# BUSINESSMEN AND ECONOMIC POLICY IN MEXICO

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*ENTREPRENEURS AND POLITICS IN TWENTIETH-CENTURY MEXICO.* By Roderic A. Camp. (New York: Oxford University Press, 1989. Pp. 306. $35.00.)

*THE MAQUILADORA PROGRAM IN TRINATIONAL PERSPECTIVE: MEXICO, JAPAN, AND THE UNITED STATES.* Edited by Paul Ganster. (San Diego: Institute for Regional Studies of the Californias, San Diego State University, 1987. Pp. 129. $10.00 paper.)

*MANAGEMENT IN TWO CULTURES: BRIDGING THE GAP BETWEEN U.S. AND MEXICAN MANAGERS.* By Eva S. Kras. (Yarmouth, Maine: Intercultural Press, 1988. Pp. 98. $13.95 paper.)

*CAPITAL GOODS AND TECHNOLOGICAL DEVELOPMENT IN MEXICO.* By Ann Lorentzen. (Copenhagen: Center for Development Research, 1986. Pp. 113.)

*PENETRATING THE INTERNATIONAL MARKET: THEORETICAL CONSIDERATIONS AND A MEXICAN CASE STUDY.* By David R. Mares. (New York: Columbia University Press, 1987. Pp. 294. $35.00.)

*GOVERNMENT AND PRIVATE SECTOR IN CONTEMPORARY MEXICO.* Edited by Sylvia Maxfield and Ricardo Anzaldúa Montoya. (La Jolla: Center for U.S.-Mexican Studies, University of California, San Diego, 1987. Pp. 145. $12.50 paper.)

*LOS EMPRESARIOS ANTE EL ESTADO Y LA SOCIEDAD.* By René Millán. (Mexico City: Siglo Veintiuno, 1988. Pp. 194.)

*ACCUMULACION DE CAPITAL E INDUSTRIALIZACION COMPLEJA EN MEXICO.* By Carlos Perzabal. (Mexico City: Siglo Veintiuno, 1988, Pp. 168.)

*MAQUILADORAS: ANNOTATED BIBLIOGRAPHY AND RESEARCH GUIDE TO MEXICO'S IN-BOND INDUSTRY, 1980–1988.* By Leslie Sklair. (La Jolla: Center for U.S.-Mexican Studies, University of California, San Diego, 1988. Pp. 217. $18.00 paper.)

*EL FUTURO DE LA POLITICA INDUSTRIAL EN MEXICO.* By Saúl Trejo Reyes. (Mexico City: Colegio de México, 1987. Pp. 318.)

*MEXICAN TRADE POLICY AND THE NORTH AMERICAN COMMUNITY.* By Sidney Weintraub. (Washington, D.C.: Center for Strategic and International Studies, 1988. Pp. 55. $6.95 paper.)

After nearly a decade of economic stagnation, Mexico is now turning to the private sector to resolve inadequacies in its development model. The emphasis on private enterprise is reminiscent of the 1950s and 1960s, when government economic policies largely coincided with the interests of the business community. During that era, robust growth in gross national product (averaging over 6.5 percent annually) combined with price stability to create a condition lauded by economist Saúl Trejo Reyes as "macroeconomic equilibrium."

The advent of the Luis Echeverría administration in 1970 occurred amidst growing strains in the import-substitution development model. Concerned about creating more jobs, equitably distributing income, and speeding up economic growth, President Echeverría greatly expanded the economic role of the state. His policy of "shared development" featured such measures as increased public investment, the purchase or creation of a host of state enterprises, and a commensurate expansion in the size of the federal bureaucracy. This strategy led to deficit financing, public indebtedness, monetary expansion, and inflation. These statist policies established a momentum that the administrations of neither José López Portillo (1976–1982) nor Miguel de la Madrid (1982–1988) did much to resist. On the contrary, inflationary and indebtedness policies, whose negative effects were temporarily camouflaged by the short-lived prosperity of the oil boom (1978–1981) continued on a larger scale, thereby bringing on a major recessionary crisis.

Economic indicators from this period suggest a high correlation between Mexican government policy and the worsening economic predicament. In 1970 public spending represented 20 percent of GNP, but by 1986, it had grown to 50 percent.[1] Deficit spending as a percentage of GNP rose from 2.6 percent to 16.2 percent.[2] State growth also contributed to the spending surge. Between 1970 and 1986, the number of state-run enterprises increased from 180 to 1,155 while the number of government employees more than doubled, from 1 million to 2.2 million.[3] Food and energy subsidies continued as the population grew and economic activity increased. Moreover, the decisions by the López Portillo administration to triple the production of oil and to double the capacity of the petrochemical industry required major financing.

Between 1969 and 1987, Mexico's foreign debt soared from 4.5 billion dollars to 104 billion dollars while the internal debt increased from the equivalent of 4.8 billion to 50 billion. Federal budget allocations to

1. Statistics from the Secretaría de Hacienda y Crédito Público, as cited in Luis Pazos, *¿Hacia dónde va Salinas?* (Mexico City: Editorial Diana, 1989).
2. Trejo Reyes, *El futuro de la política industrial,* 157.
3. Data from the Centro de Estudios Económicos del Sector Privado, cited in "Salinas Economics Rated," *The News* (Mexico City), 17 Dec. 1989, p. 43.

service the debt, which amounted to 9 percent of the federal budget in 1970, had risen to 60 percent by 1988.[4] According to economist Luis Pazos, during the 1960s, 85 percent of the nation's savings were channeled into supporting productive enterprises. By 1988, however, 70 percent of savings were being employed either to service debt or to subsidize state industries.[5]

The average inflation rate between 1965 and 1973 was 4.8 percent, rising to 31.5 percent between 1973 and 1984 and to 131.8 percent in 1987.[6] Between 1982 and 1988, inflation reduced the purchasing power of Mexico's blue-collar workers by 45 percent, despite annual salary increases mandated by the Mexican government.[7] The successive devaluations brought on by inflation precipitated capital flight in the amount of 84 billion dollars, which contributed to a negative rate of GNP growth during the de la Madrid administration.[8]

Dislocations of this magnitude explain why considerable doubt was cast on the Mexican state's ability to manage the economy by simply growing larger. In response, President Carlos Salinas de Gortari directed what has been called *"la perestroika mexicana,"* which involves privatizing state enterprises, liberalizing foreign investment laws, and expanding the maquiladora industry. This initiative signaled the resumption of a strategic role for the private sector in Mexico's economic development. The early phases of the Salinas development model were hardly a leap into uncharted waters. Insofar as it reduced the economic activities of the state, more closely aligned public spending with income, and restored the practice of government-business cooperation and consultation on economic matters, the model bore a strong resemblance to the economic policies prevailing before 1970. What represented a significant departure from the past was the government's shift from policies favoring protectionism and import substitution to an export-oriented economy far more liberal on imports and more open to foreign investment. This new economic direction challenged the ability of private enterprise in Mexico to compete internationally by improving the quality of its products, increasing efficiency, and upgrading its technological capacity.

The books under review here provide rich material on Mexico's

4. Banco de México, "Deuda externa total y su servicio," *El Financiero,* 15 Dec. 1989, p. 6; see also "Domestic Debt, Too, Hurts Mexico," *The New York Times,* 5 June 1989, p. 5.

5. Pazos, *¿Hacia dónde va Salinas?,* 20; and "Parastate Subsidies Revised," *The News,* 11 Dec. 1989, p. 1.

6. The International Bank for Reconstruction and Development, *World Development Report 1986* (New York: Oxford University Press, 1986), 181; also, Institute of International Finance, *Comparative Country Statistics* (Washington, D.C.: Institute of International Finance, 1989), 23.

7. Secretaría de Hacienda y Crédito Público, in Pazos, *¿Hacia dónde va Salinas?*

8. "Mexico's Capital Flight Still Racks Economy," *The Wall Street Journal,* 25 Sept. 1989, p. 1.

private sector and the prospects for the business class to assume a strategic economic role. The newness of the phenomenon, however, means that much analysis is descriptive, atheoretical, and tentative. On the whole, the books under review tend to be stronger in their political dimension than in economics. An underlying question—unresolved in these works—is the degree to which Mexican state politics may be altered by the resurgence of the private sector. Will state behavior toward labor, peasants, and the United States change decisively? Or will it shift slightly while business owners are asked to do what they do best—maximize resource efficiencies in pursuit of profits?

*Entrepreneurs and Politics in Twentieth-Century Mexico* is the latest work of the indefatigable Roderic Camp, who for two decades has compiled and analyzed the biographies of Mexican elites. His previous research focused on politicians, the military, and intellectuals. The approach here is based on extensive personal interviews with members of business elites, whose careers are placed in the historical record of postrevolutionary Mexico. Compared with his previous studies, Camp provides little information on his sample and methodology, but he is more explicit in his theoretical classification of the Mexican state. He dislikes the term "corporatist" and calls the Mexican state "eclectic," "semi-authoritarian," and "contradictory," by which he means that the state generally acts autonomously in settling conflict while imposing its own vision on society. After observing that state policies generally correspond to long-term business interests, Camp sets for himself the elusive task of tracing the means by which businessmen actually influence the government. His interviewees offer both true and false answers to this question.

The false answers represent the meat of the analysis and are instructive for the hypotheses they disprove. Mexican businessmen do not influence policy because they come from the same social class, have similar educational experience, urban-rural origins, or mixture of national and foreign backgrounds as do politicians. Nor does Camp attribute much import to businessmen's organizations, whether officially sponsored like CANACINTRA or independent like the Consejo Mexicano de Hombres de Negocios (CMHN). In the fortuitous words of one interviewee, these are not "grupos de presión" but "grupos de expresión." *Pantouflage* (job transfers back and forth between government and industry) is not the reason politicians watch out for business interests. Mexican *políticos* neither come from the private sector in significant numbers nor enter business after leaving government.

*Entrepreneurs* certainly adds to our knowledge of the Mexican business class. First, contemporary businessmen tend to be the sons and grandsons of businessmen. Fifty-one percent are second generation and 29 percent are third generation. This pattern of inherited livelihood is similar to the patterns of politicians, intellectuals, and the military. Such segmentation belies the existence of a power elite in Mexico. Second, the large industrial consortia in Mexico are dominated by families, with ownership being closely held. Camp provides tantalizing accounts of the history of these groups, which are headed by authoritarian father figures. They coinvest and communicate mainly through interlocking corporate boards of directors, where the same names continuously reappear. Kinship and intermarriage build trust in a society in which *confianza* is a leitmotif. Ironically, the importance of blood ties makes free enterprise a less promising route for social mobility than politics, academia, or the military. Only a quarter of leading businessmen describe themselves as "self-made." Third, until 1982 bankers played a pivotal role in linking the private sector with government. Bankers moved easily in both circles, acting as go-betweens to articulate private-sector demands in public ministries and to induce compliance with government policy among hesitant businessmen. The 1982 bank nationalization eliminated this function in a single blow, and it coincidently inaugurated a more radical and defiant political posture by businessmen.

Camp dedicates much of his commentary to the self-perception of businessmen, who at the time of his interviews (1982–1986) lacked public confidence. Mexican businessmen seemed beleaguered by an official populist ideology hostile to business, which was actively propagated by intellectuals and politicians. The Constitution of 1917 is pro-labor and indifferent to the private sector, and business groups were never officially incorporated into the Partido Revolucionario Institucional (PRI). Businessmen felt slighted by the state's explicit usurpation of economic leadership and conceded that "government control of labor is a tool for government control of business." Camp concludes that younger business executives, many of them trained in the United States, seemed prepared to adopt a more assertive role to reverse defeatism vis-à-vis the state. In a manner paralleling the 1968 student massacres for political mobilization, the 1982 bank nationalization was a seminal event in the *concientización* of Mexican businessmen.

The solution to the riddle of business influence in an atmosphere of anti-business sentiment was provided by a Monterrey executive: "The state has favored the interests of the private sector, not because the private sector has forced them to pursue this goal, but because the interests of the private sector happen to correspond to the interest of the state." This finding suggests that businessmen have been the tools of government economic policy rather than dynamic entrepreneurs representing the hidden power behind the Mexican state.

Camp finds that foreign businessmen do not play much of a direct political role in Mexico, despite the increased amount of foreign investment in the *maquiladora* (in-bond) industry. Between 1980 and 1988, the number of plants nearly doubled from six hundred to over eleven hun-



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dred, while employees more than doubled from one hundred and twenty thousand to three hundred thousand.

Paul Ganster's *The Maquiladora Program in Trinational Perspective: Mexico, Japan, and the United States* contains the edited proceedings of a symposium held in February 1986 in San Diego. It brought together members of the private sector with scholars and government officials to "explore the broader perspectives" of the industry. The resulting volume is a fund of useful information about the maquiladora program—its history, accomplishments, shortcomings, challenges, and prospects. Without exception, the participants (who included Norris Clement, Joseph Grunwald, Enrique Mier y Terán, Howard Boysen, Yasuo Sasaki, and Mollie Shields) were supportive of the industry and wanted to see the maquiladoras flourish, expand, and improve. Commenting on their enclave nature, Grunwald argues that technological transfer could be furthered by shifting production from U.S. subsidiaries to Mexican subcontractors who would be allowed to sell products in the local market. Ganster responds to criticism of the maquiladora industry by noting significant improvements in the quality of the workplace, safety, training, pay, and job satisfaction.

British sociologist Leslie Sklair divides his *Maquiladoras: Annotated Bibliography* into four sections: academic books and journal articles, sources with "points of interest about the máquila industry or matters of central relevance to it," newspaper and magazine articles, and political and promotional materials. Sklair spent nine months traveling along the U.S.-Mexican border, consulting libraries along the way to compile this helpful reference work.

The success of the maquiladora program and the decision by the Salinas administration to encourage greater foreign investment have occasioned an increase in jointly managed industries. The commensurate rise in contacts between U.S. and Mexican managers has not always resulted in effective working relationships, however. Eva Kras's *Management in Two Cultures* focuses on potentially disruptive cultural conflicts. This approach makes it a useful handbook for American executives working in Mexico or elsewhere in Latin America, and also for educators and students specializing in Latin American business. Kras's analyses and recommendations are based on seventy-two interviews with experienced business leaders. Her premise is that adaptability in the international workplace results from cross-cultural understanding. Mexican and U.S. managers have been conditioned by such varying factors as family, pedagogy, religion, etiquette, personal appearance, aesthetics, status, and ethics. Kras also contrasts management styles in relation to work and leisure, direction and supervision, theory versus practice, staffing, control, training and development, sense of time, and planning.

Kras purports to avoid stereotyping but actually relies on generalizations based on a concept of "preponderance of belief." In her view, Mexicans generally place family ahead of work, status before wealth, and courtesy before frankness. They favor theory over practice and harmony over competition, shun confrontations, temper truth for the sake of face-saving, play favorites in the workplace with family and friends, value loyalty more highly than merit, and tend to be fatalistic. For U.S. managers, in contrast, promotion is based on performance above loyalty, training is concrete rather than theoretical, time is a categorical imperative, truth is an absolute rather than a relative concept, sensitivity is viewed as weakness, and formality is sacrificed to efficiency. Unlike Mexican managers, Americans are "task-oriented" rather than "person-oriented" and take pride in a "can-do" self-reliance. While many social psychologists will find *Management in Two Cultures* amateurish, Kras deserves recognition for providing some guidelines for improved cross-cultural sensitivity.

René Millán's *Los empresarios ante el estado y la sociedad* focuses on the political activity of Mexican businessmen, using a documentary methodology similar to content analysis. During the 1970s and well into the 1980s, the relationship between Mexican business and government underwent wrenching change from one of passive partnership to adversarial estrangement. In the process, a largely apolitical business class acquired a fair degree of ideological cohesion and found the will to mobilize politically in defense of interests it viewed as threatened by government encroachment. That process of politicization is the theme of Millán's book. He traces the reaction of the business sector to such resented government measures as the creation of state-run "*paraestatales*" in a host of primary and secondary industries, inflationary public spending, government rhetoric hostile to business, land expropriations in Sonora, and the nationalization of the banks. Extensively documented, *Los empresarios* draws largely on a compendium of statements and pronouncements by politicians and government functionaries and by business leaders through various confederations such as the Confederación Patronal de la República Mexicana (COPARMEX), the Consejo Coordinador Empresarial (CCE), and such trade and industrial chambers as the Confederación Nacional de Cámaras de Comercio (CONCANACO), the Cámara Nacional de la Industria de la Transformación (CANACINTRA), and the Confederación de Cámaras Industriales (CONCAMIN). These declarations, which amount to a series of charges, appeals, warnings, expositions, claims, and counterclaims, comprise the corpus from which Millán draws his interpretive and analytical observations.

Millán scrutinizes four periods: 1971–1974, a time of growing tension and incipient opposition by the private sector to the populist programs of the Echeverría administration; 1975–1976, an interval of open and acrimonious opposition of business toward government; 1977–1982, a period of business accommodation to the López Portillo administration, facilitated by oil-based prosperity; and September 1982–1984, the revival of business opposition precipitated by the nationalization of the banks. The picture that emerges from *Los empresarios* is one of a Mexican business community beset by internal divisions, unable to settle on a uniform course of action, and invariably placed on the defensive in dealings with the government. Medium-sized industries dependent on tariff protection were less wont to oppose the government than large export-oriented firms. Geography also accounted for disunity. The powerful Monterrey-Saltillo industrial conglomerates in the north enjoyed less access to and contact with the political bureaucracy in Mexico City, and they therefore had less confidence in their own ability to work out differences with the government. Not surprisingly, the "radical faction" that emerged from their ranks was more prone to confront than to conciliate. This style led to wrangles with the Mexico City business sector composed of industrialists and bankers, who provided most of the leadership for the so-called moderate faction.

Moderates and radicals competed for control of business confederations. As government policy waxed hostile to business interests, the radicals tended to dominate, while moderates prevailed when intrusive government action waned. Events, however, served to vindicate the hard-line perspective. By 1984 COPARMEX and the CCE had formulated sweeping critiques of the Mexican state calling for "systemic" change in its "corporatist" structure. Throughout 1984 neither radicals nor moderates succeeded in convincing the government to change course. That course is never questioned by Millán, who favors statist economics. As a result, *Los empresarios* is a skewed portrayal that imputes base motives to the "intransigent," "obstructionist," and even "pro-fascist" business sector while accepting at face value even the most arbitrary government actions as "legitimate reform." This disposition precludes Millán from discussing the business-state conflict in its full dimension, a regrettable shortcoming in an otherwise lively and informative book.

Of the books reviewed here, the fine volume edited by Sylvia Maxfield and Ricardo Anzaldúa, *Government and Private Sector in Contemporary Mexico,* contains the most deliberate attempt to differentiate factions within the Mexican business class. Maxfield hints at the emerging new attitude toward businessmen among some social scientists. Instead of being labeled "reactionary, authoritarian, and defenders of the status quo," businessmen are now perceived as agents of change, motors of economic development, and proponents of democracy. Each contributor acknowledges that the business class is an increasingly salient force in determining the direction of Mexican economics and politics.

No consensus exists, however, on a typology of Mexican business interests. Matilde Luna and Ricardo Tirado (from the Instituto de Investigaciones at the Universidad Nacional Autónoma de México) as well as

Francisco Valdéz (of the Centro de Investigación y Docencia Económica, or CIDE) divide businessmen into radicals and moderates, similar to Millán's categorization. The radicals come mainly from the north (Monterrey) and include an array of individuals linked to industry, agriculture, mining, and banks. Since 1917 they have opposed the hegemonic postrevolutionary state, adopted foiling techniques (such as "sindicatos blancos" to combat official labor organization), developed class consciousness, and distinguished themselves as the most combative supporters of the opposition led by the Partido Acción Nacional (PAN). The moderates are predominantly industrialists located near the capital city who oppose foreign competition and recognize the hegemony of the political bureaucracy.

U.S. academics Sylvia Maxfield and Roderic Camp categorize businessmen's propensity to engage in political activity into four slots: those satisfied with the status quo, those who want to be officially incorporated into the PRI, those proposing mild criticism of the government from within and outside the PRI, and those promoting radical change, with businessmen on the vanguard of a new political movement. Age and geographical residence appear to influence these preferences.

Ricardo Carrillo Arronte (of CIDE) distinguishes between the liberal faction (which never accepted a PRI-dominated state) and the nationals (small and middle-sized businessmen under the tutelage of the state). Luis Felipe Bravo Mena (COPARMEX) elaborates on the historical platforms of the independent employers movement through COPARMEX, the most self-assured business interest group. Celso Garrido Noguera and Enrique Quintana López (both at the Azcapotzalco campus of the Universidad Autónoma Metropolitana) document coalition shifting in the financial community, in which international banks replace multinational corporations in their alliance with local industrialists.

The long-running debate over Mexican membership in the General Agreement on Trade and Tariffs (GATT) provides the best evidence of differentiated economic interests among business groups. This debate is analyzed by Saúl David Escobar Toledo (of the Instituto Nacional de Antropología e Historia) in *Government and Private Sector in Contemporary Mexico.* Escobar finds that CANACINTRA most consistently opposed entry into GATT because of its clear threat to import-substituting industries, CANACINTRA's main constituency. COPARMEX, for its part, advocated entry. The remainder of the business groups—such as CONCANACO, CONCAMIN, and the CMHN—either vacillated or remained silent or issued innocuous statements in the rhetorical style of "Me declaro, pero no digo nada."

Economic policy dominates the attention of three authors under review, Saúl Trejo, Sidney Weintraub, and Carlos Perzabal. Trejo's *El futuro de la política industrial en México* is an ambitious and moderately polemical work that portrays the Mexican economy as being in a state of distressing disrepair. Exceptions notwithstanding, he finds Mexico's industrial plants to be technologically backward producers of inferior goods at high prices that are permeated with inefficiency and wholly incapable of competing internationally. Moreover, Mexican industrialization has failed to provide the Mexican workforce with adequate employment, to reduce income inequalities, or more broadly to uplift living standards.

Trejo spares neither the government nor the private sector for this sorry state of affairs. He concludes that to avert crippling obsolescence and dependency, Mexico must streamline its administration, improve communications and transportation, upgrade the quality of its capital goods, and acquire far greater technological sophistication. To succeed, Mexico must do today what it should have done twenty years ago: fundamentally alter its policies of protectionism and import substitution. Prolonged insulation from foreign competition has spawned inefficiency and artificial corporate profits, propped up by government subsidies. An increasingly urbanized and "pauperized" society requires improvements in productivity and the cost-effective allocation of goods, which is unlikely to occur without the pressure of external competition. Trejo views a sustained ability to export (like those of Korea, Brazil, and Taiwan) together with advanced technological know-how to be the sine qua non of Mexican industrial progress.

How to transform Mexico's economy into an export deus ex machina is not made clear, however. *El futuro de la política industrial* gives scant treatment to international trade, foreign investment, and the maquiladora industry. Instead, Trejo exhorts the government to "design policies to permit the elimination of inflation" without spelling out what the policies should be. He recommends the "establishment of mechanisms to support and facilitate the creation of modern small and medium industries capable of becoming leaders in innovation and growth," but without indicating how this goal is to be achieved. Faulting the government for "administrative rigidity" and "excessive and inefficient resource use," he calls for decentralization to "multiply the capacity for national growth." Trejo's *El futuro de la política industrial* provides excellent historical data, a stirring critique of past economic policy, and sets out broad objectives for future economic measures.

Weintraub and Perzabal also despair of the state of the Mexican economy and are equally critical of the import-substitution strategy that has characterized economic policy-making in the postwar period. Their differences lie in the solutions they propose. In *Mexican Trade Policy and the North American Community,* Weintraub recommends that the Mexican government divest state industries, eliminate tariffs, promote exports, and encourage foreign investment. Perzabal's *Industrialización compleja en México* promotes the policy package called "complex industrialization," which assigns a prominent role in economic growth to the public sector.

For Weintraub, the import-substitution model not only distorted the price structure and exchange rate, it militated against producing intermediate capital goods by making it relatively easy for manufacturers of consumer goods to import cheap machinery. The set of incentives (subsidized food and energy combined with tariff protection) created vested interests among industrialists, while the lack of economic entanglement with the United States appealed to nationalists. But the result did nothing for most Mexican workers, with their low wages and restricted consumption. Weintraub saves his most forceful criticism for economic policy during the oil boom: "Mexico's single-minded reliance on oil exports . . . contributed to the economic and political instability that Mexico has endured since 1982 and prejudiced the development of a competitive manufacturing sector, all the while depleting a nonrenewable resource."

In *Acumulación de capital y industrialización compleja,* Perzabal's antipathy for import substitution of consumer goods does not differ much from Weintraub's. Perzabal, who holds a doctorate in economics from UNAM, complains that import substitution created inequalities by sector (*despropocionalidad*) with no vertical integration. It also permitted excessive profits in consumer goods to the detriment of capital goods, discriminated against agriculture (except in export agriculture), raised high tariff barriers, and eventually resulted in a drop in domestic production, "*petrolización,*" economic collapse, foreign debt, hyperinflation, and a loss of national sovereignty.

Here the similarities between the two analyses end. Weintraub argues that Mexico's only viable economic choice is to follow an export-oriented growth strategy. Realistically, the most attractive market for these exports is the United States (which already accounts for 60 percent of Mexico's exports). According to Weintraub, this policy must be supported by appropriate exchange rates maintaining the low cost of Mexican goods and a trade policy eschewing import quotas in favor of limited tariffs. He perceptively observes that this change in economic policy would have a noticeable effect on the distribution of political power in Mexico. Injured and weakened parties would be industrialists producing for the domestic market, labor unions whose members work in those inefficient factories, and nationalist intellectuals. Groups ascending would be export-oriented industrialists, Mexican consumers, and workers absorbed by new productive enterprises that are able to compete internationally. Weintraub's book also contains a chapter on North American free trade, which confirms that he was ahead of other academics and many policymakers in the United States and Mexico on that issue.

Perzabal's policy recommendations are important because they reflect the views of the center-left wing of the economics profession in

Mexico.[9] He believes that Mexico urgently needs to create an intermediate capital-goods capacity (mainly machinery). "Complex industrialization" is actually a more advanced stage of import substitution. Instead of substituting imported consumer goods, the policy would aim to replace imported capital goods. Perzabal assumes that the state would be the key actor, playing a central role in promoting unspecified long-term projects, production, and services. While large state enterprises might collaborate with Mexican industrialists in this mission, Perzabal would explicitly exclude transnational corporations from investing in any but the most innocuous sectors. Mexico would also need to take a hard line on the foreign debt to prevent interest payments from soaking up foreign currency that could be used to implement complex industrialization.

Perzabal's methodology is far more ambitious than Weintraub's and involves an input-output table incorporating Marxist economic concepts: surplus value, labor theory of value, rate of return, organic composition of capital, proportionality among sectors, and capital accumulation. To his credit, Perzabal admits that his research confronted (and failed to resolve) the fundamental problem in Marxist economic research, namely, how to translate labor value into real prices. More seriously, he qualifies nearly all his empirical data and tables with a disclaimer as to their accuracy. Nor does he address the question of why import substitution of intermediate capital goods might not eventually lead to the same imbalances, distortions, and collapse that he attributes to Mexico's previous strategy of substituting the import of consumer goods.

Perzabal might be surprised by Anne Lorentzen's findings in *Capital Goods and Technological Development*. Neither the state nor foreign investment has been responsible for promoting the capital goods industry in Mexico, but rather private capitalism. She finds that Mexico possesses an advanced intermediate capital-goods capacity that is well able to keep pace with the growth of the Mexican economy. After studying nineteen firms that produce capital goods, interviewing directors, managers, engineers, and government officials, and reviewing the relevant literature, Lorentzen concludes that the role of the Mexican state in developing the capital goods industry has been limited (whether through investment, tariff protection, or fiscal incentives) and that foreign investment has not constituted the precondition for capital-goods manufacturing in Mexico.

Has the expansion of capital-goods production been followed by local technological development or by greater dependence on foreign technology? Lorentzen finds that large Mexican firms both purchase technology and evolve their own. Private firms partially owned by foreign companies base their operations largely on foreign technology. In these

9. See Peter S. Cleaves, *Professions and the State: The Case of Mexico* (Tucson: University of Arizona Press, 1987), 28–35.

firms, "the technological umbilical cord to the mother company practically blocks technological activities in the affiliate." State-owned firms use foreign technology as a "point of departure for adaptation." Small and middle-sized firms operate almost exclusively on the basis of technology that they develop themselves.[10]

The Mexican state's role in fomenting private-sector production of capital goods has been indirect and only partially helpful. Tariff protection was nominal until 1975, but even after that date, inflation combined with stable exchange rates to make imports cheaper. In 1979 incentives were established but rarely used except by large firms willing to tackle the bureaucratic obstacles entailed in applying for them. Indirect state support included cheap energy, normal education, and support for research and development through CONACYT, the Consejo Nacional de Ciencia y Tecnología. But public investment in capital goods virtually stopped after 1982, as overall public expenditures dropped from 17 percent of GNP to 3.5 percent in 1985. Lorentzen deserves praise for having produced in *Capital Goods and Technological Development* a comprehensive, readable, and dispassionate piece of research complete with seventeen informative statistical tables.

A decade ago, David Mares's research topic would have merited a footnote in a study of Mexico's dominant import-substitution strategy. Today, however, if Mexico manages to institute export-promotion policies, *Penetrating the International Market* may become a seminal work on state-business relations under the new model. The book presents the Mexican winter-vegetable industry as a case study of successful Mexican access to the U.S. market. While the study's purported theoretical concern is trade theory, its principal contribution is a detailed description of the strategies of Mexican agribusinessmen for maximizing their local resource base for international competition. The content alerts analysts to the complex set of political and economic relationships (invisible to the consumer) packed in every crate of tomatoes reaching the U.S. market. The main actors in this drama—workers, distributors, financiers, labor leaders, and foreign trade officials—are virtually the same ones with vested interests in any product that Mexico might thrust on the international market.

The competitiveness of Mexican products, according to Mares, cannot be explained by traditional market theory. Every input (land, labor, water, and credit) has its own story, and each story reflects Mexican history and politics. To grow products, enterprising landowners needed abundant irrigated land and found a means of circumventing agrarian reform legislation by concentrating small individual holdings under the control of family groups. Sinaloan farmers weathered the storm of land

10. This finding is consistent with the experience of General Products S.A., a chemical company in Mexico City partially owned and managed by coauthor Charles J. Stephens.

invasions in the mid-1970s and induced President Echeverría to limit expropriations (in comparison with those in Sonora) because the existing land pattern contributed to employment and foreign exchange. The state (represented by labor officials) has helped control the cost of labor by penetrating and co-opting local union leaders (Mares alleges that the most flamboyant of the peasant leaders was actually being paid by landowners). State officials, interested in increasing foreign-exchange earnings from vegetable exports, also assisted growers in obtaining preferential water rights, to the detriment of *ejidos* (peasant cooperatives), which grow food mainly for domestic consumption. Thus the power equation in Sinaloa has consistently tilted toward export growers who take advantage of state collaboration in maximizing product efficiency.

Transcending localism, *Penetrating the International Market* also traces the vegetables' route into the U.S. market, demonstrating that Mexican entrepreneurs can also be shrewd in gaining market position. Growers organized a program of quality control more stringent than that of the U.S. Food and Drug Administration and took steps to manage production quotas to maximize price. They achieved vertical integration by acquiring distribution outlets in Nogales, Arizona. Failing to obtain cheap credit from the Mexican government, growers used their U.S.-based distribution houses to access U.S. bank loans, which were up-streamed to cover the costs of production. Growers next launched a publicity campaign aimed at consumers, extolling the virtues of Mexican "vine-ripened" tomatoes (compared with their Florida competitors' box-ripened tomatoes, whose redness came from coloring agents). Eventually, the Mexicans also lobbied successfully in Washington to avoid fines for dumping, a charge levied by Florida growers.

Mares balances his portrayal of grower influence by noting that the producers have remained subject to the state's larger economic agenda, which did not always favor their interests. Growers could not count on the Mexican government to keep the exchange rate low (favoring exports), especially in the 1970s after "macroeconomic equilibrium" began to break down. Their activities were not an overriding priority in the government's national economic plan, which during the period under study protected consumer industries from foreign imports and relied mainly on petroleum and tourism to earn foreign exchange. Mares leaves the impression that Mexico can utilize tools of a corporatist-authoritarian system to create conditions for successful export-oriented capitalism. The traditional patterns of relations between government and business, the state and labor, and the United States and Mexico need not change. In his view, the Mexican business class can assume more responsibility for economic development without a total overhaul of the Mexican political system.

*Penetrating the International Market* suffers from editing weaknesses, but the earnest reader can overcome them. The theoretical discussion of "segmented liberalism," the sketchy references to South Korea and Colombia, and the book's title seem to be afterthoughts that were added to include the book in a series on world trade. Despite these irritants, the volume provides ample evidence of Mares's exhaustive research and his firm grasp of political and economic relations in Sinaloa, which have intriguing implications for future capitalist development in Mexico.

In past periods, Mexican business has been pilloried in official discourse as exploitative, anti-nationalist, and antagonistic toward the precepts of the Mexican Revolution. Yet in the late 1980s and early 1990s, the Mexican government (like others around the world) found itself turning to the private sector to get its productive engine back on track. In this attempt, Mexico has claimed some advantages over many countries, like those in Eastern Europe, in having a reservoir of experienced managers to execute a growth strategy led by the private sector. If not publicly courted, these business leaders were at least sought out once again and consulted by Mexican government officials. More important, the privatization, liberalization, and anti-inflationary measures adopted by the government were beginning to restore that elusive notion of "business confidence" and to establish a climate conducive to investment. The Salinas government has been tacitly acknowledging three points: there are limits to what the Mexican state can do alone; the PRI's political future, linked to a growing economy, requires the support of the private sector; and business, however regulated, has an important partnership role to play in a successful development strategy.

Two caveats are in order. First, the reemergence of the Mexican private sector has not taken place at the expense of the state's political power. It would be incorrect to conclude that a paradigmatic change has occurred—or will occur—in the relationship between the state and business interests. The state still sets the parameters for economic activity. Through control of the banking sector, access to local and foreign credit, and monetary and fiscal policy, the state continues to manage economic outcomes in Mexico. Second, the Mexican government could reverse its benign attitude toward businessmen, who occupy a privileged place in national stratification. Businessmen have not consolidated their power through their own political party nor have they infiltrated the ruling party to any appreciable degree. Unlike labor, the peasantry, and some professionals, businessmen have not been incorporated as a formal sector within the PRI. Despite a campaign by business leaders, a constitutional amendment defining the limits of state intervention in the economy has not been enacted. One consequence of the pro-business policies of the Salinas administration has been an actual decline in the influence of the business radicals and a resurgence of the moderates, who are more pliable. Mexican rulers have been adept at changing their rhetoric and policies, sometimes by 180 degrees, when political considerations so require. Currently, they view private enterprise as a key partner in their preferred development model. Should the model lose favor or political stability demand policy change, however, the Mexican government is fully capable of canceling businessmen's recent gains.