

College of Saint Benedict and Saint John's University

DigitalCommons@CSB/SJU

---

Honors Theses, 1963-2015

Honors Program

---

1992

## Like a Puff of Marijuana: The Equity Illusion for Mexico Regarding PRONASOL and NAFTA

Margaretha C. Hotz

*College of Saint Benedict/Saint John's University*

Follow this and additional works at: [https://digitalcommons.csbsju.edu/honors\\_theses](https://digitalcommons.csbsju.edu/honors_theses)



Part of the [Arts and Humanities Commons](#)

---

### Recommended Citation

Hotz, Margaretha C., "Like a Puff of Marijuana: The Equity Illusion for Mexico Regarding PRONASOL and NAFTA" (1992). *Honors Theses, 1963-2015*. 783.

[https://digitalcommons.csbsju.edu/honors\\_theses/783](https://digitalcommons.csbsju.edu/honors_theses/783)

Available by permission of the author. Reproduction or retransmission of this material in any form is prohibited without expressed written permission of the author.

**"Like a puff of marijuana":  
The Equity Illusion for Mexico  
regarding PRONASOL and NAFTA**

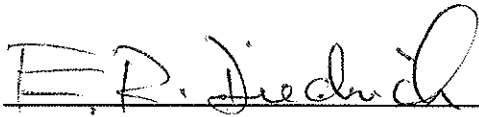
A Thesis  
The Honors Program  
College of St. Benedict  
St. John's University

In Partial Fulfillment  
of the Requirements for the Distinction  
"All College Honors"  
and the Degree Bachelor of Arts  
in the Department of Liberal Studies

By  
Margaretha C. Hotz  
December 1992

PROJECT TITLE: "Like a puff of Marijuana": Equity issues for  
Mexico in PRONASOL and NAFTA

Approved by:



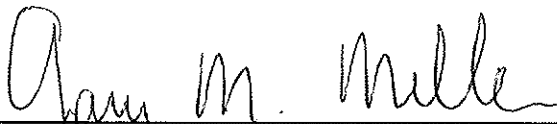
---

Ernest Diedrich  
Associate Professor of Economics



---

Jill Farry  
Chair, Department of Liberal Studies



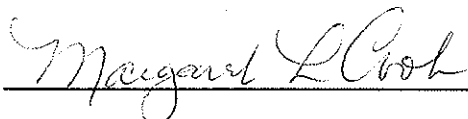
---

Gary Miller  
Associate Professor of History



---

Jill Farry  
Chair, Department of Liberal Studies



---

Margaret Cook  
Director, Honors Program

## TABLE OF CONTENTS

Acknowledgements	6
Preface	7
Introduction	10
Chapter 1: Pronasol and the Mexican Economy	14
Chapter 2: The Politics of PRONASOL	24
Chapter 3: PRONASOL in Mexico's Social and Cultural Integration	32
Chapter 4: NAFTA- Fears, Hopes and Expectations	39
Conclusion	47
Appendix	50
Endnotes	52
Works cited	57
Bibliography	60

I want to thank all the people who have helped me be assertive about the issue of equality. Ernie--thanks for reminding me about being aggressive. From enthymeme to final draft you always said the right things at the right time--how could I stress out about this? You have helped me enjoy it more than I thought I could. Jill--you have always made me think about the implications of what I say and do. My greatest appreciation to you for reading pages and pages of "translated spanish," editing and catching even the most minute details. Gary--You can read right through me. You know how hard it is for me to write about Mexico in this way. Thanks for your support and all the ideas. Roomies--thanks for bearing with me all throughout this process. I will never forget the sleepless nights, the hugs, the hot tea, and the friendships shared with you. Ron--the secret is out. We can talk about it now. Fred--thanks for breaking the ground before me. You don't have to but you do. Mom and Dad, Opi and Omi--Thanks. You taught me how to love Mexico in spite of and not only because of.

## PREFACE

My experience as an International Student here at the College of St. Benedict and St. John's University has given me an opportunity to widen my perspective on world issues. In addition to this, I have been able to experience how Mexico is viewed by my fellow students. I have found both enlightening ideas and misconstrued beliefs. In this thesis I have incorporated theory, fact and opinions that I have come across both by living in Mexico and by studying in the US.

This thesis is about change, about acknowledging problems, about respect and about hope. It is difficult for me as a Mexican to be hard on my country's attempt to rise out of underdevelopment. It is because I am from Mexico, also, that I have had a close look at the poverty that ravishes through those attempts. Equality is essential before Mexico can even dream of national development because a large proportion of the population lives in poverty. Without equity first, NAFTA is a joke; Mexico won't handle it.

To my parents

**"Like a puff of marijuana":**

**The Equity illusion for Mexico**

**regarding PRONASOL and NAFTA**



## INTRODUCTION

Most Latin American countries are publicly committed to following an economic and political process of modernization that is marked by contention, conflict and contradiction. In seeking to achieve modernity <sup>1</sup>, Latin American countries face two unavoidable choices: (a) should emphasis for economic and political change be focused on the local communities or on the national level and (b) should economic growth be given priority over greater equalization of resources among all citizens?

In some developing countries, local political support has been the crucial catalyst in advancing the development of a unified economic nation. For others, a national economic change, such as greater involvement in international trade, stimulated the advancement toward modernity. Both of these approaches reflect on the broader question whether a politically unified nation is necessary before a nation of economic viability can be realized.

Defining what is the best strategy for a Latin American country is difficult considering the complex and unique factors which are the cause of underdevelopment in each nation. Whatever the trend, both politics and economics must be seen as interacting influences which affect society and its path towards modernization.

The academic discipline of developmental economics provides additional understanding of the intersection of the economic, political and social trends which affect a nation like Mexico. Going beyond the insights of traditional economics, developmental economics views developing nations as social systems with

"political, intellectual, and cultural spheres" (Todaro, 15). This holistic approach recognizes both local and national contributions to development, and highlights the choice between economic growth and the achievement of social and economic equity.

Mexico has begun to act at the local level to reach the goal of national development. In 1988, Carlos Salinas de Gortari was elected president of Mexico. Soon after taking office Salinas began PRONASOL, the National Program for Solidarity. The economic strife in Mexico which began with the 1981 currency devaluation called for immediate action to rescue the economy. National debt, sky-rocketing inflation, and a low standard of living were only a few of the challenges that the Mexican people faced in the mid-1980's. PRONASOL was launched to help Mexico out of underdevelopment; it is a program designed to promote economic liberalization, meet the basic needs of the Mexican poor, and strengthen the Mexican economy for free trade with North America.

Although PRONASOL began at the local and individual level, it has affected development nationally. It started with a "Solidarity Pact" between every citizen to control sky-rocketing inflation and resulted in the reduction of inflation to its lowest rate in the decade <sup>2</sup>. The "Solidarity Pact" brought the recovery of savings, investment, production, employment, wages, and progress" (Mexican Agenda, 75). This action at the local level did influence the national economy.

The purpose of this thesis is to evaluate the objectives and accomplishments of this National Program for Solidarity (PRONASOL),

and its goal of achieving economic stability as Mexico prepares for NAFTA. However, power struggles and social skepticism limit the benefits of PRONASOL and thus hamper Mexico's advancement towards development. Ultimately this will affect Mexico's participation in NAFTA.

The most obvious failure of PRONASOL is the continuing existence of economic inequality among the citizens of Mexico. Developmental economics recognizes equality of income distribution as a development goal (Todaro, 22). Equity in the distribution of national income and benefits must be achieved if PRONASOL and NAFTA are to succeed.

Latin America faces many tradeoffs: political versus economic action, local versus national movements, and growth versus equity. Mexico has chosen local economic action through PRONASOL to promote development. Mexico wants growth; the question is how much inequality is it willing to tolerate? Rousseau offers a possible solution to the duality between growth and equity: "the collective constraint on inequalities" (Ignatieff, 115). PRONASOL, as an economic program, has acted through the power of solidarity in attempting to reach both equality and growth though it has fallen short of its attempts due to political and social forces. Given PRONASOL's experience, it appears doubtful that NAFTA will deliver greater equity.

PRONASOL has become part of the Mexican way of life. PRONASOL's popularity comes from its action towards stabilizing the Mexican economy. It is, however, falling short in what it

originally set out to accomplish, which is to help those in greatest need. Chapter one gives a detailed description of PRONASOL, its policies, goals and achievements, followed by a discussion of the failure of PRONASOL to distribute its benefits equally. The poorest are not being helped as much as needed. Chapters two and three explain how political and social characteristics surrounding PRONASOL are what is causing unequal distribution of benefits and the economic negligence of the poor. Finally, after analyzing the limited effectiveness of PRONASOL to promote equality and growth, a similar discussion speculates NAFTA to be ineffective in accomplishing equity and growth for Mexico; NAFTA will likewise fall short of Mexican expectations.

## CHAPTER ONE: PRONASOL AND THE MEXICAN ECONOMY

Mexico's economic crises in the early 80's were the product of a combination of high inflation, large external debt, and falling world oil prices. These factors caused a severe macroeconomic imbalance which further discouraged both internal and external investment in Mexico. This made matters worse for Mexico. A macroeconomic policy was required to correct imbalances in the economy and to enhance economic growth. The National Development Plan (1989-1994) focuses on obtaining growth in all sectors of the country. The objectives of the plan include strengthening Mexican sovereignty, rebuilding democracy to levels that will promote both competition and justice, recovering levels of economic growth using price stability mechanisms, and increasing the standard of living. The program is aimed at improving the efficiency of the economy both micro and macroeconomically (Mexican Agenda, 13).

The current Mexican political administration is focused on the gradual recovery of Mexico, especially in the economic sector<sup>3</sup>. The National Program for Solidarity (PRONASOL) promotes economic growth, social support and political mobility in a similar way that the "Pact of Solidarity" works. It involves everyone's commitment, from government to peasants, in the national goal of development. PRONASOL promotes work at the local level so that national goals can be achieved.

The control of the Mexican inflation rates continues to be a major commitment of the current administration. Mexico needs to

regain the confidence of both its foreign and its domestic investors before it can commit to NAFTA <sup>4</sup>. Mexico must therefore promote the stability of its economy. Before PRONASOL was implemented, earlier economic programs helped stabilize the Mexican economy and were successful.

#### PRE-PRONASOL

The Solidarity Pact, a precursor to PRONASOL, was an innovation of the governmental administration based on a simple agreement--a commitment triangle between labor, businesses, and the government (Grayson, 110), not to increase the price of labor, nor the price of consumer goods in order to have a long term effect of slowing down the rate of the inflation spiral. Labor agreed to a fixed wage, businesses promised to keep prices fixed, and consumer's purchasing power was kept constant so that consumers would respond with less demand for higher wages. This way, the inflation spiral was controlled. This complex agreement was carried out under the strict supervision of the government, which took the responsibility of providing subsidies where necessary. The same principles are still being applied by the administration to maintain the gained stability; the program is scheduled to be in effect until 1994.

In 1987, the Solidarity Pact was replaced by the Pact for Stability and Economic Growth (PECE). Like the Solidarity Pact, PECE was designed to stabilize high inflation rates by limiting price and wage increases. PECE, however, reaches deeper into the

problems that dampen Mexico's economic growth. It is aimed at strengthening public finances, creating an exchange rate which is relatively stable and promoting monetary discipline. Its main objective is to wipe away uncertainty from the money market. One way that uncertainty was tackled was by allowing the currency to depreciate one peso a day. As a result, the inflation rate fell from 160% in 1987 to 20% in 1989 under the Solidarity Pact. PECE has maintained inflation rate relatively stable (Mexican Agenda, 74) 2 .

The economic growth for 1990 was 3.9%. This is significant when considering that it surpassed the population growth rate for that year (Mexican Agenda, 72). The relationship shows that PECE contributed to economic growth by increasing individual purchasing power. Reinvestment, in turn, promoted economic growth. This program was so successful that the agreement was extended (Mexican Agenda, 75).

It was from the Solidarity Pact framework that PRONASOL was constructed. PRONASOL is a larger policy than the Pact and contains many more subdivisions because it goes beyond currency control.

#### PRONASOL

PRONASOL is, in summary, the central thrust to all of the government's current policies and actions toward reform in Mexico. The program began as a system that provided social and economic support to people living in conditions of poverty in order to

incorporate citizens into the process for economic development. To accomplish this, the government invests large sums of money into public works programs that are set up and organized by local communities using volunteer work forces. Materials are partly donated, and partly funded by the government. "In 1989,...[the] government spent 3.8 billion dollars in the nation's rural villages and urban slums"; a budget of 330 million dollars is expected for 1992 (Kliest, 3). These figures not only show a decrease in the amount of government spending in PRONASOL, but also a decrease in expenditure as percentages of the government expenditure<sup>5</sup>.

The government has budgeted large sums of money for PRONASOL in the past. The Solidarity Program, however, is beginning to run by itself because of volunteer work and donations. This is good for the government's pocket because it does not have to rely on financing by printing more money, by increasing public expenditure or by debt funding. These methods would be detrimental to the economy. Funding, on the other hand, comes from "divesture of public enterprises, federal, state and municipal contributions, and resources provided by beneficiary communities" (Mexican Agenda, 101). This method of funding is also significant because of popular involvement in the process of solidarity. From state to community, everyone is expected to participate. This kind of participation enables the local community to provide itself with basic needs specific to the community, with a relatively small involvement by the state. Furthermore, this method is valuable because it enhances the proper use of resources provided by



Solidarity and because it places trust in the communities to monitor these resources.

There are three subdivisions in PRONASOL: Solidarity for Social Well Being, Solidarity for Production, and Solidarity for Regional Development. Solidarity for Social Well Being tackles the issues of basic needs such as health care, education, food, drinking water, basic consumer goods, electrification, sewage, roads... The list is endless. Solidarity for Production centers its work on increasing primary and secondary production yields. Solidarity for Regional Development emphasizes the good utilization of the resources available to a community and supports long term modernization/industrialization projects.

#### Solidarity for Social Well Being

The first of the three subdivisions of PRONASOL is Solidarity for Social Well Being. These projects are based on individual community needs, community involvement and community creativity. Its success depends largely on the response of the communities. From large projects such as setting up rural health clinics, building schools, paving streets, planning sewage systems and bringing electricity and drinking water to extreme rural areas, to smaller scale projects such as local food shelves, scholarship funding, and day care, the program has been a success. These services would not be made available to these people otherwise. There is pride in the accomplishments and there are also hopes for future projects, which explains the large rise in the expected

PRONASOL budget for 1992.

According to Development Economic Theory, Solidarity for Social Well-Being not only provides the basic needs of Mexican people and raises the standard of living, but also has the potential to create jobs and encourage the rural setting. It thus prevents urbanization. Urbanization is a problem that has menaced Mexico, as well as most of Latin America, for at least three decades. Both urbanization and unemployment are tackled with this program because at the same time that it makes living in rural areas more comfortable, it also achieves the main goal of Solidarity--incorporating a large proportion of the population into the process of economic development.

#### Solidarity for Production

The second subdivision of PRONASOL, Solidarity for Production, focuses on help to increase primary and secondary production yields. An increase in production yields is especially necessary in rural areas and among the campesino/Indian communities. Communities receive support when they show a potential for growth and for an establishment of good yields by showing their previous yield records and proof of their ownership of the land. Specific emphasis is given to agriculture: moving beyond subsistence farming and changing production to other value-added crops/production such as "coffee cultivation, small scale mining, river fisheries, aquaculture" (Mexican Agenda, 106) and cattle grazing. If programs fail, due to frost in a coffee plantation

for example, Solidarity continues to support the community so that future production yields will be high. The shock of failure is absorbed by Solidarity and not directly by the community itself.

Solidarity for Production also helps Indian communities set up markets for their craft-work. In this way, Indian communities are incorporated into the Mexican economy because they have income-yielding production jobs.

Indian and rural/isolated communities benefit from PRONASOL in more ways than through the market. When they have a production job, they also receive benefits such as housing credits (Mexican Agenda, 106). Education and health programs reach out to rural areas with vaccination and parasite control programs, and adult literacy education. Solidarity for Production works together with Solidarity for Social Well Being. They are therefore not only a source for jobs, but also programs that increases family income and basic living standards.

#### Solidarity for Regional Development

The third subdivision of PRONASOL, Solidarity for Regional Development is, in my opinion, the most interesting program available. This program promotes the better use of available resources in areas and communities with major deficiencies. In rural areas where there is a high productive potential--but the resources available to exploit that potential are lacking--education, creativity, tradition and modernization come together to create a productive program. It is here where hesitance to change,

a major constraint for economic development, is tackled. By incorporating the creative use of available resources, the community does not need to be exposed immediately to highly modernized equipment in order to increase productivity. The modernization process is given time to evolve while productivity remains high and education is made available to communities. The community is allowed to partake in the national development process at a comfortable pace.

Solidarity for Regional Development encourages communities to become personally involved in the social, political and economic benefits of the national PRONASOL project. These benefits include job generation and enhanced production (economic), respect for the people and their traditions as well as acknowledgement of their necessities (social), and overall trust that the communities can operate on their own (political).

The structure of PRONASOL is set up so that all of these benefits can be considered possible and can be incorporated concretely into the National Agenda (See Appendix). This assumes, of course, that everything runs smoothly and that the benefits are shared equitably. However, PRONASOL has also provoked opposition and skepticism as to whether the program actually benefits those it plans to.

The economic benefits of PRONASOL have been ambiguous and questionable. PRONASOL helps the government save money because it does not have to pay for the labor costs and cuts through the bureaucracies that would otherwise be necessary for public works

programs. Economic development may be occurring but poverty is not being tackled as aggressively as needed. So far "14,000 kilometers of roads have been built... 8 million people have received [access to] drinking water, 20,000 schools have been built or enlarged... in Mexico City [alone] half a million people [have] received electricity" (Farquharson, 32), but rather, poverty appears to be increasing. A study performed by the National Autonomous University reported the number of people at the "extreme poverty" level rise from 18 up to 20 million, and also of those at the "poverty" level rise from 51 up to 55 million people (Farquharson, 34) since the beginning of PRONASOL.

The economic policy of PRONASOL has not promoted the economic growth that Mexico needs and is particularly responsible for a continued inequality in income distribution. It was designed to generate employment and elevate income, but this has not occurred everywhere, which goes against the solidarity theme--"all participate, all benefit." The explanation of the inadequacy of the program and the source for its inequality is that "the policy tends toward efficiency at the expense of redistribution" (Dresser, 36). PRONASOL therefore avoids some of the populations that are in the direst need but that cannot prove their potential for efficiency. PRONASOL's promise to respond to the "most deeply felt needs of the people" (Dresser, 35) is falling short.

Where is all the money going? Many believe that it is getting caught up in higher income levels rather than being directed towards those in dire need. In Michoacan, Solidarity funds for

farmers were cut so only 50% of the farmers in need were reached. In the mean time, also in Michoacan, 117 million pesos were being invested to restore a theater--a job that "required" installing marble floors. Raymundo Juarez Tapia, a spokesman for Michoacan, puts into words what many believe is true: "Solidarity is an illusion, like a puff of marijuana" (Farquharson, 34). Mexican president, Salinas, says that Solidarity needs to direct public funding in order to provide "small solutions to big problems." However, it is a program that offers a partial, and selective, solution to larger problems, problems that attack more people than those it is helping. Solidarity funds are thus "partially effective...[and] given the extent of the poverty of Mexico, they are also insufficient" (Dresser, 35).

On the other hand, the funds are insufficient to alleviate the poverty because so much is being lost in the midst of political hierarchy and in the political nature of PRONASOL. Although PRONASOL deals with the process of Mexican economic change, it is also inevitable that changes will occur in the social and, particularly, in the political arena. The chapter that follows describes the political nature and political implications of PRONASOL. It deals with the issues of equality, political legitimacy and overall credibility of PRONASOL. All these issues are then incorporated into a discussion of national and international concerns.

## CHAPTER TWO: The Politics of PRONASOL

Mexico, like most countries facing modernization, has to deal with controversial political and economic issues. Change in one causes change in the other (Rubio, 89). The question is, which should come first? Through PRONASOL, it is clear that Mexico has opted for the economic route and is letting politics follow. What is happening, however, is that traditional Mexican politics is becoming a barrier to PRONASOL goals. A political transformation is necessary before PRONASOL can be an agent for modernization.

Political changes, especially during a period of economic growth, have a strong effect on the political structures of a nation both locally and nationally. Industrialization has the effect of promoting economic development and changing social class structures by affecting the economic bases of the people. Dominant classes may find themselves threatened by the breakdown of social class structure and by the mobilization of the masses. If such economic changes occur, a country's politics are bound to be affected. John Gurley explains the political implications of economic programs like PRONASOL which focus on obtaining economic development:

A thorough-going program of economic development, which is spread widely and reaches deeply into the structure of the society, is a dangerous thing to ruling classes. Such a programme awakens people, and it is often best that they doze; it mobilizes people for gigantic economic efforts and such organization can be turned into political subversion; it sweeps illusions, but may open their eyes to the causes of their own depression.

(Gurley, 456)

The efforts through PRONASOL to modernize Mexico may therefore prove disrupting to the national political hierarchy. It may bring about opposition from the ruling classes as well as increase chances for community insurrection.

Awareness and mobilization occur because of the access to community power that PRONASOL offers. "The solidarity program aims to cut through bureaucracy and to cut out corruption by working with municipal councils" ("Salt of the Earth," 48). PRONASOL encourages local communities to work together, elect their own representatives and participate in the national struggle towards economic development. This kind of mobility (a participation that they did not have before PRONASOL) affects the political structure of the nation. Political mobility has both positive and negative effects. Participation is always good because of the awareness and the political legitimacy that it brings. Organized opposition, however, counteracts legitimacy and can create barriers for programs such as PRONASOL.

In the case of Mexico, the question of political legitimacy is a major one<sup>6</sup>. This is especially true for the legitimacy of the presidential figure. President Salinas took office amid national political and economic chaos. His first step as president was to take immediate control of the shaken economy and to restore some order to what former presidents Lopez Portillo and De La Madrid had left. This demonstrated his leadership skills. PRONASOL has made Salinas a famous patriarch and provider to his nation. His political legitimacy has been restored through efforts in



rebuilding and restructuring the political structure of Mexico's government. Most of his power, however, comes from the socio-political heritage of Mexico.

The Mexican people have been a subordinated nation throughout history. Authoritarianism is tightly bonded to the structure of society. Authoritarianism was part of the ancient Aztec political system and the socio-political impact of the Spanish conquest. Early political and authoritarian figures of "caudillismo" and "caciquismo"<sup>7</sup> led the nation to insurrection and to the Revolution. Authoritarianism is still present in today's Mexican family structure.

The parent-child authoritarian relationship is extended to the work-place and is also inherent in political parties. At the top of the hierarchy, the president becomes the ultimate patriarchal authoritarian figure (Rubio, 97). Mexicans have a conflicting necessity for both an authoritarian fatherly figure and freedom in democracy. This need, in turn, creates an ambivalence that continually affects the political arena.

During the three years since Salinas took office, his popularity has increased immensely. Mid-term election polls indicate an increase in popularity from 50.7% to 61.5% ("Free Market Mexico," 21). Some think of him as a year-round Santa Claus and provider to the nation ("Salt of the Earth," 48). Those who have benefited directly from PRONASOL are especially fond of him<sup>8</sup>.

Overall, the majority of those who are politically active applaud Salinas' determination to push Mexico towards an economy

comparable to those of many other countries in the "modern world." However, ambivalence is still present: "what Mexicans want [is] not just economic prosperity, but political freedom as well" ("Free Market Mexico," 21), and yet, "many critics see a contradiction between the emphasis on democracy and the close association between Solidarity and the President" (Farquharson, 34). Mexicans have a need for both democracy and paternalism, but having them both causes opposition.

PRONASOL promotes democracy and the liberalization of Mexican politics because it decentralizes economic decisions. However, there is considerable opposition and a lack of credibility in Salinas' intentions: "the opposition sees Solidarity as little more than a smart way of getting political mileage out of government social spending" ("Salt of the Earth", 48), and as "an unfair way of obtaining an advantage in elections" (Waller, 4). Elections have a history of fraud which makes matters worse. People haven't forgotten the riots and multiple demonstrations in early 1988 after Salinas' "election" to the presidency and Cardenas' loss. Because of the strong opposition, no matter how transparently the mid-term elections were carried out in 1991, Mexican credibility in the electoral system remains low (Carlesen, 40).

An additional issue is the selective aid given through PRONASOL around the country. Rumor has it that only those communities which are political supporters of the ruling political party (PRI) are offered subsidies. It is also argued that PRONASOL

"serves to restructure local and regional PRI elites and establish a greater degree of centralized control over them" (Dresser, 36) which is the opposite to the original intention of the program. Therefore, authoritarian social structures that were already present are reinforced by PRONASOL instead of allowing the masses to mobilize and participate politically. If this is true, then PRONASOL propaganda is fooling all of us and Mexican corruption is persisting: the money that PRONASOL churns out never reaches the hands of the needy populations because it is filtered first through the elites within "traditional power structures."

Another point of view critical of PRONASOL politics argues that Salinas is using PRONASOL to quiet the opposition indirectly (Cardenas' PRD). For the government, PRONASOL is a way of knowing where the opposition is and then quiet them by co-option. PRONASOL meets the areas' economic wants and convinces people to join PRI politically in the common goal of national economic development. This policy has been essential both to Salinas' continued authoritarian rule and to his increased popularity. One example of this is the case of Morelos. The state of Morelos has exercised electoral opposition to Salinas and to the PRI. In this state, "federal investment via PRONASOL increased 50 percent" (Dresser, 36). Co-option has proven very effective in the maintenance of the PRI's power amid decades of economic and political crises--except that in this case it has taken the name of Solidarity.

Political legitimacy has been established because of the apparent decentralization of political action that PRONASOL

provides nationwide. Salinas and his administration have planned PRONASOL to be a mechanism to promote political liberalization because it promotes political (as well as economic) participation. PRONASOL shows the "adaptability, [and] not [the] rigidity, [which] has been at the root of Mexico's political stability, including the extraordinary continuity of its electoral process" (Cornelius, 19). One could argue that it is the peoples subordination to the authoritarian government which is making them a flexible, quiet and a politically "stable" country.

The political process of PRONASOL shows how, by promoting political liberalization, a stronger authoritarian rule is established. The paternalism-democracy ambivalence is maintained. Those analyzing this political reform offer two opposing interpretations, one which promotes and restores the current authoritarian status of the PRI administration; and the other, which dismantles authoritarian power. According to the first interpretation, the reform stabilizes the regime by

"restoring the effectiveness of the PRI and the whole system of political parties and elections as a vehicle for legitimization, and preventing challenges to the PRI's monopoly of power at the national and state governmental levels"

(Cornelius, 16).

The second interpretation asserts that the reform affects the polity in the opposite way because it

"dismantles the public sector of the economy, severely limiting the powers of the presidency, slashing governmental spending and attacking corruption and inefficiency of the government...[thus] attacking and weakening authoritarian power"

(Cornelius, 16).

In the end one of the two forces will predominate. The people

will either give most of the power to the authoritarian presidential figure or the presidential power will be limited thus giving power to the people<sup>9</sup>. The Mexican Agenda (1991) gives a detailed description of the process of decentralization of political and economic power that PRONASOL will provide for Mexico. Salinas states, "my administration will offer a response to... citizens' demands for pluralism and effective participation" (Mexican Agenda, 54). In reality what is happening is that instead of limiting the power of the presidency, his speeches and government propaganda promote and legitimate the PRI and Salinas' authoritarian power in Mexico.

With co-option there can neither be authentic political competition nor the political pluralism that Salinas speaks of. The PRI's advantage is there, and it is strengthened even further by PRONASOL. The politically active sectors of the population are quietly incorporated into the PRI as their economic needs are met by PRONASOL. Funds are filtered to the middle class and the elite, however, so the economic development program does not "reach deeply into the structure of Society" (Gurley, 456). Co-option limits the decentralized political participation of the masses. The outcome is political stability.

A greater concern is economic development because politics limits economic help to areas where funds are available (that is, areas that are politically harmonized with the central government); unequal distribution of national economic responsibility and wealth result.

Salinas states that "modernization means giving direction and depth to change. Direction that will allow us to meet our national objectives of sovereignty, justice, democracy and freedom. Depth so that we can reach the basic structures of society and change our daily conduct by adapting them to a new political culture" (Mexican Agenda, 68). What Salinas and his administration need to decide is to what extent they are willing to sacrifice their political stand in order to promote modernization and economic development at the national level that includes everyone and attends to the economic and political necessities of all Mexicans. Flexibility has been their motto; it is now time for them to show how flexible they can really be.

A further question deriving from the authoritarian experience is what will happen to Mexico, and PRONASOL, after Salinas' presidential term has been completed. If Salinas is the Santa Claus, will there still be a Christmas after he is gone?

In the next chapter I will discuss the impact that PRONASOL has had on the national social integration of Mexico. Perhaps if all Mexicans join in "collective constraint on inequalities" (Ignatieff, 115) to promote equitable participation in PRONASOL and in Mexico's economic development, then PRONASOL might survive the election of a new president whether the president is a member of the PRI or a member of one of the opposition parties.

## CHAPTER THREE: PRONASOL in Mexico's Social and Cultural Integration

"Nationalism and justice. This is the sum and substance of Mexico's modernization. This is the way it must be, because modernization without nationalistic purpose becomes disoriented and disappears, and without being for the people it is contradictory and becomes naught." Carlos Salinas de Gortari.

Before a country can be united for economic growth and political democracy it should be united sociologically. Before a "collective constraint on inequalities" can work, and before action is taken for the nationalistic purpose, a sense of unifying nationalism must be promoted. PRONASOL, as a promoter of solidarity, attempts to integrate Mexico, with the philosophy that working as a nation, together, national goals can be met. Unifying Mexico is a hard task due to its ethnic diversity and contradictions between traditional vs modern movements; unification is harder still due to hate and greed among Mexicans making cooperation and equity difficult.

PRONASOL promises everyone a taste from the fruits of modernization, nationalism and justice. Building nationalism, sovereignty, belonging and justice, is, however, a major task in a country that is divided by social, economic, and political barriers as Mexico is. The discussion of political and economic structures of the Mexican population in the previous chapters printed out the authoritarianism and unequal distribution of income that are manifested throughout the country. Socially, Mexican personality traits make it hard for them to work together in solidarity<sup>10</sup>. According to Octavio Paz, a Mexican's worst enemy is another

Mexican because of the interior inferiority that every Mexican feels; inferiority is part of the Mexican heritage. This inferiority complex commonly submits to authoritarian rule. Most of the time it is manifested as a reaction-formation mask of competition and superiority. Competition of this kind is a barrier to organization stemming from solidarity. A good example of this is the Mexican Revolution<sup>11</sup>, when the mask of superiority was a barrier to national organization towards a common goal. Leaders fought against each other, rather than together, to overcome the government. Octavio Paz writes to Mexicans so that they may learn to accept and to be truly Mexican. This way, they can let go of the masks because they will have come to terms with their inferiority complexes; Mexicans will be able to work together.

Patriotism alone does not promote the kind of nationalism that Mexico needs because it only enhances the masks. Building nationalism involves an enormous process of awakening. The awakening must first bring every Mexican to understand the positive and the negative aspects of the individual, and then work its way up to the national level. This requires massive education and communication. It involves promoting Mexicans to work together in solidarity for common national goals, and not in hate and greed. Octavio Paz contributes to the communication and education of Mexican people and through his writings he gives Mexicans a model. Hate and greed, in Paz's view, are two major contributors to Mexican "backwardness." For PRONASOL to work, Mexican nationalism needs to be discovered and promoted positively so that neighborhood



organization for community action can take place. This way modernization, at the national level, can be made possible.

One of the main goals of PRONASOL is to promote the well being of all Mexicans. Equity in the responsibility and equity in the share of advantages are a must. Everyone participates; everyone benefits. The voices of the plural cultural and ethnic background of Mexico need to be taken into consideration. Beyond economics, where income and standard of living separate lifestyles, what separates the lifestyles of Mexicans is the variety of cultures, values and needs. In the midst of a national goal to promote modernization and national well-being for all peoples the voice of every Mexican needs to be heard and respected.

Respect is a key word here. Without respect for each other there cannot be social justice, democracy, and a sense of sovereignty--nor can there be solidarity. PRONASOL, according to Salinas<sup>12</sup>, promotes respect for every Mexican. Individual communities come up with their own participation in Solidarity programs and therefore attend to the issues that are most urgent to them. Even the most rural of communities will be respected. Some of these rural communities have their own ethnicity, and yet they are respected for their participation in PRONASOL and their contribution, however small, to the process of national modernization (Zaragoza, 13).

Modernization that respects the individual needs of a community is important to what PRONASOL is trying to accomplish. Some communities, because of their traditional nature, will have a

hard time adjusting to rapid modernization. In an extremely rural community where agricultural technology is out of reach (because of the lack of economic funds in the area or because of its isolation) the poor campesino who is used to plowing with his animals is faced for the first time with a tractor<sup>13</sup>. If the community is not prepared to withstand this jump in modernization from plow to tractor, then the modernization projects that make agriculture in these areas more efficient will not work. Eventually, when the tractor breaks down or runs out of gasoline, for example, the poor campesino will return to the old reliable method of plowing.

The community can not only receive tractors; it needs to have gas stations, mechanics, and technicians who are willing to teach the campesino all that he or she needs to know about tractors. Education must be provided, but all at a pace the people can withstand. A crash course in tractor mechanics will not be sufficient; you first need to teach people how to read and write. PRONASOL is useful because it provides the opportunity for communities to develop at their own pace; they decide what they need most and what they are willing to work for. Their pace, however, may not be compatible to what the country needs for effective competition; Mexico won't be ready for international free trade under NAFTA.

PRONASOL's mechanism of funding is meant to encourage communities to participate in a faster pace of modernization. Funding is provided to communities "no questions asked" so they feel more comfortable participating with PRONASOL in national

modernization. Many poor campesinos have been provided "credit by word" ("Integracion y Cooperacion," 61). This form of credit "depends on friends and neighbors to ensure the borrower is not forced to default" (Latin America's Economic Reforms, 24), and has two purposes. The first provides credit equitably to all those who need it, especially the poor campesinos who would otherwise have no other way of obtaining credit and no resources with which to participate in modernization<sup>13</sup>. The second purpose of giving out credit in this way is to develop a sense of trust. By giving out credit, not only do the government and the banks show that they trust the Mexican people, but the people themselves feel they have more control over their situation. It is up to them to make it better; this lifts their morale and whole sense of self-trust. PRONASOL for Social Well-Being helps break the masks of hate and greed because, for PRONASOL to work, one person needs to trust the other. Eventually, in solidarity, people will work together.

Once you have established a community in which people feel comfortable with themselves and with others, they can cooperate in participating for community action and a sense of ownership develops. Poor communities begin to take interest in community problems and in helping out because they now have solidarity with each other. They also have communication, and as discussed earlier, some degree of political involvement and mobilization. All of this combined brings about social change (Rainwater, 35).

The roles of communications and media are very important to construct nationalism and to promote positive feelings about

PRONASOL throughout the whole nation. A national publicity program has been set up for this purpose<sup>14</sup>. The catchy publicity campaign has reached every corner of the country; even the most rural of communities have heard it. In addition to promoting PRONASOL, the media has expanded publicity promoting Mexican heritage and history.

The media has an important role in promoting the future expectations of Mexico as it becomes involved in NAFTA (Vazquez, 11). The country has been bombarded with exhilarating and motivating advertising that mentions quality in production and services, and overall trust in Mexico's involvement with the US and Canada in NAFTA. The media is trying build up a stronger, more united Mexico that will withstand the impact that NAFTA will have on Mexico.

The media has also taken part in promoting the necessity for respect in Mexico and in acknowledging the ethnic richness of Mexico (Vazquez, 10). Respecting the great variety of cultural and ethnic backgrounds of Mexicans gives rise to a national sense of pride in its richness and an overall sense of nationalism. Even though respect acknowledges the differences and the similarities between Mexicans, it also places everyone at the same level so that the "inferiorities" that Paz talks about do not diminish attempts for organization in solidarity. By banishing those feelings of inferiority and promoting Mexican pride, the hate and greed that Octavio Paz refers to are lessened. Another Mexican shall no longer be seen as an enemy to one, but rather as a helping hand in

a common goal for progress ("Documentos")<sup>15</sup>.

PRONASOL is beginning the hard task of building and rebuilding Mexico by creating bonds between the heritage, history, and the future. "Mexicans cling to images... [that] embody permanence. However, as a counterbalance...Mexicans search for ways to modernize our country and to open it to the future" (Paz, 42). PRONASOL attempts at modernization at the same time that it is strengthening the images that are immutable and necessary to the Mexican identity. However, social change for a more competitive and hearty Mexico also needs to value equity and care for the needs of the poorest. The process will be a long one, probably too long with respect to the expectations of NAFTA.

As NAFTA becomes more of a possibility in Mexico's future, Mexico needs to rely on the strength that PRONASOL brings to it economically, but more importantly socially and politically (a social, political and economically stabilized country is a country that is appealing to investors and to trade). In the next chapter, NAFTA's effect on Mexico socially, politically and economically is discussed. The question of whether PRONASOL can take care of such an enormous task in preparing Mexico for NAFTA is brought up. The final issue is whether PRONASOL can claim to provide equitable and just participation for all Mexicans, and whether the impact of NAFTA, the benefits and the losses, will be distributed equitably.

## CHAPTER FOUR: NAFTA- Fears, Hopes and Expectations

Mexico, Canada and the United States are going beyond the economic boundaries set by the General Agreement on Trade and Tariffs (GATT); they are about to commit themselves to building a free trade zone among them. The North American Free Trade Agreement (NAFTA), still in its negotiation stages, will create the largest free trade area in the world (Robledo, 14)<sup>16</sup> and a powerful base for trade with Europe and Japan. For Mexico, becoming a member of NAFTA not only involves having efficient and competitive internal market structures; it also requires Mexico to be politically and economically stable. Overall, NAFTA requires Mexico it to become a stronger nation as a whole.

We have seen how, in theory, PRONASOL can achieve the task of creating a stronger, united nation. The modernization process Mexico is undergoing can be beneficial, and Mexicans must have faith in what they are doing to prepare for NAFTA<sup>17</sup>. Likewise, after NAFTA begins to operate, Mexicans will benefit. Many cracks in the social, political and economic system, however, make equity hard to achieve.

NAFTA is a huge step for Mexico in terms of the world market economy, and it is a step that, internally, can cause damage if NAFTA's outcome is not spread equitably among all Mexicans. It has been two years since Salinas initiated the negotiation process towards NAFTA, showing Mexico's interest in becoming part of the agreement. Mexico, like Canada and the US, has a lot at stake;

the benefits and dangers must be carefully analyzed.

Benefits, that proponents like Henry Kissinger say will result from the Agreement, are many. Benefits include increased output and production; the most important benefit is Mexico's opportunity to obtain international recognition. NAFTA binds Mexico to one of the most important centers of the world market economy, giving Mexico access to it. Producing for more people in a larger market allows for Mexican companies to benefit from foreign investment as well as more cost-efficient production. A company under such circumstances may be able to provide more jobs in the long run.

Engaging in free trade also permits Mexico to specialize its production in the areas that it has a comparative advantage. Consumers in all three countries will have more variety to choose from. Products will be of a better quality and probably cheaper because the country that produces the product most cheaply will export it<sup>18</sup>.

Many people, including Salinas, believe that with the world market structure as it is developing, free trade is inevitable and essential before Mexico can emerge from underdevelopment (Salinas, 19). Henry Kissinger, agreeing with Salinas, supports NAFTA as Mexico's ticket to becoming "the first country that, within a time span of only a few decades, will have leaped out of underdevelopment" (Robledo, 14). Mexico would develop enough to be recognized internationally and become integrated within the "exclusive group of the seven richest countries in the world" (Gazol, 12). This is a source for national pride for all Mexicans;

it is also the source of inspiration for other developing countries.

The free trade agreement will also provide a level of security and certitude for Mexico. A document that states clearly what is required--so that each country will respect the sovereignty of the other two, makes Mexico particularly comfortable. The document, for example, will insure toxic waste will not be dumped on Mexican soil and cheap labor will not be exploited, as is the case at present in many maquiladoras. If these major concerns are not addressed properly, NAFTA will definitely be a disadvantage for Mexico because it will be exploited for its cheap labor and for the plentiful oil and natural resources that Canada and the US want.

It is important to note how different NAFTA is from the General Agreement on Trade and Tariffs (GATT). The major difference between these is a matter of politics rather than economics. The name itself explains the difference. NAFTA, when read in its Spanish version (Tratado de Libre Comercio), brings out its identity as a treaty not just as an agreement. A treaty is the main origin of obligations between states and acts judicially such that it may, and may not, affect the internal legislation of a given country. The document therefore negotiates among the laws of all three countries to find the compromises. NAFTA, therefore, becomes a political discussion for all three countries. Examples include legislation on environmental policies, labor laws and banking. The petrochemical industry is one of the areas that has been negotiated intensely because it is also controlled by Mexican



law.

Mexico's petrochemical industry has been a key topic for NAFTA negotiation ever since negotiations began. The major barrier is Mexico's Constitution which protects the petrochemical industry by keeping it nationalized. Negotiations with the US have shown interest in opening the petrochemical market for foreign investment and control. Changing the petrochemical clause in the Mexican constitution would reduce pride Mexicans feel about having complete control over and ownership of the Mexican petrochemical industry. What resulted from NAFTA negotiations are five ways in which Mexico will not open its Petrochemical industry to Free Trade<sup>19</sup>.

The petrochemical industry within NAFTA is a major concern for Mexico as are the environment, respect for Mexican workers, and media bombardment. These issues have been discussed in the NAFTA negotiation stages as legal matters. Two years of negotiations have resulted in a document of 400 pages that will be submitted for further polishing and signing by the end of the year. This document, Salinas is proud to say, has been "strictly adjusted to the mandates of our constitution... in particular in maintaining the control of oil in the hands of the Mexicans" ("Concluye la Negociacion del TLC," 59). As soon as the full document is ratified, NAFTA will be put into effect.

Another major concern for Mexico addressed in the NAFTA document is the difference in levels of development between Mexico, Canada and the US. A clever mechanism for partial opening to free trade has been developed by the negotiation team in order to

account for the differences in development of the countries<sup>20</sup>. The procedure involves starting off with 70% of Mexican exports remaining free immediately as the agreement is put into effect. At the same time, only 40% of US and Canada exports are free to enter Mexico. Within a time period of fifteen years trade at all levels of production will be opened to free trade within North America.

According to the NAFTA document, fifteen years should be enough time for Mexico to be fully capable to compete with the US and Canada and have a "fair" and "equitable" shot at free trade. Internally, however, there is a question about how all of this works. The tendency is to think of Free Trade as linked to helping Mexico's poorest. Within that time span of fifteen years, and afterwards, when free trade is in effect there will be an economic trend that should create more jobs, better wages and more investment. Once having that, Salinas says, the country can turn to help "those who have less" ("Concluye la Negociacion del TLC," 60). But will "those who have less" be competed out of existence by the time those fifteen years have gone by? Or will they be so deep within their downward spiraling poverty that helping them out of it would be a nearly impossible task.

According to Salinas, it will take time for the benefits of the Free Trade Agreement to reach everyone. Equal distribution of the benefits of NAFTA will not only take time; but it will also need to trickle down through layers and layers of political and social "red tape" to eventually reach the poorest. Salinas states that all will share the benefits of NAFTA (Salinas, 59), but

if PRONASOL continues to fail to help the poor now, as has already been discussed, fifteen more years will prove detrimental. If PRONASOL fails to keep its promise to deliver to the poorest and those in need, chances are that NAFTA will not benefit "those who have less" either.

Free trade is none the less a good option for Mexico. It is also an option that Mexico cannot, because of world forces toward modernization, put aside for a while until it is ready for it. By the time it is ready, world markets and especially the markets in Europe and Japan will be too strong and competitive for Mexico to be considered as strong competition. This period of fifteen years is a time for Mexico to modernize at a rapid rate no matter what the cost. PRONASOL is doing what it can, but so far it is falling short in providing an equitable scheme for modernization.

In spite of its advantages, the Free Trade Agreement brings about fears among the general Mexican population that are not necessarily economic and political in nature. The NAFTA document deals with the economic fears, and because it has been structured in such a way that it respects the sovereignty of each member, it also deals somewhat with the political nature of those fears. For Mexico, however, cultural "invasion" by the United States has people worried that the Mexican culture, like that of the American Indians, will be pushed away and imposed upon by the American culture (TLC, 11). This "anti-yanqui" feeling has been strong for many decades and may create barriers for effective free trade (Quemain, 61).

Two things must be done to get rid of anti-yanquism. One is to promote confidence in the Mexican population that the Mexican culture and people are strong enough to withstand the invasion of the American media and products. The second, and equally important, is to teach the American and Canadian people about the beauty of the Mexican culture, and that cultures cannot be measured on the same scale as the economic factors. The United States may have a strong economy compared to Mexico, but its culture cannot be compared to the Mexican one. After establishing that there is no such thing as a better culture<sup>21</sup>, negotiations in all aspects--economic, political and social--will be more successful and relations between countries better.

NAFTA is a good option for all three of its members. It will strengthen the economies of each. It will make the area strong and competitive for trade with other important trade blocks such as Europe, Japan and Asia. It will also improve relations among all three countries. The negotiation stages and the resulting document have shown that good relations are possible. So far negotiation predicts good outcomes for all three economies. In five years neither Salinas nor Bush, who have been promoting Free Trade, will be in office. Nonetheless the improved relations and NAFTA as a legal document, once ratified, will become permanent in nature and will withstand generations of governmental and political changes. In the mean time, however, many changes within each country must take place to make sure that the benefits of NAFTA are distributed equitably. This involves education, awareness, respect and

organization. NAFTA will affect us all, and it is here; it is up to us to participate in promoting equity.

**CONCLUSION:**

PRONASOL and NAFTA are two means by which Mexico can build itself into a strong and respected nation. When PRONASOL began, Mexicans eyes it with skepticism. Now PRONASOL has become a Mexican way of life. Its popularity comes from its results in controlling inflation during the eighties. PRONASOL has also promoted economic growth by providing social and economic support to its citizens and by raising living standards in many poor areas. PRONASOL creates jobs, promotes the better use of available resources in areas where there are major deficiencies, and enhances production without large increases in government spending. However, only one out of six persons have benefited from PRONASOL since it was put into action ("Solidaridad," 16). This figure shows that there are major deficiencies in the program, especially in the poorest areas. PRONASOL is falling short in what it originally set out to accomplish, which is to help those in greatest need.

Politics has much to do with limiting the amount of funds that get to the poorest and the needy. Patriarchy and methods of co-option, although they enhance the legitimacy of the political structure and promote political stability for Mexico, are damaging the purpose of PRONASOL. Those who are being affected as result of the political structure are the poorest, who are not usually heavily involved in any kind of political activity. Is not helping them get out of their poverty a way of keeping them politically inactive? Maybe. But selective aid is criminal, and also

detrimental to Mexico's political and economic structures. Eventually the masses will recognize that they are being suppressed and that aid is being limited. PRONASOL should not be a means of quieting the opposition nor reinforcing an already set political structure. Solidarity binds community consciousness and community action; all should benefit equally.

Politics must stay out of PRONASOL as much as possible. If it doesn't, at least the political structures should change in order to "reaffirm its [Mexico] political stand in terms of its definition of social liberalism... [with an] emphasis on... freedom and social justice" (Silverstein). Social liberalism allows people to become more involved politically than the present system allows. Political reform is underway<sup>22</sup>; it may take too long to affect PRONASOL, but at least it is a start.

Solidarity has the power to unite. Through PRONASOL Mexicans have learned to work with each other towards national goals of economic development. PRONASOL has also promoted nationalism through education and communication. By recognizing the diversity of the ethnic richness in Mexico's past and present, the media has had a major role in promoting nationalism. With this sense of nationalism, Mexico has a sense of sovereignty and is aware of its strength. This will allow Mexico to withstand the cultural and ideological invasion of other countries. Anti-yanquism that has developed as a result to the upcoming NAFTA, is being counteracted with Mexican national pride, trust in what the Mexican people can achieve together and a resulting sense of ownership.

NAFTA will be beneficial to Mexico because it promotes economic growth, and enhances respect and good relations with Canada and the US. It also gives Mexico a position within the economic world that no other developing country has had before. Meanwhile, PRONASOL is falling short in its attempts to promote the economic growth Mexico needs to prepare for NAFTA. It has failed to enhance both economic development and equitable distribution of its benefits, mainly because of political and social stagnation. NAFTA may trigger economic growth, but the rate at which Mexico develops politically and socially is not calibrated to the rate of economic growth that is expected.

A change in attitude, political structures and social consciousness will help Mexico accomplish equitable distribution. PRONASOL has given its attempt towards the "collective constraint on inequalities" that Rousseau talked about, and has failed. None the less, the changes that Mexico has undergone since Salinas became president are as immense as they are widespread. Perhaps the next president may come into office with another program that will take Salinas' attempt a step further: bring to Mexico both economic development and equitable distribution--make Rousseau's dream a reality.



## APPENDIX:

## ECONOMIC MODELS THAT SUPPORT PRONASOL

PRONASOL is a unique economic program that, none the less, can be understood in the context of other economic models. The orthodox economic model approaches development (and underdevelopment for that matter) as a historical process of maturation which is stagnated by a series of "obstacles." These obstacles include levels of tradition that cause hesitance to change as well as basic imperfections in the economy such as high unemployment, enormous urbanization, inequality of income distribution, and the inability to provide for the basic needs of the population (Wilber, 8). An important argument that the Orthodox economic model makes is that it recognizes the value of equity in the promotion of economic development. Equally important in this strategy towards development is the endorsement of meeting the basic needs of the population (Streeten). The model justifies PRONASOL in its attempt to deliver Mexico out of underdevelopment by

"meet[ing] the basic needs of people everywhere--food, water, clothing, shelter, medical care, education, and participation in decision making... [in which] employment generation, the redirection of investment, human resource development, agriculture-first development, and integrated rural development [take priority]" (Wilber, 13)

These mechanisms that the orthodox model suggests as tools in promoting development match the main goals of PRONASOL (Mexican Agenda, 101).

PRONASOL goes beyond traditional economic efforts because it affects the nation with a holistic approach by addressing the (local) needs of the Mexican people.

"...it [PRONASOL] forms an essential complement to an orthodox economic policy characterized by control of inflation and strict fiscal discipline... [and] is a program aimed at responsibly addressing the most outstanding social needs"

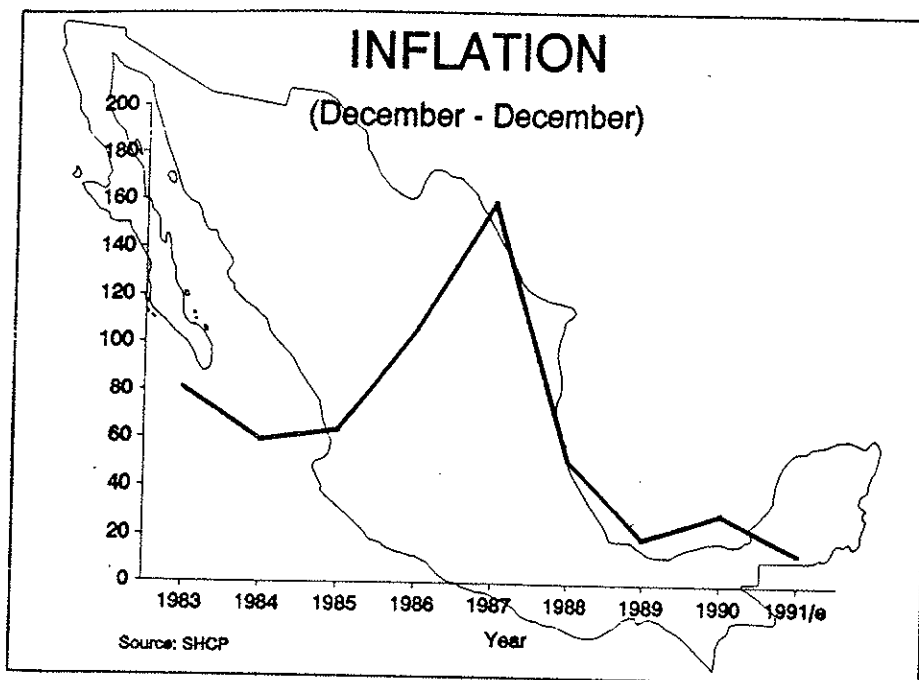
(Mexican Agenda, 101)

The unorthodox model of development also presents an argument in favor of the initial stages of Solidarity from which PRONASOL came. The unorthodox model emphasizes the role of the price mechanism, the alleviation of poverty, active industrialization, foreign trade and capital flows (Wilber). The intention of Mexico's involvement with NAFTA clearly deals with policies of active industrialization, foreign trade, and capital flow. Internally, however, what is important is the role of the Solidarity Pact in dealing with the inflation rate, the domestic price mechanism and the alleviation of poverty.

## ENDNOTES

1. Defining modernity and development are topics that are still controversial. Many economic theories tend to define it. Some indication of what modernity and development are can be extracted from what LDC's have set as their goals. Some of these include supplying the basic needs of the population, fighting poverty, increasing productivity, and broadening social and economic opportunities (Todaro, 22). What makes Mexico different from other Latin American countries is its historical, political, cultural, physical and demographic structure.

2. Graph showing the levels of inflation. Notice the drop after the implementation of the "Solidarity Pact".



(Mexican Agenda, 74)

The policy on price and inflation control is relevant to PRONASOL because the initial price and inflation control policy known as the Pact of Solidarity was so successful that the full grown National Program for Solidarity as we know it today was put into action. The second of these began in 1988 and is planned to remain active until at least the end of the current presidential term (until 1994).

3. A listing of the policies that Mexico has implemented to recover the economy.

1. Controlling price and wage volatility through an agreement reached between labor, business and the government.

2. Renegotiating the foreign debt to eliminate the excessive burden that was inhibiting economic growth.

3. Opening the country to international financial flows to stimulate competitiveness of the Mexican economy, encouraging exports and reducing inflation.

4. Attracting foreign investment to supplement internal efforts, applying a set of clear, simple rules, and establishing a legal framework to protect technology and intellectual property rights.

5. Privatizing public companies that are not of strategic importance and that require large amounts of new investment, thus freeing resources for social programs.

6. Applying a policy of social support for those who have the least, better known as the National Solidarity Program, which is aimed at incorporating a large number of Mexicans who still live in conditions of poverty into the country's development process.

7. Reforming the fiscal system to reduce tax evasion, broaden sources of income and reduce taxation rates.

8. Maintaining strict discipline to significantly reduce the public deficit, in order to avoid inflationary pressures; promoting more efficient action on the part of the government; and setting a more rational policy on subsidies.

9. Strengthening national infrastructure, in some cases by establishing joint enterprises with private investors.

(Mexican Agenda, 72)

4. PRONASOL and the new debt agreement negotiated in 1989 have helped increase the confidence of investors in Mexico. "The Government reported a return of over \$2.5 billion in private capital and 1989 alone" (Review of Trade, 1-5)

5. IMF reports Mexico's Government expenditure to increase from 33 billion to 39 billion dollars from 1989 to 1990. (International Financial Statistics Yearbook, 535)

6. The 1988 Mexican presidential elections are a good example of the quest for political legitimacy that is necessary. When Salinas was "elected" (there is some doubt, some called the election a fraud), there was massive opposition coming both from within the party (PRI) and from the opposing parties. Ever since, Salinas has been closely observed, and every action he takes has the need for legitimization. The media has been essential to this task. PRONASOL has been, so far, a positive source for legitimization. If PRONASOL proves to be a scam, or Salinas steps down from office

having stolen money as previous presidents have, it will be hard for the Mexican people to trust a central government in the near future.

7. A "cacique" was an authoritarian figure, like a land owner, who exercised his power locally. When his power was extended to national (or near national) control, then he became a "caudillo." Pancho Villa was a "caudillo" during the Mexican Revolution.

8. Some choose to thank Salinas personally by carrying banners and organizing parades in front of the national center square. The crowds thank him for the public works that they themselves have had to work and fund (Farquharson, 32).

9. Until, of course, the opposite thrust makes way for its manifestation and the other is shunned.

10. These traits are explained in great detail in Octavio Paz's Nobel Peace Prize-winning analysis of the Mexican portrait, The Labyrinth of Solitude.

11. The Mexican Revolution was a chaotic struggle between various "revolutionary" groups which could not work together. Even though they were fighting for similar causes, the lack of organization between them made the revolution bloodier than it should have been if they were to fight together against the government.

12. The message in Salinas' address to municipal representatives that gathered in celebration of the second Solidarity week in September 1991 was for them to gather in solidarity and respect for each other.

13. Just recently, in an attempt to modernize plowing mechanism and market structures in rural areas, the "ejido" was dissolved. The "ejido" was the constitutional right of every farmer to own land. What the government is trying to promote here is for farmers to go beyond subsistence farming, join with other farmers and collectively enter the agricultural market. On the flip side, however, without proof of ownership of land, farmers cannot receive credit to buy equipment, like tractors, that they need for modernized harvesting (Scott, 10).

14. PRONASOL publicity consists of thousands of Solidarity signs all over the country, all the Solidarity advertisements on newspapers and magazines, television commercials, radio adds and songs dedicated to solidarity that the general public end up humming all day.

15. In addition to promoting respect for each other through the media, the Mexican legal system is changing to promote justice and the protection of human rights. PRONASOL, in changing the legal system, enhances the "recovery of the transformed Mexican

nationalism" ("Documentos").

#### 16. The United States and Mexico: A Growing Partnership

\* Mexico is the United States' third largest trading partner after Canada and Japan. Mexico is more important than the next two trading partners South Korea and Taiwan put together.

\* U.S.-Mexican trade exceeded \$58.6 billion in 1990, double the amount in 1986

\* U.S. exports to Mexico have more than doubled since 1985 to \$28 billion in 1990. Excluding petroleum, the United States enjoys merchandise trade surplus of about \$2 billion.

\* Estimates have shown that the increases in U.S. exports to Mexico between 1985 and 1989 has generated nearly 400,000 new jobs in the American economy.

\* The U.S. accounts for two-thirds of Mexico's trade; the U.S. supplies Mexico with more than two thirds of its imports and takes nearly 70 per cent of its exports.

\* 71 percent of trade between the United States and Mexico is in manufactured goods.

\* Major U.S. exports to Mexico include automotive parts mechanical equipment, high technology goods and agricultural commodities.

\* The U.S. supplies 70 percent of Mexico's agricultural imports and Mexico is the United States' fourth-largest agriculture market.

\* In 1982, oil; accounted for 78 percent of Mexico's merchandise exports. In 1990, it represented less than 36 percent.

\* Mexican manufactured exports have undergone spectacular growth. Between 1982 and 1989, manufactured exports have increased at an average rate of 22 percent. In this period, manufactured exports have increased 4.2 time, outstripping the growth of emerging nation such as Hong Kong, South Korea, Taiwan and Singapore.

\* Mexico represents a market of 82 million consumers.

(Embassy of Mexico)

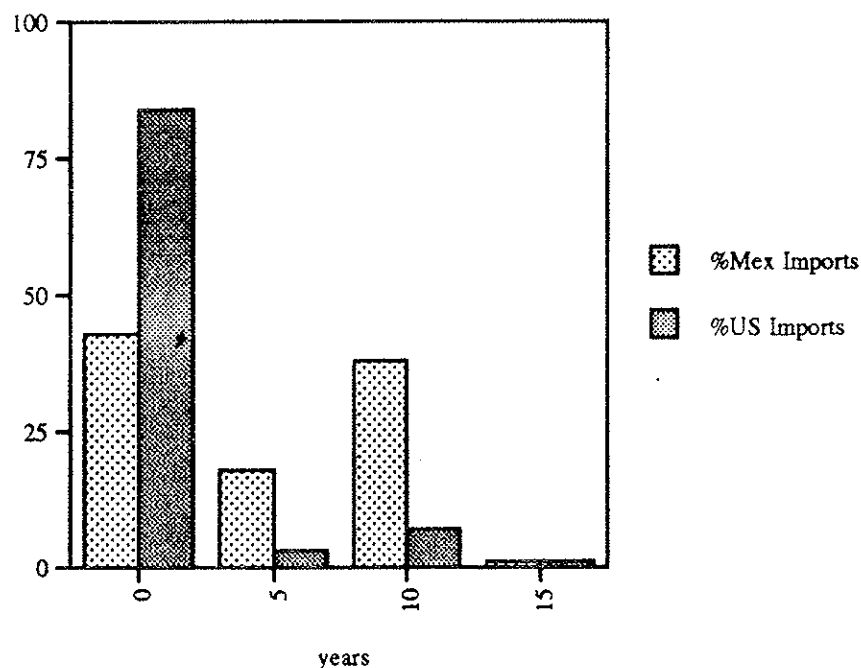
Published by the U.S. Dept. of Commerce, 1991

17. Again, the media has a major role in promoting this faith.

19. Although Mexico will continue to use foreign equipment that keep the industry as modernized as possible, direct foreign intervention is not permitted in terms of drilling and exploitation of oil wells on Mexican national soil. Furthermore, there has been an agreement that Mexico will not import natural gas, engage in risky contracts that may jeopardize Mexico's oil industry and commit itself to supply the free trade zone with the oil it needs. Above all, Mexico will not allow foreign gasoline companies to be installed in Mexico and no foreign petrochemical derivative can be commercialized within the country (Gazol, 6).

20. The graph below shows how non-petrol imports and exports for Mexico and the US are planned to gradually become tariff-free in five year periods. At the end of fifteen years all three countries will do away with the remaining one percent of tariffs and taxes making the area open for free trade among its members.

Proportion of tariff-free trade for Mexico and U.S. non-petrochemical Imports with respect to the NAFTA degradation plan.



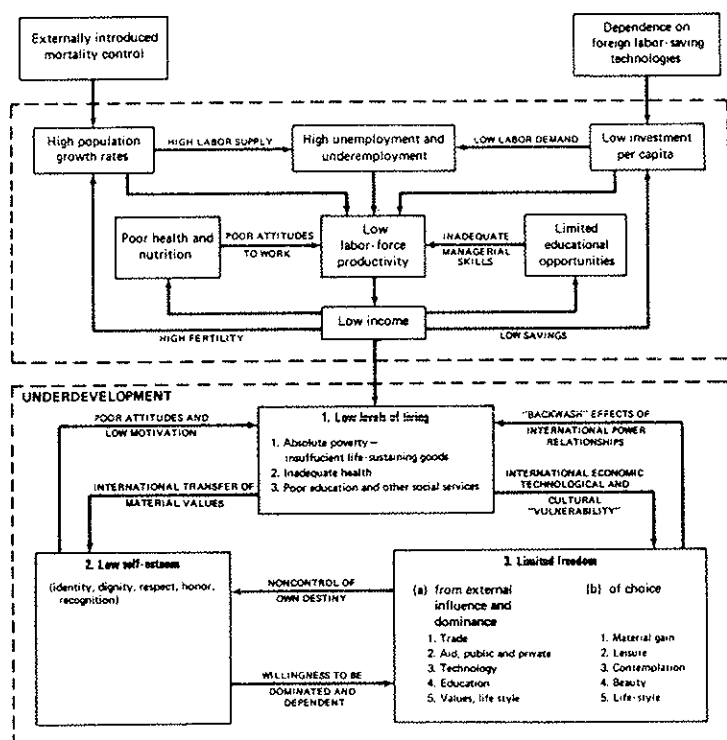
(TLC)

21. Education and the role of the media are essential to getting rid of "anti-yanquism."

## 22. Mexican Agenda, Political Reform

One of the most important policies adopted by Salinas is to broaden the democratic life of Mexico which include putting an end to paternalism, attaining freedom and equality. Democratic life has been established by the constitution, it is a matter of "reestablishing its viability in the present and its continuity in the future" (Mexican Agenda, 68). New practices of the state include: "Negotiated agreements, the democratic exercise of authority, rationalization and promotion of authority, privatization of non strategic public enterprises and openness to its relations with all leading elements of society and with citizens in general" (Mexican Agenda, 68). Justice and efficiency are what the government is trying to implement. This means cutting away red tape and decentralizing decisions.

23. Todaro shows a multidimensional schematic framework of development and underdevelopment. In analysis credit must be given to PRONASOL in that it attempts to work at all levels of the underdevelopment scheme to promote development.



(Todaro, 89)



## Works Cited:

- Carlesen, Laura. "Gaining Ground" Business Mexico; Oct 1991, pp 40-47
- Castaneda, Jorge G. "The Mexican Free Trade Express" The International Economy; June/July 1990, vol 4. pp28, 30-34.
- "Concluye la Negociacion del TLC" Hispano Americano; Aug 21, 1992.
- Cornelius, Wayne A. "Political Liberalization in an Authoritarian Regime: Mexico 1976-1985" in Gentleman, Judith ed. Mexican Politics in Transition; Westview Press, USA 1987
- "Documentos" Hispano Americano; Sept 27, 1991.
- Dresser, Denise. "Commentary" Business Mexico; Oct 1991, Vol 1, no. 8, pp35-39
- Farquharson, Mary. "Solidarity, Salinas-Style" Business Mexico; Vol 1, no 8, pp32-34. 1991
- "Free Market Mexico: the rhythm of the future" The Economist; Dec-14 1991, vol 321, pp19-21.
- Gazol Sanchez, Antonio. "El TLC: un primer comentario", Hispano Americano; Aug 21 1992.
- Grayson, George W. "Mexico moves toward modernization." Current History; March 1991, pp109-112, 135.
- Gurley, John. "Rural Development in China 1949-72 and the lessons learned by it" World Development; July-August 1975.
- Ignatieff, Michael. The Needs of Strangers; Penguin Books Ltd., USA, 1985.
- "Integracion y Cooperacion" Hispano Americano; Sept 27, 1991.
- International Financial Statistics Yearbook 1991. IMF Vol. XLIV
- Kliest, Trina. "Salinas Popularity-Patriarch or Provider?" The News; Mexico City Special Report, Nov 1, 1991, p3.
- "Latin America's Economic Reforms" The Economist; Oct 19 1991, vol 321, pp.21-24.
- Mexican Agenda 12th ed.; The presidency of Mexico. Office of the Press Secretary to the President, July 1991.
- Paz, Octavio. El Laberinto de la Soledad; FCE, Mexico, 1990

- Paz, Octavio. "Mexico and the U.S.: Ideology and Reality" Time; Dec 20, 1982.
- Quemain, Miguel Angel. "El Antiyanquinismo" Epoca; April 18, 1992.
- Review of Trade and Investment Liberalization Measures. United States International Trade Commission; 1990 (various pagings)
- Rainwater, Lee. "Neighborhood action and lower-class life-style" in Turner, John B. ed. Neighborhood Organization for Community Action; NASW, New York, 1968.
- Robledo, Elisa. "Las Profecias del Dr. K" Epoca, Oct 21 1991.
- Rubio, Luis. "Democracy of Economic Reform in Mexico" in Democratic Institutions; Carnegie Council on Ethics and International Affairs, Center for Research and Communication, vol 1, 1992.
- Salinas de Gortari, Carlos. "Concluye la Negociacion del TLC" Hispano Americano; Aug 21, 1992.
- "Salt of the Earth" The Economist; Oct 19 1991, Vol 321, p48
- Silverstein, "An Interview with President Salinas" Business Mexico, Aug 1992.
- Scott, David Clark. "Mexico's Reform Transform Agrarian Sector" The Christian Science Monitor; Nov 12 1992, p10.
- "Solidaridad" Epoca; no. 67, p16.
- Streeten, Paul. "Economic Models and their usefulness for Planning South Asia" in Myrdal, Gunnar "Asian Drama into the Poverty of Nations;" Panthenon, New York, 1968.
- "TLC" Epoca; Aug 21, 1992.
- Todaro, Michael P. Economic Development in the Third World; 3rd ed., Longman, New York, 1985.
- Vazquez, Eduardo Cruz. "TLC: debate sobre la cultura" Hispano Americano; Sept 20, 1991 pp10-11.
- Waller, Michael J. "Mexico's New Revolution" Readers' Digest; Feb 1991.
- Wilber, Charles K. ed. The Political Economy of Development and Underdevelopment; Random House Business Division, New York, 1988.
- Zaragoza, Guillermo Vega. "Reafirmacion de la Diferencia" Hispano Americano; Sept 20 1991, pp12-13

## BIBLIOGRAPHY

Becker, Thomas H. "Eyes South" Management Review; AMA, June 1991.

Carlesen, Laura. "Gaining Ground" Business Mexico; Oct, 1991, pp 40-47

Castaneda, Jorge G. "The Mexican Free Trade Express" The International Economy; June/July 1990, vol 4, pp28, 30-34.

"Concluye la Negociacion del TLC" Hispano Americano; Aug 21, 1992.

Cornelius, Wayne A. "Political Liberalization in an Authoritarian Regime: Mexico 1976-1985" in Gentleman, Judith ed. Mexican Politics in Transition; Westview Press, USA 1987

Documentos, Hispano Americano; Sept 27, 1991.

Dresser, Denise "Commentary" Business Mexico; Oct 1991, Vol 1, no. 8, pp35-39

Farquharson, Mary. "Solidarity, Salinas-Style" Business Mexico; Vol 1, no 8, pp32-34. 1991

"Free Market Mexico: the rhythm of the future" The Economist; Dec 14 1991, vol 321, pp19-21.

Gazol Sanchez, Antonio. "El TLC: un primer comentario" Hispano Americano; Aug 21 1992.

Gilbert, Alan and Ward, Perter. "Community Action by the Urban Poor: Democratic Involvement, Community Self Help or a Means of Social Control?" World Development; Vol 12, no8, p 769-782.

Grayson, George W. "Mexico moves toward modernization" Current History; March 1991, pp109-112, 135.

Gurley, John. "Rural Development in China 1949-72 and the lessons learned by it" World Development; July-August 1975.

Hall, Edward. Beyond Culture; Garden City, Anchor Press, New York 1976.

Ignatieff, Michael. The Needs of Strangers; Penguin Books Ltd., USA, 1985.

"Integracion y Cooperacion" Hispano Americano; Sept 27 1991.

International Financial Statistics Yearbook 1991; IMF, Vol. XLIV

Kliest, Trina. "Salinas Popularity-Patriarch or Provider?" The

News; Mexico City Special Report, Nov 1, 1991, p3.

Krueger, Anne O. ed. Development With Trade; ICS Press, San Francisco, Ca., 1988.

"Latin America's Economic Reforms" The Economist; Oct 19 1991, vol 321, pp21-24.

Lewis, Oscar. Five Families: Mexican Case studies in the Culture of Poverty; New York Basic Books, 1959.

Mexican Agenda; 12th ed., The presidency of Mexico, Office of the Press Secretary to the President, July 1991.

"Not So Sweet Corn" The Economist; March 2 1991, vol 318, p44.

Paz, Octavio. El Laberinto de la Soledad;

Paz, Octavio. "Mexico and the U.S.: Ideology and Reality" Time; Dec 20, 1982.

Phillip, George. "Mexican Politics and NAFTA" The World Today; Dec 1991, vol 47, pp204-206.

Quemain, Miguel Angel. "El Antiyanquinismo" Epoca; April 18 1992.

Rainwater, Lee. "Neighborhood action and lower-class life-style" in Turner, John B. ed. Neighborhood Organization for Community Action; NASW, New York, 1968.

Review of Trade and Investment Liberalization Measures. United States International Trade Commission; 1990 (various pagings)

Robledo, Elisa. "Las Profecias del Dr. K" Epoca; Oct 21 1991.

Rubio, Luis. "Democracy of Economic Reform in Mexico" in Democratic Institutions; Carnegie Council on Ethics and International Affairs, Center for Research and Communication, vol 1, 1992.

Salinas, "Concluye la Negociacion del TLC" Hispano Americano; Aug 21, 1992.

"Salt of the Earth", The Economist; Oct 19 1991, Vol 321, p48

Schott, Jeffrey. "The Mexican Free Trade Illusion" The International Economies; June/July 1990, vol 4. pp28, 30-34.

Silverstein. "An Interview with President Salinas" Business Mexico; Aug 1992.

Scott, David Clark. "Mexico's Reform Transform Agrarian Sector",

The Christian Science Monitor; Nov 12 1992, p10.

"Solidaridad" Epoca; no. 67, p16.

Streeten, Paul. "Economic Models and their usefulness for Planning South Asia" in Myrdal, Gunnar Asian Drama into the Poverty of Nations; Panthenon, New York, 1968.

"TLC" Epoca; Aug 21, 1992.

Todaro, Michael P. Economic Development in the Third World, 3rd ed.; Longman, New York, 1985.

Vazquez, Eduardo Cruz. "TLC: debate sobre la cultura" Hispano Americano; Sept 20, 1991 pp10-11.

Waller, Michael J. "Mexico's New Revolution" Readers' Digest; Feb 1991.

Whalen, Christopher "Will Mexico Make It?" Across the Board; Vol 27, June 1990, pp36-43.

Wilber, Charles K. ed. The Political Economy of Development and Underdevelopment ; Random House Business Division, New York, 1988.

Zaragoza, Guillermo Vega. "Reafirmacion de la Diferencia" Hispano Americano; Sept 20 1991, pp12-13.