

ADJUSTMENT AND POVERTY: TWENTY YEARS OF CRISIS IN MEXICO

EXECUTIVE SUMMARY

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Executive Summary¹

I. PRESENTATION

"The Children of the Crisis" is the name of a rock band in Mexico. But beyond referring to heavy metal, it indicates that the last twenty years have completely altered history and the present, along with the majority of the population's real expectations of a better future.

For decades, governmental and private publicity campaigns have mentioned that our work is to give our children a better future. In the last two decades we have inherited and, unless we are able to create a real alternative, will pass on to our future generations: (i) an accumulated and growing external debt that is impossible to pay off and passes from generation to generation; (ii) the loss of our national heritage in terms of an industrial complex which took five decades to build and two to dismantle; (iii) the continuing exhaustion of natural resources and destruction of the ecosystem; (iv) the almost absolute dependence on the United States economy and political situation; (v) a technological backwardness and a disdain for scientific research and development, replaced instead by a proliferation of *maquiladoras* and the inability to incorporate scientific advances or deal with bio-pirating; (vi) a continuing deterioration of services that address universal social rights, such as those of health and education; (vii) increasingly precarious working conditions, a continuing loss of purchasing power, the lowering of wages and the expansion of underemployment; (viii) a lagging and progressive deterioration in development conditions of the majority of micro, small and medium-scale enterprises; (ix) the growth of populations living in both relative and extreme poverty; and (x) an enormous concentration of income with small enclaves of wealth in big cities and tourist destinations, wealth that is comparable to Hollywood lavishness, while 28 million, in a nation of 98 million, are unable to count on satisfying their basic nutritional needs for healthy development.

¹ Document elaborated from the investigative reports of Ignacio Román Morales; Rodolfo Aguirre Reveles; Manuel Pérez Rocha Loyo; Carlos Cortez Ruiz; Monica Unda; Jean-Ives Chamboux-Leroux; and with the aid of Maruisa López, María Isabel Verduzco, María Cecilia Oviedo, Susana Cruickshank y Nina Torres. Translation by Lander Michel.

The distortions of Mexico's economic, political and social evolution cannot be attributed only to the last 20 years. This period, however, has not changed the tendencies but has paradoxically strengthened them with rhetoric that emphasizes change with respect to the past.

Where and with whom does the responsibility lie for this path? Is it a result of the external debt, of globalization, of neo-liberalism or populism? Does it stem from protectionism, the Revolutionary Institutional Party (PRI), corruption or inefficiency? Is it the effect of natural disasters, structural adjustment, the United States, the Spanish conquest, or the Aztec Empire? Is it God's will or our own laziness? Few people refute the existence of the problems, yet it is difficult to differentiate between prejudices and real causes.

The majority of these problems are not new. In its history, Mexico has accumulated one of the largest debts in the world (the second highest among developing nations). Most of the loans received were to promote the industrialization process of the last century between the 40's and the 70's. An important industrial complex was developed, especially with regard to the automotive and electric-domestic industries (controlled by Multi-National Corporations –MNC-). This took place apart from traditional industries -- such as textiles and certain forms of agro industries – and the development of heavy industry -- especially state owned enterprises such as chemicals, petrochemicals, transportation, agrochemicals, etc. Thus, a broad working class was founded, including an extensive middle-class. Cities were expanded and provided with infrastructure and basic services, and social security and higher education were developed. In conclusion, Mexico's production increased 6.5% annually between 1935 and 1981, salaries reached their greatest purchasing power in 1976 and a vast network of industries was created.

However, all was not well: the industrialization process was spearheaded by a small number of MNC's, which used cheap and obsolete technology from their country and were persuaded into coming to Mexico by the guarantee of a captive market and large government subsidies made possible by contracting debt. Mexico developed a substitution of imports but never stopped being primarily an exporter. The economic resources were directed to urban areas and industrialization, to the detriment of the rural and agrarian sectors. Political and economic power was further concentrated, as the majority of unionized workers were in corporatist unions manipulated by the government. The majority of the micro, small and medium-scale entrepreneurs were subject to business associations linked to either the government or the MNCs. Over time, mega-cities began to form, increasing environmental problems. Economic growth began to translate more into service-sector employment, technological dependency and poorly paid salaries, rather than a plan for real development and equality.

Moreover, Mexico depended on low interest rates on its debt and a parity system in terms of international exchange. When the Bretton Woods System fell into crisis in the 1970s (with the impossibility of changing dollars to gold and the end of the

fixed exchange system), Mexico entered a crisis of its own. New loans were contracted, not to pay for the industrialization process but rather to pay off old debt. The situation became unbearable, and in 1976 the peso was devalued and a stabilization pact was agreed to with the IMF.

The stabilization did not last for long. Due to the discovery of vast oil reserves — in a time of skyrocketing oil prices — Mexico once again contracted debt, producing and exporting oil while maintaining rapid growth (8% annually between 1978-1981). With this, Mexico became oil-dependent; public investment was diverted from the manufacturing industries and geared towards the mining and oil extraction sectors. In 1981, 77% of all exports were from oil.

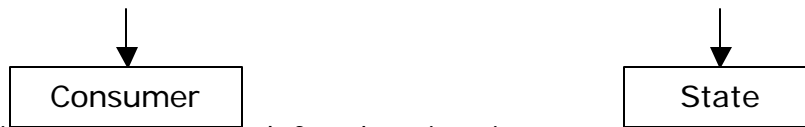
Beginning in July 1981, oil prices began to drop and interest rates began to rise. This meant that Mexico received less income in dollars and the amount it owed abroad increased. To sustain its growth of 1981, the nation indebted itself by 19 billion USD in that year alone.

In 1982 the situation became unsustainable. In February the peso was devalued, and in August, following another devaluation, a suspension of external debt services lasting 3 months was announced. Mexico became the first important debtor that could not face its financial obligations. Capital flight accelerated even more, and the government nationalized the banks and established control over the currency exchange. This was the Mexican State's last act against liberalization. In 1981, inflation was 25% and in 1982 it reached 99%.

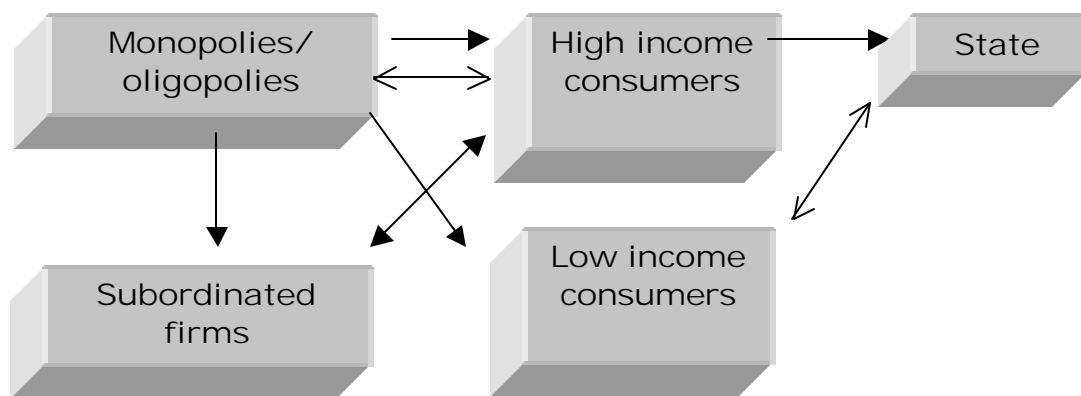
Beginning in 1982, the economic power of the state crumbled, provoking a reorientation of economic policy in search of new economic resources. To achieve this, aid was sought from International Financial Institutions (IFI) and austerity measures were established. The immediate objectives were to guarantee the payment of external debt (spending less and increasing the foreign exchange obtained) and to lower inflation (through the control of monetary policy).

Hence, the State began to relinquish its functions as a direct producer, regulator of the economy and protector of national economic sectors. In other words, until 1982 the State guided industrial development and, thus, the functioning of businesses, while consumers found their interests subordinated to the goods produced by those industries. Since 1982, the situation has reversed, with the consumer becoming the sovereign entity, making decisions on purchases from an international market that is more open and less regulated by the State. Enterprises must now act according to the necessities of the consumers, while the State must only oversee the "correct operation of the markets".





The discourse presented for the situation occurring after 1982 is based on a market with free competition, not one in which the economic power of the State is transferred to a few enterprises. As capitalism in Mexico does not function with free competition but rather with monopolies and oligopolies, the prices are determined in large part by the degree of monopoly that exists. The products are produced for the market based not on efficiency, but rather on expectations of greatest profitability by the major enterprises and the possibility of establishing barriers for their competition. In reality it is not the consumer, but the enterprise that exerts control over the market and regulates economic behavior, while consumers find themselves severely stratified according to their socioeconomic level. The State thus loses its capacity to regulate between those enterprises that have power in the market, on the one hand, and those enterprises that do not, as well as families and direct consumers, on the other. Hence, our situation after 1982 is modified by the following hierarchical logic.



In this context, large companies have real control over the market of consumers, while the smaller enterprises are subject to a double pressure. This pressure stems, on one hand, from the competition and the control of the monopolies and oligopolies and, on the other, from the so-called sovereignty of consumers who can make their presence felt by smaller enterprises. The State, through fiscal and social policies, maintains a certain control over the lower-income consumers.

According to the structural adjustment discourse that has dominated since 1982 (substituting the State with the logic of the market), the economy should function in a more productive, competitive and efficient manner. The more austere State would guarantee the payment of the external debt; the consumers' standard of living would improve with a more open market; and companies would become

more efficient by being able to obtain cheaper inputs and being forced to compete. In other words, everyone would win.

However, the external debt doubled from its 1982 level and currently stands at US\$165 billion, indicating that the problems that led to the implementation of adjustment have not been resolved and, instead, have worsened. The country as a whole is not more competitive. Only a handful of enterprises are capable of exporting and of reaping considerable profits, while other enterprises are facing growing difficulties or filing for bankruptcy. The product per worker (involving the Economically Active Population, EAP, and not only one part or the formal sector) is significantly less than in 1980, which would be the equivalent of more than a generation lost in terms of productivity. Dependence on one market is growing, demonstrated by the fact that 88% of Mexican exports go to the United States. Stability of prices depends on an overvalued exchange rate associated with a huge deficit in the current account of the balance of payments that has led to a new devaluation and crisis (1986 and 1994). By 2000 this deficit had already reached US\$18 billion. In other words, the debt problem has not been solved, and the country has not become more financially stable. Instead, the economy has become more dependant on one single market; productivity increases in leading industries have been accompanied by a deterioration in other industries; competitiveness is based mainly on low wages; and ecological costs are not internalized and, thus, are not recovered from companies that pollute.

As though that were not enough, poverty levels have tended to grow, the concentration of wealth has increased and employment has become more precarious. Women are acquiring employment not as an act of liberation, but rather as a third working shift (housewife, partner-mother and worker). Indigenous people are left behind or subordinated to the logic of the market, while children and older people are forced to work, particularly in undignified conditions. In other words, social deterioration has worsened.

Would the situation be worse without structural adjustment? This study does not include what could have been, but rather what was. There were many promises of efficiency and competitiveness based on the logic of individual competition. It is still being said that the damage is temporary, and it is still not known with certainty whether market efficiency will begin to pay off with equality and social justice in this millennium or the next.

This exercise involved three interrelated aspects:

(i) Desk research analyzing the logical basis that defends the free market, the strategies developed by the international financial institutions and the concrete policies implemented at the national level; and four sectoral studies focusing on the rural sector, employment and industry, the impacts of adjustment from a gender perspective and the impacts on children.

(ii) A review of basic socioeconomic and economic indicators.

(iii) Fieldwork with civil-society organizations and citizens, through fora, consultations and training workshops in various regions of the country.

The following analysis reflects diverse aspects from the results of these activities, with a focus on the policies of: privatization, free trade, labor-market flexibilization, financial liberalization, reduction and reorientation of public expenditure and modifications in agricultural-sector policies.

II **SECTORIAL EFFECTS OF STRUCTURAL ADJUSTMENT POLICIES**

(According to types of policy)

PRIVATIZATION

The strategy initially adopted by the Mexican government in 1983 was, on the one hand, the removal of numerous trust funds and programs and, on the other, the liquidation, merging and sales of state-owned enterprises beginning in 1989. In 1992 alone, 1,000 publicly owned enterprises in the industrial, financial and communication sectors were sold, merged or transferred. In 1995, seeing that there was little left to privatize, the new strategy centered on granting concessions to individuals for activities before under the responsibility of the State, such as ports, airports, radio-electric frequencies and the distribution of gas.

The process of privatization of state enterprises and public services during the last 18 years under structural adjustment (banking, telecommunications, petrochemicals, iron and steel works, ports, railways, mines, sugar mills and airports, among others) has cut the bureaucracy by 50%, causing massive firings of over 500,000 state employees. These dismissals were not accompanied by programs to create new jobs in the newly "repaired" enterprises, nor were any incentives or aid given to the dismissed workers. By the end of the Presidency of Lopez Portillo (1976-1982) there were 1,155 state-owned enterprises, but by the fourth year of De la Madrid's (1986) administration only 732 were left. In 2001 there are less than 100, in addition to the various departments and secretariats that the state operates with a bare minimum of personnel. This austerity, however, has not been applied to all, as over 200,000 non-unionized workers have been hired in middle and upper management positions with incomes that by far exceed the wages of base-level workers.²

The reduction in the labor force of the federal public administration has had a negative impact on service delivery, as the current level of personnel is the bare minimum necessary to operate the public administration. Furthermore, most of the resources obtained from privatization have been used by the neoliberal governments to pay off the public debt. The privatization and deregulation

² Federación de Sindicatos de Trabajadores al Servicio del Estado (FSTSE)
Federation of State Service Workers Unions

processes have accelerated particularly after NAFTA took effect, placing the country in a vulnerable situation and subject to the dictates of transnational corporations and the whims of the United States' economy.

Trade Liberalization

Faced with the collapse of the productive base, and before Mexico's entry into the GATT (General Agreement of Tariffs and Trade), the authorities had drastically reduced protectionist barriers, especially those on sectors involved in the production of basic goods. The authorization to import a myriad of goods initially served, although at a high economic cost, two purposes: to regulate the market and to improve the supply of basic goods (oils, maize and its derivatives, dairy products, poultry, beef, etc.) and to keep productive activities functioning. However, as controlling inflation becomes an end in itself, liberalizing the market becomes one of the ways to reduce it. Clearly, by modifying domestic prices to match international ones, inflationary pressures were reduced, but at the same time national industries were gradually eliminated as they were unable to compete under equal conditions with the large transnational corporations. This affected growth and increased the de-industrialization process; as a result, unemployment increased as did the deficit in the balance of trade.³

With trade liberalization, the vast majority of micro, small and medium-scale enterprises have been unable to compete with the large transnational corporations. This has led to a decline in the country's industrial base and the forward and backward linkages in the production process. The Mexican economy was definitively opened up when the country became part of the GATT in 1987. These liberalization policies were not accompanied by industrial policies that supported the majority of the small and medium-scale enterprises. The increase in imports soon displaced national production for the domestic market. During the Presidency of Carlos Salinas de Gortari (1988-1994) the weakening of the national productive base caused the bankruptcy of thousands of micro, small and medium-scale enterprises (SMEs). The accelerated and indiscriminate trade liberalization and the increase in imports led to a trade deficit that has still not been overcome.

The administration, in effect, dismantled the productive structure that suffered from inefficiency without creating a replacement. Furthermore, it bet on trade liberalization as a mechanism to reduce costs, thereby creating a situation of increasingly unsustainable competitiveness for the national industrial base with regard to imports. Warnings had been voiced by the manufacturing sector since Salinas' presidency regarding the serious problems that lack of financing, heavy

³ Arroyo, Alberto. "Política económica, política social y democrática", en *Crisis económica, pobreza y política social*. Enrique Valencia Lomelí (coord.) IDEA/ITESO/UdeG, México 1995, p3.

taxes and the unequal competition of foreign goods were causing, as more than 50% of the textile factories were shut down. Approximately three out of every ten small and medium-scale enterprises were forced to convert from being producers to becoming traders of foreign goods. Since then, 98% of the enterprises have been forced to watch how the remaining 2% consolidate expansions, thanks to large investments and alliances with foreign enterprises. Trade liberalization produced a rupture in the forward and backward linkages in the production process, thereby intensifying the already existing problems of unemployment and underemployment. During the presidency of Zedillo, 40% of enterprises formed lasted less than two years. The results of the indiscriminate liberalization have left in operation only 25-30% of the industries that existed in 1982. Between 65% and 75% of the inputs and raw materials used for production of exports are, in fact, imported. At present, only 2% of inputs used in *Maquiladoras* production are provided nationally.

The excessive amount of imports evident in the nearly US\$4.659 billion trade deficit, reached in November 2000, demonstrates the inadequacy of the national productive base to efficiently satisfy the needs of almost one hundred million people, the majority of whom are poor. Without a doubt, the participation of small and medium-scale enterprises in the export market is minimal, as only 1% of the total of almost 3 million productive units in Mexico participate in foreign trade. The Mexican Trade Bank (BANCOMEXT) stated that 700 large enterprises (not necessarily Mexican) accounted for 75% of Mexico's exports. Half of the 30,000 exporting enterprises are *maquiladoras* and 70% are transnationals. Exports contain only 2% of national value added, mostly from the labor of workers in *maquiladoras*, which have created 1.2 million jobs that are, however, very precarious and unstable.

Since the implementation of NAFTA in 1994, economic growth in Mexico has become ever more heterogeneous. Almost all the enterprises that have been receiving much benefit are transnationals, as they are provided with inputs from abroad since there are no legal requirements to use national or local inputs or to go through a public bidding process for procurement. Hence the boom of *maquilas* and export schemes has failed to be the motor for development in the rest of the economy. Civil society and producers' organizations have unmasked the myth that Mexico is an export power house, arguing that inputs are provided almost exclusively from abroad -- the current tendency for all manufacturing plants. Only 15% of exports (oil and agrarian products) contain a high level of national content. In the last presidential term of the PRI (1994-2000), imports of inputs for the *maquiladora* sector multiplied by 8, growing from 4,895 billion pesos in 1994 to 35,868 billion pesos in January 2000.

Exports must also be seen in light of Mexico's trade deficit and how the trade sector depends on the growth of the U.S. economy. According to the OECD (Organization for Economic Cooperation and Development), the deceleration of the U.S. economy in 2001 will negatively affect Mexico's exports. Apart from the

heterogeneous growth in terms of sectors, indiscriminate trade liberalization has created an unprecedented regional concentration that is, no doubt, due to the increased opening of the Mexican economy to the United States. Traditional industrial areas are still stable, but are losing their relative importance due to the relocation of industries on the border with the U.S. Although the country's industrial center still holds at least a quarter of industrial employment, it has lost its dynamic growth due to competition with imported products and policies that maintain depressed demand in domestic markets. Mexican exports come from 10 states (with five accounting for the majority). The supposed benefits of NAFTA remain in the border area, converting these into isolated poles of development that are unable to create linkages with other regions. Furthermore, inside each of these border areas, income is poorly distributed and poverty is found in abundance, resulting in areas with much extreme poverty and a small percentage of the population concentrating most of the wealth produced. Thus, organizations of producers explain that trade agreements are not, nor will they be, a panacea for foreign trade if policies to boost competitiveness domestically are not implemented beforehand.

The country's supposed economic modernization and vigor is based upon the fact that from 1980 to the present, the number of *maquiladoras* has multiplied by nearly six -- from 620 to 3,465. The amount of people working in this sector has increased from 119,000 workers to 1,214 million. Of these, 80.9% are laborers -- 36.2% are men and 44.7% are women. Only 11.9% of the workers hired in these factories are production technicians, and another 7.2% are administrative employees. The wages, salaries and benefits per person are practically the same as they were in 1994, despite the fact that laborers work on average 46.5 hours per week. Currently, the *maquila* industry forms what the governing elite considers to be the modern industrial Mexico. The *maquila* sector has linkages with only 2% of national industry, and its stability vis a vis national economic crises reflects its independence and lack of linkages with the national economy (an independence that is proportional to its dependence on foreign capital and markets).

Micro, small and medium-scale industrialists are demanding: preferential treatment with regard to government purchases; simplification of administrative procedures to facilitate their operations, establishing intergovernmental coordination among different levels of government; and the promotion of national suppliers that can efficiently substitute imports and, thus, aid in the reactivation of the economy. Furthermore, they demand increased fiscal incentives for those enterprises that invest in research and development (R&D), since almost all research is carried out by the public universities and very little is done by the private sector. Organizations of producers and of civil society note that the expansion of economic production via *maquilas* perpetuates the same form of capital reproduction, which leads to the concentration of wealth and generation of poverty, despite continuous job creation. Mexico offers cheap labor, skilled hands and all the opportunities to acquire a virgin work force.

LABOR MARKET FLEXIBILIZATION

Since 1983, austerity policies have imposed cutbacks in personnel in the public sector. There were systematic reductions of personnel through “voluntary retirement” policies, through the elimination of positions and through firings. In other cases, labor benefits were reduced in order to keep factories in operation, such as in the cases of DINA, Fundidora Monterrey and Renault, among others. In 1985 alone, following a reduction in oil prices, 80,000 vacant positions were eliminated, while 32,000 public-sector workers and over 7,000 bank employees (following restructuring of the banking system) were fired and 23,000 others were relocated. Those who kept their jobs were given heavier workloads.

Along with the “rationalization of the public sector”, or the firing of personnel, tough policies were put in place to repress the struggle for better working conditions and, particularly, for better salaries. To lessen the effects of a recession and given the lack of unemployment insurance, limited compensatory programs were implemented, such as: scholarships for training for the unemployed (PROBECAT); protection for the productive base and employment; and the extension of up to four months of the period in which social security benefits are in effect after being laid off. Beyond giving speeches and expressing the intention to maintain the work force and improve salaries, however, measures were put into effect to promote the massive layoffs of workers. The economic pacts institutionalized the mechanism of reducing wages to create a more competitive environment and attract foreign investment in order to promote exports and hence obtain hard currency with which to pay the foreign debt. This has been a recurring policy in every economic emergency, and even in those moments of stability the reduction of salaries has been applied without opposition. The recovery of salary levels has functioned only in some moments of stability and, even then, only slowly, partially and in certain sectors.

During the last 18 years of structural adjustment policies (SAPs) there has been a marked trend towards underemployment and informal employment. These have also increased due to stagnant salary policies that maintain wages below the minimum needed for subsistence (as defined by the basic food basket). The exploitation of waged labor has increased the overall earnings of big businesses due to improvements in productivity. Under this model, the workload has increased while power has become concentrated in the hands of those who run the bigger MNCs. Labor flexibility, in essence, has meant a dismantling of the most important collective bargaining contracts (CBC), and the maintenance of wage increases below inflation, without the implementation of reforms to labor legislation, which assumes open or hidden violations of existing legislation. Labor market flexibility implies: (i) cuts in labor costs; (ii) precarious employment; (iii) reduction and stagnation of salaries; (iv) mobility and flexibility of work shifts and locations; and (v) an overall weakening of labor unions, amongst other things. The jobs that are currently available are unstable, although this is not reflected in the percentages of

open unemployment (a category that measures people who do not work at least an hour a week). Another important problem is the lack of unemployment insurance, i.e, those who do not work do not eat. The only option left for workers who are fired or cannot find employment (the unemployed) is informal or hazardous employment. Workers in those situations are listed as employed in the statistics. During the last 6-year presidential term, only 950,000 people were incorporated into the labor force each year. More importantly, the Department of Labor has recognized that 20 million Mexicans, who make up 50% of the economically active population (EAP), work in informal employment. During the last presidential term (1994-2000), the labor deficit left from the crisis of 1994-1995 has not been overcome, even though, according to the National Institute of Geography, Information and Statistics (INEGI), open unemployment seems to represent only 2.6% of the EAP. Noting this, we observe that the government has had no strategy to create institutional programs for employment, and the market is incapable of creating a balance between the supply and demand of labor. In other words, in Mexico there is an adjustment to the current international division of labor, which exchanges international specialization by sector for international specialization by stage of production, and which favors exports that in the end are only assembly exports.

The problem of a lack of stable and well paid employment has resulted in an increase in labor migration to the United States. At the beginning of the 1980s, the annual labor flow of Mexican workers to the United States was 275,769. The current yearly average is 334,109, representing a 21% increase. The migration towards that nation is no longer restricted to the rural population, but also includes teachers and professionals; Mexico has become the number one exporter of labor in the world. The immigrants, for their part, send US\$6 billion a year to their families.

The immigration of seasonal workers to the US has been predominantly male, but female participation is increasing. According to the National Population Council (CONAPO), every year 21,000 women work temporarily in the United States, a number that represents 6.4% of the total immigration to that nation.

According to registrations with the social security institutions, less than a third of the EAP is involved in formal-sector employment. This situation worsened under NAFTA: the percentage in 1993 was 36.2%, and in 1998 was only 34.42%. In other words, over two thirds of workers do not receive any benefits, not even those which are required by law. Despite the grave impact that this has had on the standard of living of the workers and their families, the OECD has rejected, for instance, that unemployment security be created in Mexico, even though it exists in each and every one of the developed nations that are members of that organization. The OECD believes that the productivity of the Mexican workers is the lowest among all the member states, noting that "80% of the population has not finished middle school".

The Mexican pension system not only fails to accomplish the basic functions of just redistribution, but also reflects important inequalities: the wealthiest 1% of population holds 24.7% of the pensions, with an annual average of 21,500 pesos per month; the poorest 40% obtains 16% of the funds, with an average pension of 1176 pesos a month; finally, the 10% of the population that makes up the upper middle-class obtains a monthly average of 7,800 pesos. The interpretation of employment according to the criteria of efficiency and rationality leaves aside a basic aspect of work: its function as a founding part of social identity. The International Labor Organization (ILO) states that Mexico is among the nations with the greatest number of complaints regarding violations to the right of free union association, discrimination against female workers and non-fulfillment of social and economic payments. According to the ILO, workers subject to collective bargaining contracts who attempt to form new unions face threats, abuses and unjustified firings. Mexico is in the top ten list for nations that systematically violate labor norms, including the right to strike and the right to collective bargaining.

Regarding social and economic benefits, the ILO and the International Confederation of Free Trade Unions (ICFTU) have given Mexico a "yellow card" for not fulfilling ILO Convention 87 with regards to basic union rights. According to the National Workers Union (UNT), there exists a growing number of protective contracts with the approval of the Secretary of Labor and Social Prevision (STyPS). These contracts limit workers' legitimate right to strike by virtue of their "representation" by a pseudo workers union contracted by the MNCs with the support of governmental institutions: of the 100,000 collective bargaining agreements (CBAs) registered in the Local Conciliation and Arbitration Board (JCLA) every year only 5,000 are fully documented and reviewed every 2 years (5%). With regards to businesses with Federal jurisdiction, there are more than 600,000 CBAs, although only 50,000 are reviewed each year. This situation of open illegality is promoted by the leaders of the big businesses, who argue that the legislation must be more flexible in terms of hours worked, supposedly "to make it more profitable to incorporate youths and housewives to the productive employment". The government's strategy is to continue to sacrifice the population to reduce inflation and to lower the public deficit to 1%. Hence, worker exploitation is increased through the demands of productivity, efficiency and intensity, or by applying more aggressively the formula of paying the workforce less than the value it adds to the goods produced.

The results of stagnant salary policies contrast sharply with the forty-five years prior to 1982: between 1934 and 1982 the purchasing power of wages increased 54%; but from 1982 to 1999 the real purchasing power decreased by 69%. During this period salaries were reduced to a third of what they had been in 1982. Thus, we can infer that we have lost two decades worth of development. The problem resides in the absence of transparent and democratic processes to set wage increases. Worse still, in Mexico a fifth of the EAP receives less than the legal minimum wage. In 1993 this percentage was 18.99%, and in 1997 it increased to 21.05%. The permanent deterioration of the minimum wage has condemned the

rest of productive-sector wages to decrease. Mexico's supposed competitive advantage is based on manufacturing wages that are eight times lower (US\$1.70/hour on average) and than their American equivalent (US\$12.00), or five times less than in Canada (US\$9.00). Despite the manufacturing industry being the most dynamic (representing 59.34% of exports), it is also the industry that maintains the lowest salaries: during the NAFTA period the real minimum wage lost 24.84% of its purchasing power. In this sense, the government and industrialists who say that an increase in wages is comparable to inflation is unacceptable. It is a recurring posture for the definition of wages and a justification to keep worker purchasing power low. It is based on the false premise that conditions have not improved to the point where an increase in workers' wages is possible, and that increasing wages without productivity will only increase inflation. The neo-liberal governments refuse to accept the thesis that by increasing the purchasing power of the population one gives incentives for production. In marked contrast, while workers' salaries have dropped, earnings for the industrial sector have increased by 20% annually, on average.

In the last decade, Mexican women have been incorporated into the labor markets in proportionally greater numbers than men, without any decrease in the inequalities of their employment conditions. The female EAP increased by 4.8% between 1991 and 1998, more than double the growth of the male EAP, which was 2.7%. In 1996, female salaries were almost 27% below those of males.

In the last presidential term (1994-2000), the global productivity of the economy increased an average of 2.1% annually, and the manufacturing sector increased by 1.8%, while salaries in the manufacturing industry, in real terms, dropped an average of 3.4% and the real contractual salary barely increased by 1% annually. Currently, productivity is 30% on average above the levels of 1994, and salaries, in contrast, are 20% below the level in that year. This translates into a huge advantage in terms of the exploitation of unitary labor costs, instead of allowing the increase in productivity to form the basis for a definitive recovery of wages. The Authentic Worker Front (FAT) points out that the recapitalizing of the textile plants and the increase in productivity rest mainly in the cheap and intensive use of labor. While productivity in the manufacturing sector, on average, increased by 35.91%, the average real salary per occupied worker decreased 17.1%, and the cost in dollars of the average worker (including benefits and social security) decreased by 47.7%. Using 1993 as a base, the accumulated manufacturing GDP increased by 30%, and worker productivity increased as well, by 36.1%; however, there are 2.4% less job openings and the average real salary decreased by 19.8%. Furthermore, despite the increase in worker productivity of 36.1% (much more than the 20.1% in the USA and 7.73% in Canada), the cost of labor has also decreased in dollars; and if one were to include benefits, taxes and social security, it has decreased by 42.83%. In return for more effort and efficiency, workers have had to face the mutilation of their collective bargaining contract, cancellation of loans, low wages and deterioration in the work environment. The Labor Congress (CT) maintains that in 1995 spending on salaries for large companies represented

16% of all production costs, and to date it is equal to only 5%. Without a doubt, workers have generated enough output to see their positions improve with better wages and bonuses based upon productivity. The official position, however, insists that in order to regaining purchasing power requires even greater productivity. This position has not been applied to all Mexicans: not to the middle and upper ranks of civil employees, whose salaries are greater than those of their counterparts in developed nations. Wage policies in Mexico have been dedicated to defining *who* bears the cost of economic growth.

FINANCIAL LIBERALIZATION

The opportunities granted to the MNCs contrast greatly with the internal shortcomings that the SMEs face, such as costly and practically nonexistent financing. Since the government of Miguel De La Madrid, the pillars of productive and structural change in the nation were set. Corporate and financial groups were formed that have been benefited both from their speculative activities and from their ability to export. Salinas stated that the main reason for the GDP's stagnation was the lack of investment, and thus justified the "modernization" of the financial system, which was nothing less than the consolidation of the corporate and financial groups allied to him. This concept was formed under the pretense that it would be their duty to stimulate savings within society, as well as to capture and efficiently place resources so as to sustain and recuperate production. The end result was the 1994-1995 crisis, after massive capital flight that resulted in bankruptcy. The banks, for their part, during the Presidency of Zedillo had to be saved once more using the fraudulent Savings Protection for Bank Funds (FOBAPROA) which would cost the nation over US\$140 billion, while the development bank was practically dismantled.

From the enormous quantity of SMEs nation-wide, only 6,000 benefited from the aid that was integrated from public funds. The producers demanded a larger budget from the State. The National Association of Importers and Exporters of the Mexican Republic (ANIERM) recognizes that only 3% of a total of US\$160 Billion of exports now produced by Mexico comes from funds from the development banks; the rest is financed by foreign banks, whose clients are MNCs and important Mexican corporate groups. The majority of the economy requires the aid from the development bank, and a larger budget for its operations. Apart from aiding those with export capacity, the bank has limited itself to an even shorter list of projects, most of which are virtual. Directors of the private sector have recognized that the Cetro-Crece network benefits less than 1% of all enterprises. The Confederation of Chambers of Industrialists (CONCAMIN) has denounced the bankers, saying they have money to lend, but instead speculate with captured public funds, such as the aid received from the FOBAPROA, while still refusing to give credits. Hence the structural problem that the micro, small and medium enterprises face is the complete restructuring of the financial mechanisms within the productive apparatus.

Likewise, funds for technological development are also diminished and difficult to access, and this has obstructed both the adequate development of providers and the efficient distribution of imports. Legislators have accused National Finance (NAFIN) in 1994 of giving the industrial sector over 20 million pesos while in 2000 that quantity was only 4,500,000 million. For the commercial sector, resources went from 16.15 Billion pesos to 771 million pesos in the same time period. Analogously, legislators note that in 1994 NAFIN aided 136,900 enterprises, and in 2000 only 4,700. Thus, the result of the lack of support for the productive sectors is that the providers displace both the public and private development banks, while the providers become financial intermediaries. In other words, not only are the credits not available for the people and producers of the nation but they also pay, and will be paying, for a bank that is both a commercial parasite and a speculator. Bank intermediation in Mexico has the lowest volume among the main Latin American markets, with 15% GDP, as compared to Brazil's 29% and Argentina's 22%. What is needed is a fund that guarantees the loan servicing to the banks so businesses can acquire better technology. The development bank must fulfill its role as a financier of (small and medium-scale) enterprises

The bankruptcy of millions of SMEs was due to the attempted collection of interest on interest, which in fictitious form disproportionately increased debts, making them unpayable, and created an artificial situation of overdue payments. Accordingly, the fiscal dependencies (in charge of the collection of updates, surcharges and fines) created the same surreal demands, increasing the already tragic situation that resulted in the disappearance of the poorer national enterprises. After all, if through the FOBAPROA the banks, roads, mines and others were benefited given the deterioration of their assets, and their debts were then erased, why not apply a similar procedure, analyzing case by case the bankrupt SMEs? The fragmentation processes provoked by the financial liberalization permit an understanding of why the SMEs were forced towards informality.

REFORMS IN PUBLIC SPENDING

The reform in public spending was carried out in three ways: direct cuts in social spending; drastic reductions of subsidies; and decentralization of the State. The greatest reductions in social spending occurred during crises, both in proportion to GDP and in real terms. It was drastically reduced during the 1980s. In 1983 alone, social spending was reduced by 25% in real terms (pesos of 2000) in comparison to the previous year and did not regain that level until 10 years later. Both the education and health budgets, very sensitive social issues, experienced those cuts; in 1983 alone, total federal spending in education was reduced by 40.8% in real terms compared to the previous year. The budgets 1987 and 1989 were the lowest in the last 20 years. Only in 1992 was a slightly higher level of spending reached (measured in pesos of 2000). After the 1994 crisis, there was another reduction in spending of 13.5%, and spending levels did not exceed those before the "Errors of December" (1994) until 1998.

Three important social programs disappeared in 1983: the Integral Program of Rural Development (PIDER); part of the larger Mexican Nutritional System (SAM); and the General Coordination for the National Plan of Depressed and Marginalized Zones (COPLAMAR). The first two were geared to stimulating the production of staple grains for the Mexican population, while the latter was in its time the most important program to combat poverty in marginalized areas. During the rest of the decade a series of programs were established to ameliorate the poverty resulting from the crisis. These included programs to provide basic foodstuffs, to protect workers' consumption levels, to protect the production and employment, and, given the lack of protection from unemployment, the expansion of social security rights extended for a few months after unemployment. Only in 1990, after the renegotiation of the debt with the Paris Club, and given extra sources of income obtained from privatization, did the National Program of Solidarity (PRONASOL) begin to function under the presidency of Salinas. With the crisis in 1995 and the entry of a new cabinet once more, the social programs aiding the poor suffered a change, and that policy was the Program for Health Education and Nutrition (PROGRESA).

In addition, the consumption of basic services and products fell, until only the point that only the most sensitive, such as the production of corn and tortillas, are maintained. To mention a few examples, in 1985 the National Company of Popular Subsistence (CONASUPO) ended its subsidies of grain and food-oil products for the food industry, as well as those given to rice, oil, eggs and balanced meals. Nevertheless, not all subsidies were eliminated. In accord with the idea of aiding supply more than demand, industry was favored with governmental subsidies. In the meantime, subsidies for basic goods were eliminated. Amongst these industries were the automotive, beverage, pharmaceutical and the producers of popular goods. On the other hand, through the Fund to Covering the Changes in Exchange and with governmental support, those enterprises with solvency problems were assisted in their efforts to renegotiate their debts with foreign creditors. With the passing of time, these changes affected not only the quantity, but also the focus from general aid packages to more specific ones. Paradoxically, a huge amount of resources are used to subsidize the most favored sectors, while there is a virtual elimination of subsidies for the low-income groups. This can be seen by comparing the funds aimed at saving the banking system with those assigned to social programs whose focus are the basic necessities.

As a complementary element, there was a decentralization of activities related to the provision of services. The first stage involved decentralization of administration, with greater responsibilities and fewer resources. Initially, state governments were assigned the administration of health services that had been previously assigned to the Department of Health and Assistance (SSA), the Mexican Institute of Social Security (IMSS), through the IMSS-COPLAMAR and basic education programs. The construction and operation of water and drainage was transferred to State and municipal entities. Given the fiscal crisis, these measures transferred the operational responsibility for various activities without

sufficient resources to adequately fulfill the new responsibilities, given that states were no longer receiving as much income from the federal government. Beginning in 1989, more advances in the same direction took place, beginning with the decentralization of both education and health. In the last administration of the PRI, with the reforms to the Fiscal Coordination Laws, funds were directed toward municipalities so they could manage the assigned federal budget, rather than the states deciding on their own budgets.

For the last 18 years, the Mexican people have suffered through the dismantling of social institutions (such as IMSS, ISSTE, INFONAVIT⁴, and CONASUPO). Meanwhile, the stagnation of salaries has led to a loss in purchasing power, thus lessening internal demand. Both structural adjustment policies affected millions of families who could no longer obtain the Basic Food Basket (BFB). The Bank of Mexico (BM) recognizes that the cost of food is out of reach for the majority of the population. This is due to the fact that the increase in prices for goods in the BFB, (which includes 35 basic goods), which shot up 262% from 1994-2000, is not comparable with the raise in the minimum wage, which went up just 86.56%. President Zedillo electoral campaign slogan, "Well-being for your family" was completely unfulfilled. The Basic Constituted Basket (BCB) contains 312 products, which only 4.2% of the EAP could buy. It is necessary to take into account the costs of cutting basic subsidies (tortilla, milk, bread etc.), as well as the reduction in spending for education, health and homes. In 1983, subsidies represented 3.35% of the GDP, and in 1994 they only represented .68% of the GDP. During Zedillo presidency, drastic cuts were made in the program to supply industrialized milk, LINCONSA. Between 1991 and 1999 number of children receiving milk under the program fell from 7 million to 3.9 million, along with the reduction per capita of 129 liters of milk annually to 94 liters in 1997. During the same term in office, subsidies geared towards milk, corn and tortillas dropped from 50% to 75%.

While the subsidies for tortillas in 1995 were 1,832 million pesos, by 2000 they were barely 554 million pesos. According to the Attachments of the Sixth Presidential Report from President Ernesto Zedillo (1994-2000), the number of food packages provided through the Program of Social Assistance and Food for Families went from 21,070,268 in 1997 to 20,114,892 in 2000. The dramatic and inhumane situation in which millions of families are living is exemplified by the price of tortilla, which shot up 455% under Zedillo's term. The tortilla, part of the staple diet of Mexicans, is the refuge for a population with few resources, acting as a last line of defense against hunger. The tortilla was the last product whose price was controlled until 1998. From this fact alone we can determine that the number of Mexicans in extreme poverty grew at least 6 million, reaching 30 million people who lack the basic necessities.

Two of the characteristics of structural adjustment are its effects on women and children in poverty. In the analysis of childhood one must, for cultural reasons,

⁴ Institute for the Security and Social Services of Workers, ISSSTE, National Institute to Stimulate Workers Homes, INFONAVIT, respectively.

refer to women who have traditionally been the “healers” and caretakers of children. Women who participated in the workshops expressed that the increasing incorporation of women into the labor force has repercussions on both family life and the educational opportunities granted to minors. Girls are the most affected, as they are the first to leave school to take care of their siblings while their mothers work. The economic changes have repercussions within the family’s life, in domestic duties and in the domestic workload.

One thing the women who participated in the CASA training workshops expressed was the apparent intensification in domestic violence, a problem that mainly affects women and children and is usually related to alcoholism.

In 1990, between 13.5% and 15% of the total domestic households had women as heads of the family. Some 80% of these were divorced, separated or widowed. Using a national demographic survey, Acosta⁵ offers evidence of the augmented vulnerabilities of households headed by women. He points to information on work, income and education in those homes, and to society’s negative perception of women as leaders of their households.

Drastic governmental cuts in health services have modified maternal health care, a factor of pivotal importance for children. In Mexico in 1995, trained personnel attended only 88.5% of births, and the number was even lower in rural areas. In that same year, 6.8% of pregnant woman received no prenatal care, and those that received it averaged 3.9 consultations, a number far below the minimum recommended by the World Health Organization (WHO) (5 consultations per pregnancy).

Although there has been a drop in maternal fatalities in the last decades, in 1990 reaching a level of 6.1 per 10000 live births, the drop has not been homogeneous across all regions. A worrying tendency is the fact that in 1996 levels similar to those in 1990 were observed. Currently, 10% of children are born in conditions that are potentially damaging to both the child and the mother. Amongst adolescent mothers, more complications arising from pregnancy take place. Adolescent family planning has not been considered despite the 20 million people in this group, forming 22% of the population. One fourth of pregnancies, the majority of which are unwanted, are from this group, and the incidence of abortions and child-mother deaths is more present in adolescents than in any other group.

In 1990 worldwide, girls accounted for two-thirds of the child population without access to education. More than two-thirds of the children who abandoned their studies each year in developing nations were girls, and the number of enrolling female students is still dropping. Following this tendency, the rate of illiterate women is higher than men, according to reports from UNICEF. In Mexico during

⁵ Acosta Díaz, Félix, 1994. *Los estudios sobre jefatura de hogar femenina y pobreza en México*, en GIMTRAP (comp.), *Las mujeres en la pobreza*, El Colegio de México/GIMTRAP

1995, 91.4% of males over the age of 15 could read and write, while for females the number was only 87.2%. Women's education lasts less than that of men, who average 7.5 years, as compared to 6.9 years for women, according to an INEGI report.

According to surveys in 1995, 7.8% of the population between the ages of 6-14 did not go to school. For boys this proportion was 7.1%, whereas for girls it was 8.5%. In the beginning age ranges this number appears to be slightly higher for girls, but as they grow older it changes favorably for boys so that that by the ages of 10-14, female participation in schools has diminished proportionally to that of males. Girls who leave school at an early age do not appear to incorporate themselves in formal employment later on, and according to a census in 1990 only 3.4% of girls between 12-14 years old were considered economically active, compared to 11.1% of boys within the same age group. In the same census, 90.4% of boys and 77.3% of girls aged between 12-14 were reported as economically inactive, with 20% of the girls dedicated to domestic duties.

In the same way that two decades ago we lacked information on the role of women, today we lack knowledge of the condition of minors, and furthermore on the differences between boys and girls. Those who study the problems of childhood consider this segment, just as is the case with women, should not be considered simply as another special interest group. On the contrary, what happens to children is fundamental to what can happen to society. Perhaps the benefits that have emerged from incorporating aspects of gender can be obtained from considering the aspects of generation.

POLITICAL REFORMS TO THE AGRICULTURAL SECTOR

The reorientation of policies aimed at helping agricultural production contributed to the restriction of access to food by popular sectors. In the mid-80's the 17 most important agricultural food products received aid based on prices supports, protectionist trade measures such import licenses and tariffs, retail price floors and subsidies on supplies. In 1995, corn and beans maintained price subsidies, 8 products received PROCAMPO aid, which provided incentives to change from production of traditional crops, and all the products followed NAFTA and GATT-WTO regulations. Social programs for corn and milk were maintained, while wheat, beans, sugar cane and milk maintained a fixed price in bulk.⁶ Finally, subsidies for the expansion of the productive base were drastically reduced, apart from the still undetermined effect of liberalizing the land market that perhaps may be noticeable only during the next agricultural census.

⁶ There is no longer any type of price control, although lately the Department of Commerce and Industrial Foment (SECOFI), for unknown motives, has used the Law of Economic Competition to suppress price hikes for milk, tortillas and sugar.

The changes caused by the structural adjustment program, where the market is considered the only efficient mechanism to assign resources, has impacted economic, political, ecological and cultural processes in rural regions. It has modified the agrarian and productive structure, affecting living standards, work and income in the rural population, while altering the scene in which the principal social actors exist. The SAP promotes a model of production that is increasingly specialized, one that favors production for exports at the expense of the local market. In the political scene there have been changes in the relationship between the State and rural society, for example, the use of public funds as political controls to stop social discontent, and the fact that important resources are used for political and military control in rural regions.

The economic programs established under the structural adjustment plan have negatively affected employment and income levels in rural areas, appearing as modifications in consumer preferences that are basically food related. Productive stagnation has affected the regions demographically, causing an increase in migration from regions with more poverty to others of greater temporary labor demand (especially in the North West of the United States). In the last decades the rural population, which represents a fourth of the population, has suffered drastic demographic changes, amongst which are increases in life expectancy and the lowering of birth rates.

In planning the different phases of structural adjustment there have been a series of measures, among which the most notable are: i) constitutional reforms with regards to agricultural, forestry and water, facilitating the privatization of land, and the concentration of land and natural resources; ii) actions aimed towards productive restructuring, reduction in state participation in agricultural production, transfer of the production and distribution of inputs and services to the private sector, liberalization of the economy and a reduction in funds from the public sector; iii) the reorientation of production to the competitive conditions as defined by the international market (central themes in this were the opening of the economy with the entrance to the GATT and NAFTA); iv) an end to the State's participation as a regulator of production, distribution and consumption of agricultural goods, including the decline of public spending and liquidation of agencies that operated in financing and production; and v) the establishment of new forms for the State to relate to society and, most especially, with the agricultural producers and their organizations.

Through these various actions a model has been promoted, a model whose paradigm is modern agriculture as seen in the industrialized nations, without considering that economic, social, resource and demographic conditions in Mexico are different. These actions have worsened existing problems and created others such as: the contraction and segmentation of the internal market; increasing dependency on imports; and a reduction in consumption, with a growing number of people in both poverty and extreme poverty. In Mexico there exists a wide variety of natural systems and a productive heterogeneity. The structural

adjustment policies have accentuated the differences, which existed in different social sectors by region, but also by product. The benefits have only reached a small elite of industrialists, while at the same time millions of small-scale producers have no access to infrastructure, resources or technology. The rural regions show the acute effects of the structural adjustments: migration; poverty; abandoning of the land; concentration of resources; exclusion of the masses; and an increase in social violence.

Another effect of these policies is the productive standstill and the heightening of nutritional problems in the nation. The dimension and severity of the food crisis is expressed in a growing deficit in national food supply, an increase in the value of grain imports, food oils and meats, and in the rising malnutrition indices among the population. At the social level, growing segments of the population have not been integrated and are currently excluded from the labor market, formal employment, production, along with an acceleration in the factors that bring about the expropriation of peasant resources. Ecologically, the specialization in productive factors is accentuating the loss of biodiversity and homogenization of natural resources, and also accelerating the process of erosion. This can be summed up as concentration, exclusion and destruction.

Economic globalization and the opening of the national market have resulted in more and more unfavorable rates of exchange, particularly for raw materials and especially within the agricultural sector. Thus, globalization promotes a system of production and consumption that is increasingly integrated into the international economy, based in part on the concentration of resources and benefits for MNCs and that is increasingly exclusive. In various rural sectors, the true face of globalization is the exclusion they face because they are cannot integrate themselves into the market as producers, consumers or workers. Unable to obtain land, without financial aid, and restricted by government actions, one of the central and growing problems faced by the rural population is the lack of alternative sources of employment. Structural adjustment has obliged numerous sectors of the population to rethink their strategies of reproduction, giving way to different social responses that have developed in the technical-productive, socioeconomic and political environments. The social responses have touched a myriad of aspects such as work organization, production restructuring and the way to reintroduce themselves in the different markets.

Faced with the seriousness of the situation, there has been a growing demand for social change at all levels. The demands have taken different forms, with limited but constant results coming from local levels, working toward fundamental changes in societal relationships and economic, social and political models. The most important of these movements is the one spearheaded by the Zapatista uprising, not only because of the methods used, but also because it has served as a catalyst for change in many of the demands made by the whole population. Given the social and productive situation, numerous actors have expressed critiques and propositions to confront the social, economical and political processes

that have occurred in the rural areas. Consequently, there have been changes in the social reproduction strategies, and alternatives are being sought out to confront social and gender inequalities, political exclusion and the environmental effects derived from the new appropriation of natural resources.

As we have seen, the overall tendency of the economic model is to reduce the segment of the population occupied in agricultural production, a goal which has failed with regard to women in rural areas. Women's participation in absolute terms increased from 1,003,000 in 1991 to 1,189,000 in 1996. According to Antonieta Barón⁷, in agricultural fields male predominance is diminishing with the incorporation of women. One of the tendencies in the countryside today among poorer peasants and temporary workers is the increase in women in the work place, as female participation went from 12% to 17% between 1991 and 1997.

Two reasons may be considered for this: those women who take on their partners' jobs when men migrate to cities or the United States; and the fact that men are still the legal owners of the land and aid is still seen as non-remunerated family aid, even if women take on overall responsibility of the family. In 1991, 51% of women working in agriculture received no remuneration, and in 1997 this was 64%.⁸ In 1999, 17% of the landowners who received their land as inheritance from their spouses were women as compared to only 1.3% in 1970. Women participate in 42% of the Social Solidarity Associations and in 14% of the Rural Production Associations registered in the communal sector.⁹

This increase in remunerated work in the countryside is directly related to the productive restructuring of the last few years and the type of crop favored by economic models destined for export. While there is a supply and demand of labor in all crops, in the case of traditional crops such as corn, the work force is family based, while in cultivation for export (such as vegetables), intensive labor is used, which requires greater salaried labor.

According to the National Work Survey (ENE), in 1991 there were 2,236,822 temporary workers who represented 40.4% of the agricultural work force, and in 1997 there were 2,777,174, a number equal to 43.2% of the total agricultural work force. It is important to add that this was employment in poor conditions, as the same survey from 1997 shows that 43% of these salaried workers received less than two minimum wages.¹⁰

The participation of women in remunerated activities in agriculture is growing as they search for ways to overcome the limitations of physical strength and risk.

⁷ *Cambios en las relaciones salariales en los mercados de trabajo rurales de México*, Antonieta Barón Pérez, Revista Investigación Económica, Facultad de Economía de la UNAM, Octubre-diciembre 2000, número 234.

⁸ El sector agropecuario y el desarrollo rural en la perspectiva de la globalización, Hubert C. De Grammont, junio 1999.

⁹ Hubert C. De Grammont, Idem.

¹⁰ Procuraduría Agraria, 1997, La transformación agraria, 2 volúmenes.

¹¹ Huber C. De Grammont, Idem.

There is also an increase in the demand for labor in certain sectors, and an urgent need for women to obtain more income, even it is on unequal terms in comparison to men, and many times without changing their condition of double or triple shifts.

III OVERALL CONCLUSIONS

The overall objective of any economic strategy is social well being. There have been infinite interpretations, however, on how to achieve that objective. The logic of structural adjustment has relied on the ability of the market to regulate the economy. This concept has been adopted by most governments during the last two decades, whether due to financial difficulties and their consequent appeals to the IFIs, or because of their ideological identification with the theories, or because of the internal power games of different nations. In this study we have analyzed the impact and origins of structural adjustment on Mexico, taking into account the reasons that led the country to this program, particularly the 1982 external debt crisis. We have also related this to predominant positions within the IFIs, without omitting internal power struggles and market favoritism carried out by the federal governments since that time.

The structural adjustment policies began with the application of economic stabilization policies rather than with social compensation policies. Their original objectives were to correct the fiscal and external deficit. President de La Madrid (1982-1988) called this "Economic Realism".

To the stabilization policies the first aspect of structural adjustment was added: the market would not be regulated by the state, but rather by supply and demand exercised directly by consumers and producers. The first aspect of deregulation would be: (i) consumer price controls; and progressively (ii) guaranteed prices for peasants; after which (iii) the deregulation of services, giving way to privatization; (iv) deregulation of investment, facilitating speculation and direct foreign investment in the majority of sectors considered national priorities; (v) deregulation of landholding, converting communal lands to private property; (vi) deregulation of the labor market, not through normative modifications, but rather through facts: a change in the minimum wage and the facilitation of irregular, informal and sub-contracts; (vii) deregulation of international trade, through external liberalization, entrance in the GATT-WTO and subsequent integration to the economic bloc NAFTA; and (viii) deregulation of complete economic sectors, mainly through privatization and the disappearance of state-owned enterprises.

To these types of policies were added, in the late 1980's, the incorporation of social policies geared towards the market, which became more focused on the extremely poor segment of the population. These social policies, with the goal of transforming them into a potential workforce, also brought policies of accessibility to the education, health and housing sectors. Education would depend on the rate of returns derived from specific learning, in which technical and technological education would substitute for the principal of universal education based on

scientific, social, cultural and humanist views. The health sector would focus on basic health while sacrificing other more expensive treatments for the mass population with low productivity expectations in the medium and long term. In housing, the direct responsibility of the State and enterprises would substitute for housing budgets, through the hiring of businesses for construction, and accompanied by credits for potential buyers, depending on their seniority and level of income. Another essential link between social and economic policies was the forced generation of domestic savings through the Retirement Savings system (SAR) and the privatization of pensions to the financial sector, through retirement fund administrators (AFORES).

There has also been an incorporation of the adjustment logic with regards to reform of the state, natural resources concessions, and the establishment of mercantile criteria regarding environmental destruction. Reform of the state has started from the assumption that social deterioration has not been caused by the adjustment policies, but rather by corruption and inefficiency by the government. Therefore, policies were proposed to: (i) decentralize public agencies, from federal to state and from state to municipal, and from the Executive to the Legislative and Judicial, and (ii) incorporate civil society in the implementation of public policy. Concessions of services have been carried out mainly in the communications and transport sectors, as well as in the construction of infrastructure for state enterprises. In the environment, the regulation of pollution from gas emissions, possible privatization of water utilities and modification of tourist and forestry practices show signs of expected change.

At first, structural adjustment only indirectly approaches the reduction of social distortions such as unstable employment and the concentration of wealth and poverty. Its initial objectives refer to the aspects signaled in the previous paragraphs. However, even defined on those terms, the results have not been satisfactory.

Has the debt problem been solved?

In 1982, Mexico's foreign debt reached US\$86.179 billion. In 1987, following five years of austerity programs, no growth or hyperinflation, rather than achieving the proposed reduction, the debt grew to US\$107.471 billion (an accumulated growth of 24.7%). With the 1989 renegotiation it was slightly reduced to US\$96.647 billion, but since that time the debt continued to increase until 1995, at which time it reached US\$170.211 billion (increasing 76.1% in six years). Since then, the debt has been slightly reduced, reaching US\$161.912 billion in 1999.

Compared to employment indicators, this means that the debt in the 1980s amounted to US\$3,636 per worker, while in 1999 it had increased to US\$3,961 per worker (a 8.9% increase).

Two observations are worth noting:

The current total is still equivalent to US\$3,763 per worker, or 933 days of minimum wage. However, 13.3% of workers receive no salary, and 19.3% receive less than the minimum wage, which means that one third of the workforce could not pay "its part of the debt". Almost another third of the work force earns between one and two minimum wages, meaning they would have to dedicate all their earning of two and a half years to pay their debt. Another 17.4% of the population earns 2 to 3 minimum wages, which means they would need to dedicate between half and a third of their income for the same time lapse to pay off their part of the debt. Some 11.1% of the population, which earns between 3 to 5 times the minimum wage, would pay between 25-30% of their income, while those earning 5-10 times the minimum wage (5.6%) would pay between 10-20% of their income. Finally, for those for whom paying the debt would mean a relatively minor load (10 minimum wages and above), they only represent 1.9% of the workforce.

Faced with the impossibility of paying the external debt, what really interests the international financial system is the continued payment of the debt service (interests plus annual principal payments), which currently fluctuates around US\$10 billion a year.

Since the daily minimum wage is US\$4.24 a day, that would be equivalent to US\$1,550 a year. This correlates to the continued payment of 6.45 million minimum wages each year, just for the debt service. However, between 1982 and 2000 over US\$160 billion has already been paid. In other words, the debt has been paid even though there has been practically no reduction in the total balance, and multi-million payments have been renegotiated on even longer terms, implying the transfer of the debt from generation to generation.

The debt triggered the structural adjustment policies. Nineteen years later, its servicing implies a huge financial burden, and instead of solving the problem, it has become eternal.

Growth, productivity and competitiveness... a developing nation going backwards¹¹

The basic discourse of the Mexican government since 1982 has referred to the necessity of recovering the capacity for sustainable growth in the medium and long term. There has been an emphasis on the need to be more competitive through an increase in productivity, promoting a more competitive economy by taking advantage of the country's comparative advantages.

¹¹ Unless otherwise noted, all the relative information with regards to production is taken from the electronic information page of Economic information of the INEGI (www.inegi.gob.mx), while the employment data from 1980 is taken from projections of the Continued Survey on Occupation, 1979 (INEGI) and for the year 2000 from projections (1995-1999) of the National Employment Survey (INEGI-STPS). The data of concentration of export establishments is taken from section II.2 of this document.

In terms of production, growth during the period 1982-2000 has been, on average, 2.38% annually or less than half of what had been achieved from 1935 to 1981 (6.5%). Meanwhile, the economically active population (the total number of all workers) increased by 3.5% annually. Consequently, the product per worker (1993 rates) was US\$46,075 annually in 1980 and only US\$39,367 in the year 2000, implying a decrease of 14.6% with regard to 1980.

This does not mean that productivity has not increased in the export sectors, medium-scale enterprises and the most dynamic industries or regions of most growth. Rather, this signifies that the most dynamic sectors absorb a proportionately smaller amount of the work force, forcing an ever-increasing number of people to carry out more unstable or illegal activities. Under these circumstances the productivity gains in the most dynamic sectors are insufficient to compensate for the losses in the impoverished or stagnating sectors. The combined result of these tendencies has been a reduction in the average productivity of the country.

The above shows that even after the technological revolution, Mexico is less productive than it was 20 years ago when there was no massive use of microelectronics, robotics, new materials, genetically modified goods or "Total Quality". Obviously, this does not mean that people work less (as we shall see in the section on employment), but rather that the precariousness is greater.

This was clearly demonstrated at the sectoral level. The sectors that grew the least in the last 20 years were: construction (.5% annually); agriculture (1.2%); extractive industries, oil and mining (1.7%); social, personal and community services (1.8%); and commerce (1.9%). There were 28.2 million people employed in these sectors in 1999, the equivalent of 72.6% of the economically active population. In terms of production, on the other hand, the most dynamic sectors were: utilities (4.4%); financial services (3.8%); communications and transport (3.5%); and manufacturing (3.1%). These sectors as a whole employ 10.7 million people or 27% of the economically active population. It is within these sectors that there have been increases in productivity. Here we must ask if a growth scheme based on increases in productivity that leaves out 75% of the work force is socially valid. It still remains to be seen whether this increase in productivity has translated itself into an increase in purchasing power or into a more acute concentration of wealth.

The third point of the adjustment plan was an increase in competitiveness. However, only one percent of the three million existing productive units is involved in foreign trade and, thus, forms the basis of the competitiveness strategy. In summary, 75% of workers and 99% of the establishments do not form part of this productivity and competitiveness plan.

Stabilization policies 20 years later: recurrence and unsustainability of adjustment.

The "healing" of public finance.

Perhaps the greatest concern of the federal government over the last two decades has been maintaining healthy public finances. Even now almost 35 % of government expenditures are dedicated to non-program expenditures, most notably foreign and domestic debt servicing, particularly that derived from FOBAPROA.

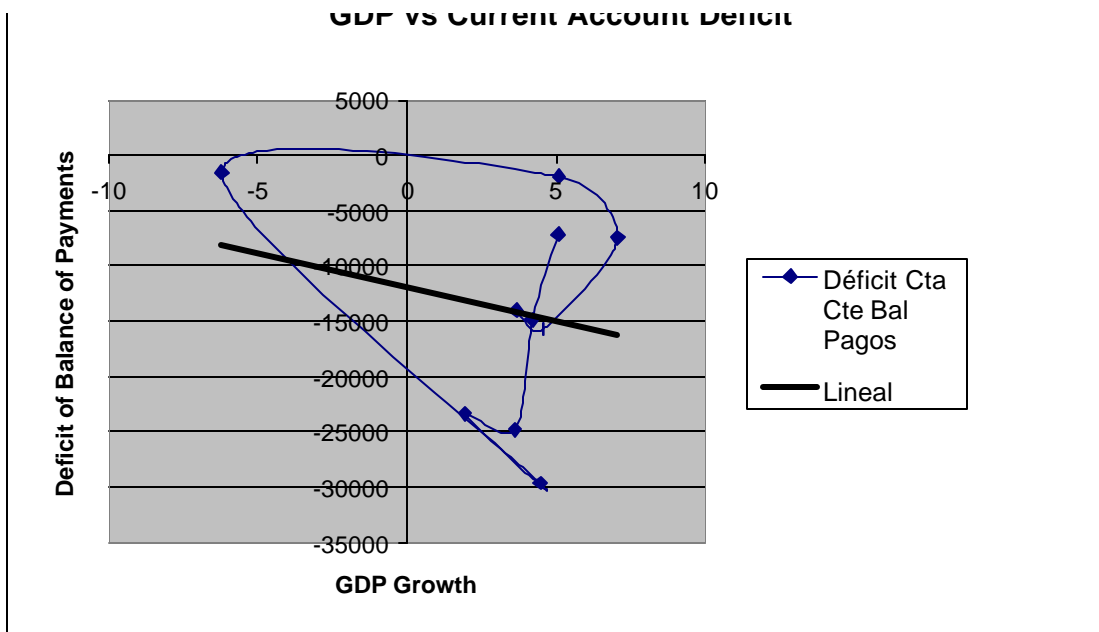
In 1982, the fiscal deficit reached 16.5% of GDP, while in 2001 it will barely reach 0.65%. To achieve this, however, financing has been provided through taxes on consumption, which cause a greater burden on lower-income families, as well as new debt and significant cost cutting, much of it in new investment, particularly for economic development. This has meant a lack of technological investment in the few remaining state enterprises (particularly electric and petrochemical), reduction of investment in social sectors (especially secondary and tertiary health care and non-technical higher education), and an indifference toward agricultural and real industrial policies that would imply supporting capacity for domestic development beyond the *maquiladoras*.

The roller coaster of external imbalances

The economic deterioration that has accompanied the liberalization of markets has receded for the time being, as it did from 1991 to 1994. Even so, the accumulation of aspects that lead to crisis, such as the deficit tendency in the current account of the balance of payments, does not seem to stop except momentarily. Far from having diminished since the establishment of adjustment policies, Mexico's vulnerability to the world, especially the United States, is escalating.¹²

Thus, a highly negative relationship can be noted between the current account deficit and GDP growth. In other words, since 1982 every time the nation regains a certain capacity for growth, the external deficit increases proportionally more. Growth requires that we import more inputs, and when the purchasing power of the population increases, there is a proportionally greater increase in consumption of foreign goods. Furthermore, to maintain growth it is necessary to stabilize prices, which is only viable if devaluation is avoided. Yet since Mexico's inflation rate is much greater than that in the United States, avoiding devaluation means that exports must become increasingly more expensive abroad, causing a reduction in exports. Thus, the country needs an increasing external deficit, which

12 This is reflected in the current account of the balance of payments which includes mainly: (i) the total of exports minus imports or trade balance; (ii) the payment per cost, insurance and others derived from foreign trade; (iii) the income generated by visitors, minus what local residents spend when they go abroad; (iv) payment of interests on the foreign debt; and (v) money sent by workers living abroad.



is often financed with speculative capital and through the sale of national enterprises (both public and private). This translates into, in the medium term, a crisis in terms of the balance of payments and the ability to pay debt service, in addition to the loss of national patrimony. Such was the case in 1976, 1982, 1987 and 1995.

GDP and the external deficit 1990-1999.

GDP and external deficit 1990/1999	GDP increase (%)	Current Account Deficit (Mdd)
1990	5.07	-7113.9
1991	4.22	-14892.6
1992	3.63	-24804.3
1993	1.95	-23392.7
1994	4.46	-29662.0
1995	-6.19	-1576.7
1996	5.09	-1922.2
1997	7.05	-7448.2
1998	4.56	-15726.3
1999	3.66	-14012.7

SOURCE: Own Elaboration con based on INEGI (www.inegi.gob.mx) and the Banco de México (www.banxico.org.mx).

The indicated lineal regression in the previous graph indicates how, as production grows so does the external deficit, eventually precipitating a crisis and a devaluation. In other words, under the current strategy, the solutions to crises actually provoke new crises.

TABLE 1 : PERCENTAGE OF UNDEREMPLOYMENT BY INCOME AND DURATION OF THE WORK WEEK, COMPARED TO TOTAL EMPLOYMENT

	1991			1993			1995			1996			1997			1998		
MORE AND LESS URBANIZED ZONES	AS.	M	F	AS.	M	F	AS.	M	F	AS.	M	F	AS.	M	F	AS.	M	F
Unremunerated Work	12.9	10.9	17.5	14.7	13.1	18.2	15.9	14.4	19.1	15.4	14.1	18.1	15.7	13.8	19.5	13.8	12.4	16.7
Work Inc.< SM worked. >35 Hrs	10.6	11.3	9.1	10.5	11.4	8.6	10.6	11.4	9.0	11.8	11.7	12.0	12.7	12.7	12.6	11.5	11.1	12.3
Work Inc fr. 1 to 2 SM worked > 48 Hs	8.0	9.2	5.3	7.4	8.2	5.7	9.5	10.8	7.0	10.2	12.0	6.5	10.1	11.8	6.5	8.4	9.5	6.0
TOTAL	31.5	31.4	31.9	32.6	32.7	32.5	36.0	36.6	35.1	37.4	37.8	36.6	38.5	38.3	38.6	33.7	33.0	35.0
MORE URBANIZED ZONES	AS.	M	F	AS.	M	F	AS.	M	F	AS.	M	F	AS.	M	F	AS.	M	F
Unremunerated Work	4.8	3.1	8.1	5.4	3.5	4.0	5.4	3.5	8.7	5.6	3.7	8.8	5.4	3.6	9.9	5.2	3.1	9.3
Work Inc.<SM worked.> 35 Hrs	5.0	4.3	6.3	4.3	3.8	5.3	5.7	5.3	6.4	7.2	6.3	8.9	6.8	5.8	8.5	6.3	5.2	8.5
Work Inc fr. 1 to 2 SM worked > 48 Hrs	7.6	9.0	5.0	8.0	9.1	5.8	10.3	12.0	7.3	9.9	11.9	6.5	10.2	12.2	6.7	7.7	8.8	6.1
TOTAL	17.4	16.4	19.4	17.7	16.4	20.1	21.4	20.8	22.4	22.7	21.9	24.2	22.4	21.6	25.1	19.2	17.1	23.9
LESS URBANIZED ZONES	AS.	M	F	AS.	M	F	AS.	M	F	AS.	M	F	AS.	M	F	AS.	M	F
Unremunerated Work	20.2	17.1	28.3	22.4	20.7	29.0	24.9	22.8	30.0	23.6	22.0	27.3	24.0	21.7	29.2	21.4	19.9	24.9
Work Inc.<SM worked.> 35 Hrs	15.7	17.0	12.4	16.1	17.4	12.4	14.7	16.0	11.7	15.5	15.7	15.1	17.6	18.0	16.8	16.1	15.8	16.6
Work Inc fr. 1 to 2 SM worked > 48 Hrs	8.3	9.3	5.5	7.0	7.4	7.7	8.9	9.8	6.8	10.4	12.0	6.6	10.0	11.6	6.4	8.9	10.1	6.2
TOTAL	44.2	43.4	46.6	46.0	45.5	47.1	48.5	48.6	48.5	49.5	49.7	49.0	51.6	51.3	52.4	46.4	45.8	47.7

Note: The calculations of unemployment, under the considered criteria, were made on the basis of the working population, excluding indicators of future jobs, those who did not work during the week in question and those who did not specify income and/or work hours (depending on the case).

Deregulation and its impact on the quality of life

Real costs and salaries

The period of highest real salaries in Mexico was in 1976 when they reached 82.74 pesos, which would equal 175.66 pesos today. Currently, the average national minimum wage (2001) is 40.35, which represents an accumulated loss of 77.03%. In other words, minimum wage purchasing power in 1976 could only be achieved today with a monthly income of 5,340 pesos or five minimum wages, an amount earned by only 7.5% of the economically active population.

The instability of growth, the concentrated structure of the market and the existence of underemployment affecting more than a third of the working population is reflected in a structural deterioration of the income distribution. From 1983 to 1994, the Gini index increased continuously, and the opposite trend seen in 1996 (the last available data) was not due to a proportional improvement

of income in the lower deciles, but rather to a generalized impoverishment that was proportionally less in those same deciles.

In other words, although the proportion of monetary income increased in the first decile from 0.62% in 1983 to 1.24% in 1996, this did not translate into an actual improvement in the income levels in this decile. Rather, due to the economic trajectory of the nation, real income per household decreased, at least during the last decade, from 608 pesos per trimester (in 1993 pesos) to 583 in 1994 and to 528 in 1996, despite the proportional improvement in the Gini index.

Other than small, temporary exceptions, the deterioration is continuous for deciles II and III, while in deciles IV and VI there is a gradual improvement from 1989-1994 that decreased with the 1995 crisis. In the higher deciles there was a marked increase in income, although the improvement was still less than the negative effect of the crisis.

	NATIONAL					MORE URBANIZED ZONES					LESS URBANIZED ZONES				
	1991	1993	1995	1996	1998	1991	1993	1995	1996	1998	1991	1993	1995	1996	1998
NATIONAL															
Total *	30,270	32,585	33,578	35,006	38,363	14,262	15,120	15,342	16,005	18,097	16,008	17,465	18,236	19,001	20,265
Specific.	27,935	29,352	31,148	32,426	35,542	13,161	13,872	14,368	14,652	16,651	14,774	15,480	16,829	17,774	18,890
MEN															
Total *	21,085	22,585	22,820	23,624	25,506	9,350	9,852	9,829	13,346	11,459	11,735	12,733	12,991	13,346	14,047
Specific.	19,318	20,294	21,065	21,853	23,631	8,575	9,014	9,159	9,395	10,554	10,743	11,280	11,906	12,458	13,076
WOMAN															
Total *	9,185	9,999	10,758	11,382	12,856	4,912	5,268	5,514	5,655	6,638	4,273	4,732	5,245	5,655	6,218
Specific.	8,616	9,058	10,132	10,573	11,911	4,586	4,858	5,209	5,257	6,097	4,030	4,200	4,923	5,316	5,814

* Excluding next indicators

Source: Own elaboration based on the National Employment Survey (ENE): ENE 91, Table 17; ENE 93, Tab. 36 a 38; ENE 95, Tab. 143 a 145; ENE 96, Tab. 3.63, 3.63.1 y 3.63.2

AS = Both sexes; M = Male; F = Female

Worker's income <minimum wage> 35 Hrs = Workers who earn less than the minimum wage, who worked over 35 hours during the indicated week

Worker's income from 1 to 2 minimum wages > 48 Hrs = Workers who earned between one and two minimum wages, who worked over 48 hours during the indicated week.

The ENE delimits the more or less urbanized zones according to the size of the population in the considered area. The cut off was 100,000 people.

In summary, the Mexican economy is currently growing, although this growth has not been able to compensate for the deterioration from the crises suffered in 1982 and 1995. There is a tendency toward a more unequal distribution of income, even though underemployment has been reduced as a result of economic growth in 1997 and 1998, and external vulnerability remains. Factors exist which could, in the short term, precipitate a crisis similar to that of 1995.

The *hijos de la crisis* (children of the crisis) is thus more than just a Mexican rock group. Adjustment and stabilization policies are not their mother or father, but they have contributed much toward this current reality in Mexico.

DISTRIBUTION OF INCOME BY DECILE

DECILE	1977	1983	1989	1992	1994	1996
I	0.88	0.62	1.14	1.00	1.01	1.24
II	2.04	2.08	2.48	2.27	2.27	2.56
III	3.09	3.44	3.52	3.36	3.27	3.56
IV	4.34	4.82	4.56	4.38	4.26	4.60
V	5.82	6.16	5.76	5.45	5.35	5.66
VI	7.38	7.85	7.21	6.77	6.67	6.98
VII	9.51	9.74	9.02	8.62	8.43	8.77
VIII	12.50	12.58	11.42	11.22	11.20	11.36
IX	17.75	17.51	15.92	16.09	16.30	16.15
X	36.69	35.20	38.97	40.84	41.24	39.13
G	0.4963	0.4814	0.4889	0.5086	0.5137	0.4889
National Income.			42,763,004	90,624,822	121,740,626	170,318,104
Price Index 93=100			50.28	91.20	108.45	195.25
And National. Pesos 93			85,049,730	99,369,932	112,255,072	87,230,783
No. Households (thousands)		14,795.0	15,955.4	17,819.4	19,440,278	20,467,038
Occupants, per household		5.06	4.96		4.62	4.54