, as it continues to be the case today. In order to reduce the enormous gap in wealth distribution by fostering demand with investment in infrastructure and in the social security system, a vast fiscal reform, eliminating the plutocratic privileges and promoting a demand side economic paradigm, was necessary. But the leading business guilds threaten to boycott the economy in 1973, inducing devaluation by drastically stopping investment and expatriating their capital.

Echeverría gives in. Without the resources expected from the failed fiscal reform, he embarks on vast and legitimate social programs financed with the public deficit. When the oligarchy takes its capital abroad and reduces investment, Echeverría breaks fiscal discipline and embarks on feverish investment using foreign credit. Foreign debt increases from \$3.6 to \$19.6 billion dollars, an increase of 444% in six years.⁷ For the first time in decades an inflationary environment is triggered. Employers begin a process of oligopolies, forming industrial conglomerates. In an increasing confrontation, the corporatist unions are allowed to strike against some of the largest companies, but these feed an inflationary spiral, passing wage increases on to the consumer. From the end of 1975, the business class transfers massive amounts of capital abroad with the clear intention of provoking a severe devaluation in 1976. The oligarchy has no interest in investing in wide-ranging development, inclusive and sustainable of the country. In its arrogance, it rejects the fiscal reform and refuses to contribute to the development of demand, improving real wages, but prefers instead to feed inflation, giving a severe blow to the country in order to retain its oligarchic class privileges.

Although there is no doubt that Echeverría bears direct involvement in the crimes against humanity for which he should be tried, the doers of the collapse of the demand-side development model are not the widely distorted populism, but the Mexican plutocracy that only plays a zero-sum game, protecting the old structures of exploitation. The devaluation, to be sure, does not affect the interest of the big business guilds

and their influence remains intact, allowing them to subsequently build their oligopolies into greater and greater conglomerates. An analysis by René Villarreal demonstrates, with data from the Bank of Mexico (Central Bank) that, beyond GDP contraction, the share of the labour endowments is heavily contracted because the industrialists adjust their prices due to the increase in their foreign costs, generating inflation; but they do not maintain real wages. Thus, while GDP drops 3.5% in 1976, the share of the labour endowments drops from 34% to 22% whilst the share of capital increases from 66% to 78%, a net plutocratic effect.⁸

□ ***The neo-capitalist assault in Mexico***
▪ ***Neoliberalism and oligarchy***

If Echeverría indebted the country and the business oligarchy devaluated it, Lopez Portillo, with his corruption and irresponsible management of the abundance of oil, buried all governing capacity of economic policy. Domestically, Lopez Portillo does not attempt to make the necessary fiscal reform and once again guarantees the oligarchic privileges. Externally, the winds from the North are already neoliberal. The U.S. has broken with Keynesianism and the gold standard and seeks to open the markets of the South to its enterprises and to consolidate its currency as the standard of capitalism. To this effect, the Washington Consensus, the main U.S. imperial weapon to impose its economic hegemony through the Bretton Woods institutions, is already on the look out. Weeks after the 1976 devaluation, Mexico commits for the first time to an agreement with the IMF to stabilize its currency and finance its debt, which implies the initiation of the neoliberals' structural change, which essentially cancels the support of aggregate demand in favour of supply, the owners of capital. It is the entrance of savage capitalism into Mexico. Lopez Portillo does not surrender to the IMF joyfully, but manoeuvres in an irresponsible manner. Although it is correct not to cede to the opening of the economy without a rational plan, to anchor the economy on oil is irresponsible populism. To increase even more foreign debt and incur a deficit to sustain growth by speculating with oil futures and volatile interests –without due commitment from business to the fiscal reform and the support of domestic demand– is a suicide act. Washington does not

put pressure to follow the IMF recipe only because Lopez Portillo fulfils its wish to support its strategic oil reserve. In the end, Lopez Portillo hands down a quadrupled foreign debt that surpasses \$80 billion dollars and another populist act of taking state control of the banking industry. Thus, his negligent management only sinks the country, reducing even more its freedom of action before the Consensus. In this way, Mexico gives end to a badly managed Keynesianism, not due to its ineffectiveness but due to the opposition of the industrial oligarchy, the lack of technological development, U.S. interests and the management of the PRI political apparatus that decides to continue in partnership with domestic and foreign capital in order to retain power.

Structural Change

Starting with Miguel de la Madrid, the PRI governments cease to be merely oligarchic, and they transform more properly into agents of the Consensus to impose and consolidate U.S. neoliberalism. Thus, with the direct connivance of the domestic power elite, the neo-capitalist assault is forged. The bet of the political elite and its twin, the business oligarchy, continues to be the same: to make themselves suitable to Washington's new geopolitical interests, banking to benefit its very private interests on maintaining a centre-periphery partnership where they can continue to milk the country. Nevertheless, they are not just partners jointly exploiting with the North the natural and human resources of the country. They are now more properly agents in charge of imposing the economic structures dictated by the metropolis' institutional investors for benefit of their multinationals (MNCs).

This is a new North-South system, absolutely imperialist, that makes use of resources under a globally-integrated system that cuts across borders and includes and marginalises resources and inhabitants in the entire system, according to the national economic environments generating the maximum efficiencies, which in turn translates into the greatest possible shareholder values. In this system, the North-South borders become blurred, and the agents of the neo-capitalist assault are both the leaders of the G7 and those in the periphery. However, the agents in the South, due to their congenital weakness, are left only with the option of participating in the profits, depending on their capacity to generate the best

efficiencies in infrastructure, in costs of commodities and of course in high-yield labour, for its extremely low cost and its operative dexterity at the industrial units of the MNCs. Those offering the best natural resources for exploitation, the best infrastructure and fiscal incentives and the best workers and most flexible labour legislation, will be the best bidders to attract foreign capital. Those who build the most sublime Darwinian ethos will be the winners. The aspirations of true development, of eliminating poverty, of social justice, of sovereignty, are absolutely frivolous and strictly remain as rhetoric for domestic consumption. The real thing is the savage competition of the business/political oligarchies of the countries of the South to attract capital and participate in the global system of exploitation. Kissinger said at the start of the government of Vicente Fox that *globalization has its risks, perhaps 20% of the Mexican economy will be able to participate in the international system of multinationals. But the rest will continue to be marginalised and with no access to income, employment and the opportunities of globalisation.*⁹

In this way, the new role of foreign agent of the Mexican elite becomes evident. Fiscally, the role is strictly as monetary regulator with high interest to contain inflation, depress demand and service the foreign debt by deepening the oil dependency of the economy. The role of balancing supply and demand is eliminated, and there is exclusive support for export supply; preponderantly the export of labour at misery prices through in-bond plants, which only export labour, for its local content is barely 2%. At the same time, the dismantling of the Welfare State and of programs against poverty is initiated. Between 1983 and 1988, the minimum wage falls 49%. Moderate and extreme poverty increase 33% and 23% respectively. Thus, the poor become the majority for the first time in many decades. The general subsidies on food are replaced by focalised aid, another of the commandments of neoliberalism, and the programs on extreme rural poverty are either reduced or completely eliminated. Clear regressive signs emerge, such as the increase in the incidence of infant mortality due to avitaminosis. The proportion of death cases due to fetal underdevelopment and malnutrition boom in absolute terms. Schooling indices drop for the

first time in decades. The GINI inequality index increases from 47 to 53.¹⁰

▪ **Garage sale free trade**

If the culture of the political/business oligocracy is always short term, now it is even more so, for these are as well the dictates of the global system where share dividends are demanded on a quarterly basis. Thus, if Mexico has never had a long-term vision to develop markets with economies of scale as engines of development of a competitive domestic industry, exporting and with its own technology, now the opportunism is absolute to maintain income inequality in order to offer as the main comparative advantage wage misery and controlled unionism. The three last PRI governments obviate the fiscal reforms and focus on supporting the large industrial conglomerates and the MNCs to use Mexico as an export paradise. Instead of competing with technology and economies of scale, as Korea does, the model of servitude of the Mexican worker is selected. It leaves one astonished to observe how the hourly Mexican manufacturing wage, in real terms, goes from 29% of the U.S. wage and 289% (2.9 times) of the South Korean wage in 1975, to only 18% of the U.S. wage and merely 26% (one fourth) of South Korea's in 2001. The contrast between results is overwhelming. The Korean strategy makes the State responsible at all times to direct the process of industrialization and never trusts it to free enterprise, protecting in this way its industrialization and social development as much as necessary. Mexico begins its industrialization in a similar manner. But the very private interests and, especially, the absence of commitment and loyalty to the nation of the technocrats, brew the neo-capitalist assault instead of protecting the national interest.¹¹

In this way, with the free trade agreements, the country is placed in a real garage sale. In this assault, with great opportunism, the political/business oligarchy, where Salinas and Zedillo still enjoy total impunity, grants itself the luxury of negotiating the treaties with North America and the European Union, making evident as never before its role as agent. In NAFTA, with a dramatic asymmetry between Mexico and its "partners", instead of negotiating a compensatory framework in favour of Mexico, the government plays out as the most enthusiastic advocate of a

hasten insertion with no regard for the impact on the different social sectors. No compensatory framework is sought after that transfers funds to develop infrastructure and to palliate the social impact. No agreement is negotiated to gradually equalize real wages, seeking a paradigm similar to that applied in the European Union. Instead, with opportunism and despise for the welfare of all ranks of society, a completely oligarchic agreement is sought after, which subjects a portion of the labour force to quasi-servitude and perpetuates the other to the role of eternal dispossessed, marginalised and repressed, for it is rendered useless to the neo-capitalist assault. The Mexican strategy is conceived for the exclusive benefit of the limited industrial, service and agro-industry sectors capable of exporting competitively, always based on the comparative advantage of labour. Beyond this, the best-prepared sectors of the middle class may aspire to place themselves in this dynamic, whilst 70% of the population is consciously robbed of its right to a dignified life. Salinas says that before opening the political system, the economy must first be open and produce wealth. The neoliberal mantra, so used and abused by Bush I, of the trickle-down neo-capitalist economy, is repeated. Nonetheless, it is irrefutable that there was never the intention to pursue a strategy of full, inclusive and sustainable development.

The unpunished government of Salinas negotiates the agreement behind civil society because it is an agreement against Mexico. Nothing in this agreement has the goal of human development. Thus, the supposed benefits are exalted and the risks and costs are hidden. NAFTA is so pernicious that it serves as the basis of the defeated Multilateral Agreement on Investment (MAI). The MAI is an attempt to impose a global constitution of rights for the owners of global capital. The MAI is the primeval element of neoliberalism. It is the clearest expression of its philosophy, where capital takes precedence over States and civil societies, since it attempts to impose rules that virtually destroy the concept of a sovereign State and of true democracy. Pierre Bourdieu, from the *Collège de France*, provides an accurate description of its essence as *the political measure designed to call into question any and all collective structures that could serve as an obstacle to the protection of foreign corporations and their investments from national*

*states; for the logic of the pure market aims to transform and destroy the obstacles: the nation, the workers and their unions, associations, co-operatives and even the family.*¹² In this way, the MAI pretends to suit the states. But this already occurs in NAFTA, as in the case of the victory of Metalclad against the Mexican State.¹³ Thus, this same spirit is now pretended to be imposed with bilateral and regional agreements in Iberian America, as in the Free Trade Area of the Americas.

In the treaty with the European Union, Zedillo's role as foreign agent becomes most evident. The lack of rigour in its drafting and, especially, the immense inequity in favour of Europe with which Zedillo negotiates the treaty, generates open expressions of concern from many European parliamentarians, the same who had to ratify it. Among the most relevant concerns are those expressed in reference to articles that coincidentally were part of the core of the MAI. The parliamentarians expressed that the articles in the areas of investment, services and property rights seriously threaten social and economic development and the right to adopt policies indispensable for a developing nation. It is noted that there is no protection for the population in the case of financial collapse, nor are there safeguards to avoid that education and health be turned into objects of trade; and there is insistence on the absolute lack of protection in which the small and medium businesses are left, which generate 90% of all jobs. Although the Europeans ratify the agreement when Zedillo accepts to include the democratic clause, to which he had refused, they insisted on making several recommendations. First, it is recommended to review the agreement to make it more compatible with the Mexican constitution, for it violates it.¹⁴ Furthermore, it is argued that the asymmetry in the level of development is so enormous that it is not fair to treat Mexico as an equal just because Salinas inserted it into the rich countries club of the OECD, and, therefore, that it should receive special treatment to protect its economy so that it benefits from the agreement. It is very shameful that foreigners attempt to defend us from the perversities in the acts of Salinas and Zedillo as agents of global savage capitalism. As Martin and Schumann from "Der Spiegel" comment in their book *The Global Trap*, The Mexican experience unmarks, as a naive illusion,

the vision of the welfare miracle through the total market.¹⁵ There is no such miracle. It is only a perverse subterfuge of the global plutocracy to dominate humanity.

▪ **Assault at point blank**

The neo-capitalist assault is not limited to untrammelled trade or to the preservation of the oligarchic privileges. The governments of Salinas and Zedillo perform the greatest embezzlements in Mexico's modern history. Taking advantage more than ever of the impunity of the PRI State apparatus, crony capitalism is practiced in mind-boggling proportions, privatising, in line with neoliberal mantra, numerous public companies in a completely corrupt fashion. The banks are re-privatised, in many cases, with loans from the same banks to its buyers or with the principals of the banks lending themselves the capital to buy them, among other crimes, without any due audit of the selling process by the National Banking Commission. Large toll-road projects are awarded with the selection processes manipulated and where the winning corporations quite often do not comply with the high specification standards contracted. In fact, many file for bankruptcy, and their debts are socialized with the full consent of the State by making them public debt.

The decay in economic development during Salinas' term is absolute. Between 1988 and 1994, the economic indicators deteriorate markedly. If the deficit in the current account was of 1% of GDP in 1988, in 1994 it jumps to a staggering 9.9%; if the trade balance had a surplus of 1.1% in 1988, in 1994 it has a deficit of 6.2% of GDP.¹⁶ The per capita income, which collapsed 5.9% between 1980 and 1990, continues its fall in real term for the remainder of the term.¹⁷ At the end of the six-year term, foreign debt increases from \$41 billion to \$140 billion, which increases its weight from 40% to 47% of GDP. Before NAFTA the trade opening provokes an increase in exports of 69% up to 1993, but imports grow 133%. When NAFTA is launched, the gap continues to widen since, in 1994 alone, it grows by 37%, equivalent to \$18 billion dollars in trade deficit.¹⁸

Corruption and negligence intertwined in financial management in the so-called December's mistake of 1994. For electoral motives the peso is kept overvalued. Trade deficit

is financed promoting speculative financial investment with treasury certificates and stock market shares. High interests rates are offered –converted from variable to fixed and indexed to dollars– into “tesobonos”. Between 1989 and 1994, \$63.4 billion dollars arrive in portfolio investment,¹⁹ which finances the trade deficit that booms to an extremely high 6.2% of GDP by 1994.²⁰ But to finance deficit with speculative investments, cedes control of the economy to the perception of institutional investors; and the perception of increasing political instability, parting from the EZLN (Zapatista Army of National Liberation) and the assassination of Colosio and Ruiz Massieu generates a stampede that provokes, that same year, a loss for Mexico of \$18 billion dollars, equal to 75% of the bank of Mexico reserves. This bankrupts the country.

As is known, the neo-capitalist assault is far from ending. Beginning with Zedillo's administration, the greatest indebtedness of the country is perpetrated. On the outside scene, it is decided that Mexico is to cover the losses of U.S. investors. The event is a hard-to-match opportunity to look directly at how hypocrisy operates in the neoliberal mantra and how the interests of the metropolis and the local oligarchies are protected. When the peso collapses, the U.S. decides to rescue its investors and, through a loan to Mexico of \$52 billion dollars, it covers the rescue with a debit to Mexican taxpayers. Zedillo acquiesces docilely despite the incongruence in the logic of the market. In the case of purely speculative investments, the investor who risks in financial instruments exposed to the vicissitudes of the market is the one who carries the consequences, for he is speculating with imponderables. However, these market rules are only applicable if they benefit the centres of global capital. The losses of investors provoked by their own flight are something that should be left to occur freely in accordance with the logic of the market. But Zedillo prefers to secure his position and plunges Mexico into deep crises that, as an UNCTAD study reports, gravely damages employment and production and constitutes one of the major consequences of a macroeconomic debacle.²¹

On the internal scene, another huge embezzlement is perpetrated by charging the country with all the frauds committed by the

oligarchy, which was suffering from December's collapse. Interest rates jump when the government complies with the directives of the IMF to control inflation, and the banks are left with enormous portfolios of overdue loans that become non-collectable. But, at the same time, an entire network of fraudulent operations of businesses with banks of a long list of members of the political/business oligarchy emerges to the surface. A huge traffic of influences and conflicts of interest between bankers, businessmen and bureaucrats becomes evident. This is the moment of the embezzlement to the nation through FOBAPROA, an instrument created in 1990 to insure the deposits of the banks' customers in case of bankruptcy.

Despite interest rates being at historical highs, the banks opt to increase them beyond necessity to maximise their margins, reaching the level of 140%. When this provokes a boycott organised by millions of individual debtors, the government chooses to rescue the banks, making use of the FOBAPROA by changing the name to IPAB in order to modify its bylaws to legalise what is illegal. Instead of protecting the deposits exclusively, it is argued that the banking system cannot go bankrupt; only that the rescue covers all the frauds and includes the bad-debt portfolios of banks that were in no danger of collapse whatsoever, such as Banamex. The embezzlement provides us with a supreme window of opportunity to observe how the oligarchy applies two different standards in the rescue, one for itself and another for the rest of Mexicans. On one hand, it is decided to condone all the debts of many companies involved in a diversity of private and public business deals, such as the toll highways, with a debit to the taxpayer. But not the same standards are applied to condone the balances of millions of small debtors in their credit cards or in mortgages and other loans, nor the loans of most small and medium-size companies. On the contrary, there is unrestrained support offered to the banks so that they can collect or impound assets from their small debtors. With the connivance of the PRI and the PAN in Congress, bad-debt portfolios and debts of business moguls are socialized, but not the debts of the "rest" of Mexicans. Enrique Semo points out in his analysis to the high concentration of loans, since 40% of the rescue corresponds to 400 large business

conglomerates.²² The executive director of ECLAC in 1998, Jose Antonio Ocampo, asked for preferential treatment for small debtors since he considered that, *as a general rule, the State must provide the public resources in financial rescues to re-establish trust on the financial system, but certainly not to rescue private trusts that have been lost due to errors of evaluation of large investors.*²³

This assault during Zedillo's term underpins the subsequent sale of both intervened and healthy banks to foreign banks with government promissory notes guaranteeing income for years to come to the new owners. This subsidy at all costs, with a debit to the nation, has provoked that the new foreign banks devote themselves predominantly to the collection of interest and promissory notes from FOBAPROA instead of performing their function, which is lending. The squeaky clean and brilliant process of privatization and rescues, also makes evident an open treason to the country, since no State pretending to be sovereign cedes its financial system to foreigners, since their criteria immediately ignore national interests and priorities. The only interest is the maximisation of profits.

The revenue of the entire process of privatisation carried out between 1982 and 2001 amounts to \$31 billion dollars, which barely covers 29% of the \$109 billion accounting –around mid 2003– for the cost to rescue the banks, airlines, highways and sugar mills of the neo-capitalist assault.²⁴ The impact on the population is so severe that Julio Boltvinik (a poverty scholar) reported that, between 1994 and 1999, 124 persons were added to extreme poverty –those with incomes of less than half of the poverty line– or 156 were added to poverty for each 100 added to the total population. In other words, Mexico has been transformed into a net producer of the poor.²⁵

▪ *Consolidating the assault*

With the government of Vicente Fox, there is nothing new under the sun. Fortunately, albeit he has attempted to consolidate even more the system of exploitation, he suffers from an enormous lack of management skills, critical for a government head, even when evaluated under the already deplorable standards of his predecessors. Besides being a government in check by an

opposition Congress, his political and cultural vision does not go beyond coarse opportunism, jostling demeanour and lack of talent. Nonetheless, despite his grave deficiencies, he does understand that his mission is to operate in favour of the only beneficiaries of submitting Mexico to U.S. predatory capitalism: the big global and domestic capitalists. Declaring to openly represent the very private business interests, he seeks to lock even more the country's future to U.S. interests and to place us as the most loyal of its subjects in the periphery, pretending unsuccessfully to be the advance page in Iberian America to sell imperial hegemonic projects such as the Puebla-Panama and the FTAA. His actions and omissions throughout three years clearly corroborate his total divorce with change. His agenda, unfitting with that of a president of a democratic and sovereign nation, is to act once again as an agent of the dictates of the Consensus. His mission is to consolidate the old centre-periphery relationship and to secure in usufruct Mexico's natural and human resources acting as a guardian of the neoliberal ethos. Thus, in Fox's government, you can sense even more clearly the acts of high treason to the interests and ideals of our nation.

The government's spirit is devoted to secure that the structural change becomes consolidated and not transformed by civil society. He stubbornly insists in choking up the domestic economy, the Welfare State and the strategic role of the State in education, academia and technological research, which he attempts to privatise. On the fiscal arena, he insists, with uncommon stupidity and doggedness, on concentrating income even more. On the energy scene, cornerstone of our national security, the truth is twisted to deliver the sector to multinationals. In agriculture, he insists on detaching himself from the urgent necessity for food sovereignty, for reasons of national security, and from his obligation to use the safeguards against disloyal competition inside NAFTA, in favour of rendering both supply and demand to U.S. agri-businesses; while concurrently attempting with the Puebla-Panama Plan to take ownership of the lands of indigenous and rural communities so that pharmaceutical and agri-business multinationals take over their immense natural wealth. Over there, in the nine states in the region, where 28 million Mexicans live, 60% in extreme poverty, the attempt is to ignore, with

viciousness, their interests, culture and the right to elect their *modus vivendi*. The neoliberal solution is to develop more in-bond-plant corridors where the dispossessed work for hunger wages, because the north of the country is resulting already too expensive for transnationals, and the local oligarchies see their comparative advantage weaken. Therefore, on the labour stage, Fox plans to "free" national and foreign capitalists by dismantling the Federal Labour Law, with the pretext of modernising it to attract more foreign investment. Instead of gradually closing the wage gap, he intends to negotiate only an immigration amnesty that, albeit necessary, should be a complement to the closing of the gap, which is where the root of the immense emigration lies. However, with a perverse vision, Fox does not plan on closing the wage gap using the wages of equivalent jobs in the U.S. as the benchmark, but he does want to close the gap with equivalent jobs in China, thus, dooming the country's future even more.

As it is publicly known, there are so many embezzlements and private interests affected inside FOBAPROA/IPAB that the oligarchy has made use of all kinds of legal subterfuges to block all the mud that plunged Mexico even more with a new public debt load to rescue the oligarchy. The initial embezzlement with a debit against Mexico amounted in 1997 to \$65 billions, which today surpasses \$100 billion, nearly 20% of GDP. As to the political reform, the debate is cancelled. In sum, the intention is to consolidate U.S. hegemony and the interests of the same class that destabilised the country thirty years ago in opposition to a progressive reform. This is the true North-South neo-capitalist assault, perpetrated by a group of "*consiglieri mafiosi*" who intend to consolidate the absolute treason of past governments, and that has nothing in common with the historical aspirations of independence, of true democracy and of social justice.

▪ *The challenge*

It is clear that being tied down to the current paradigm, extremely pernicious, will be far more damaging in the future if there is no action. Although it is a valuable accomplishment by civil society to end with the PRI monopoly in the presidency, the real change lies in the transformation of a corrupt representative

democracy into a real participative democracy, where the proposals and initiatives part from civil society, flowing from bottom to top. A new ethos should be built where all ranks of society have a direct voice in decisions on all aspects of national, state, municipal and local life. Thus, the real goal is to empower civil society to directly participate, perform a profound reform of the State to open it to society and to secure a co-government in all public instances. This is a very difficult challenge even in supposedly mature democracies. Today, the world continues to be at the mercy of the oligarchic classes, and democracy is only a token. Chomsky notes frequently about the extremely limited democracy in the U.S., where individuals are restricted to be called occasionally to vote on a list of predetermined options. It is not much different in the European case. That original idea of democracy, where the Greek agora, where public and private interests were reconciled, does not exist in the world, because the public interest has been privatised and the politicians discuss it in private with the owners of capital. We are dealing with political systems monopolized by parties that consider the political processes as their private hunting ranges. It is a whole business. Those who dictate the political agenda are the owners of capital who elect their candidates and finance their campaigns. In Congress, the PRI and the PAN sequester the Federal Electoral Institute, and almost all parties vote in favour of hardening the Federal Code of Institutions and Electoral Procedures, which limits the possibility of confluence of civil organizations into new parties. The functioning of the NGOs is tied down as well. The culture of oligopolies and clients is rampant. Therefore, it is urgent to force the opening of the political system, for there is no possibility of true democracy without a system opened to organised civil society.

As a consequence, the lesson that Mexicans must finish learning, is that the only possibility of reforming the State is by permanently participating in the public matter. As long as the oligarchic structures are maintained, there is not even a remote possibility to aspire to a promising future with any economic paradigm. Even if a new party ascends to power by promising to reform the State and dismantling neoliberalism, it would not be enough to make it happen. It is necessary to have the close and constant support

and pressure of civil society. Otherwise, the particular interests of power will have more weight and be placed on top of social demands. There are so many cases all over the world of left-of-centre parties that capitulate to the neoliberal mantra in order to ascend to power, that it is quite credible that in Mexico a left coalition, with the PRD, PT and new parties, could also succumb to neoliberalism. It is not the same to govern a city or a state than a nation and confront the empire. The political paths are co-opted by big capital. Lula aligns himself in Brazil with the IMF, from the start, to provide the markets with certainties that cancel the social demands, and he appears to be satisfied with mitigating hunger without addressing the causes. Thus, we must understand that there will be no future as long the power of capital carries more leverage than the power of civil society on the spirit of political leaders. If the citizenry does not get involved to create its own spaces, the only option will then be the exacerbation of social conflicts with dire consequences. People have to understand that the self-interest can only be accomplished if we are all supportive of the common good and work together towards that goal. A system of a few winners and many losers cannot continue. If problems such as growing insecurity, piracy and drug trafficking affect us and make us uneasy to a greater or lesser extent, we have no right to demand their resolution unless we participate and demand that the causes be tackled.

A society that values itself has to permanently mobilise, organise, and get involved in the public matter in order to reform the State and learn to co-govern. There must be a demand for the public figure of plebiscite to become a core instrument of political life, *sine qua non* Congress and City Councils cannot approve any law and any transcendental act of government. The paternalism must be eliminated. Liberty and progress take a lot of work. The apologists of the neoliberal assault think that it has arrived to stay because they presume that apathy, individualism and the lack of a social conscience will prevail. De Maistre was quite right when he said that each nation has the government that it deserves. In this way, it is exclusively up to us to build an open society, free and flourishing for future generations or to continue in the hands of the perverse powers of humanity.

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