

ECONOMY AND THE RE-INVENTION OF THE MEXICAN STATE

José G. Vargas-Hernández
Centro Universitario del Sur
Universidad de Guadalajara
Prol. Colón SN
Cd. Guzmán, Jalisco, 49000
México
jvargas@CUSUR.UDG.MX

ABSTRACT

In recent years, the important role of the State in formulating and implementing economic policies towards achieving societal growth and development has, broadly speaking, undergone many changes and transformations. In Mexico, the protectionist, statist and populist regime has been replaced by the so-called neoliberal state model which can be said to have achieved some impressive results in terms of economic growth and development. Unfortunately, increasing poverty is one of the most distressing results of neoliberal policies. Further disappointing results include rising unemployment, slumping incomes, and a widening gap between rich and poor, leading to fissures in society and a fueling of guerrilla warfare and crime waves. This article focuses on the fundamental concepts of representation, economic functions and the organization of state models in Mexico.

GLOBALIZATION AND THE NEOLIBERAL STATE MODEL

According to Moctezuma (1997), the debate over current state models evident in the world has evolved through three different stages. The first stage involved the need for state reform and improvement in efficiency. The second stage concerned itself with the modifying relations within the states and with issues of an economic nature. At the cusp of the millennium, the third and present stage is centered on the transformation of the state with a view to a more participatory society. Recent events have demonstrated the failure of many economic policies that were implemented, in accordance with the welfare state model, by various countries following the Second World War. Even the great conservative revolution initiated by Margaret Thatcher in Britain in 1979, replacing the welfare state model by advancing capitalist principles, has been challenged by Tony Blair and the Labour Party's election victory on May 1, 1997.

Neoliberal economic reforms, also known as the "Washington Consensus", entail public policies that are directed toward tight fiscal discipline, slashing of social benefits, deregulation and lowering of trade barriers, and privatization of public sector organizations in order to achieve balanced budgets. Several economic analysts have expressed concern about the destabilizing effects of the reforms. Sáenz (1997) believes that the contemporary emergence of ideological divergences and violent manifestations in many parts of the world indicate that the economic policies of the immediate past and their potential projection into the future will not generate consensus. As Harvard's Mangabeira (Conger, 1997) recently put it in an interview, "The opposition in Latin America is in danger of being represented as a populist backlash of the poor against the rich." Furthermore, "other critics", comments Conger (1997), "are focusing their attention and energy on the allegation that these same reforms have also spawned high unemployment and a sharp decline in the standard of living for the majority of Latin Americans."

The state model that emerged from the conservative revolution in Britain has been defined by new economic policies that promise to “unmask the myths of prosperity that the Tories divulged and which do not coincide with reality” (Tello, 1997). According to Semo (1997), Blair frequently talks about transcending differences between right and left and of maintaining old loyalties abroad—changes necessitated by this epoch. Thus, the great challenge for the labourists will be how to manage the process of economic reform initiated and propounded by the conservatives and to simultaneously satisfy the populist promises made to an electorate weary of two decades of adjustments. Some analysts envision the birth of a new form of politics which may dominate the 21st century.

Until now, the neoliberal state model seemed to be the only course, a formula which “promised a dollop of austerity and little else for the time being” (Kuttner, 1997). The recent elections of center-left governments in both Britain and France, however, have demonstrated that “Thatcherism isn’t the only path to structural reform” and that a new strategy and state model can emerge where “growth and job creation becomes possible”, and where a “less austere social policy would certainly ease the task of structural reform” (Almeira, 1997b). The return of social policy in Britain does, however, weaken the alliance between the successors of the Thatcher legacy and Washington. Almeira (1997b) notes that several considerations are necessary for the maintenance of an aggressive military policy, and these include social discipline, high military expenditures and political insensitivity. These are policies that a social democratic government could not implement without encountering serious problems.

Recent political events in France witnessed the block formed by the center-left dominating the National Assembly over the center-right, thereby forming a government which maintains “Chirac nationalism” but which forces it into institutional cohabitation on the strength of social policy. French Prime Minister Lionel Jospin’s Socialist Party swept to victory in June 1997, reports Edmonson et al (1997), by promising voters it would create new jobs, slam the brakes on privatization, keep factories open, and shorten the work week. Even so, the welfare state remains intact in France and the French have felt relatively little pain from globalization as Javetski and Edmonson et al (1997) recount.

This scenario is in large part due to beliefs “that mankind has been stripped of dignity by the demands of global economy (Forrester, 1997). *Business Week* analysts Javetski and Edmonson (1997) sustain that if the Socialists carry out their agenda, they will increase government intervention in the economy, stall privatization, bolster a costly welfare state, and tighten labor market rules that are already too rigid. These attempts, however, may not be long lived since much of the Maastricht politics elucidated in Brussels within the margin of national parliaments have expropriated part of the sovereign and democratic decision-making powers of governments and imposed restrictions that may well spell the end of the remaining social policies. This political process could prove to be very contagious in Europe. The south winds blowing over Portugal, Spain, Greece, Belgium, etc., have begun to melt the sociopolitical European panorama formed during the Thatcher-Reagan Glacial Era. Austria, Holland and Sweden, with their left-of-center governments, have demonstrated that “social institutions need not be entirely cast aside but rather made more competitive” (Kuttner, 1997). Therefore, it is possible that a backlash could reverberate in those European countries where Social Democrats are in power, militating against further economic reforms as Javetski and Edmonson et al (1997) have predicted.

As an external force, it is evident that the globalization process is revealing a profound ideological split. Those who insist that international capital is the only possible frame of

reference cannot reconcile their position with those who refuse to accept that the rule of international capital is inevitable (Almeira, 1997a,b). The main challenge for the former then, is how to convince voters of the need to face up to the necessities of economic globalization.

The transformation of the State from one state model to another does not always occur in an orderly and smooth fashion. States that began the process earlier have apparently reached and accomplished certain goals. Britain's case, however, contradicts this finding in that theories of public choice that were once accepted are now being revised. It is also interesting to note the rich processes occurring in France, where there seems to be a reaffirmation of civil society—a development not identified with any union or political party.