The Revolution unleashed a torrent of creative energy in literature and the arts. One especially prominent outlet came through public murals, as a trio of gifted painters—Diego Rivera, David Siqueiros, and José Clemente Orozco—sought to inform and educate the country's largely illiterate masses. "Art must no longer be the expression of individual satisfaction," they declared in a manifesto, "but should aim to become a fighting, educative tool for all." Through massive murals in such public buildings as the Agricultural School in Chapingo and the National Palace in Mexico City, they idealized the pre-Hispanic past, empathized with Mexico's masses, heaped derisive scorn on Spanish conquerors and Yankee capitalists, and elevated popular leaders like Zapata to a pantheon of heroes. Marxist in varying degrees but nationalist to the core, the muralists played a major role in reshaping the popular history of revolutionary Mexico.

Commitment to Indianism, or *indigenismo,* became a common motif. It was the central theme in Gregorio López y Fuentes's 1935 novel *El Indio*. It permeated the musical works of Carlos Chávez, a brilliant conductor, pianist, and composer who went so far as to score his *Sinfonía India* (1935) and *Xochipili-Macuilxochitl* (1940) for pre-Columbian instruments. It also became an integral part of the official political creed, and as such it offered inspiration for the magnificent National Museum of Anthropology and Archeology in Mexico City.

The revolutionary novel, too, became a genre of its own. As early as 1915 Mariano Azuela published *Los de abajo* (translated as *The Underdogs*), a story of characters entangled in a meaningless war: "The revolution," says one, "is like a hurricane; if you're in it, you're not a man . . . you're a leaf, a dead leaf, blown by the wind." In the 1920s Martín Luis Guzmán wrote *El águila y la serpiente,* a tale of idealistic revolutionaries and venal politicians that also contained a firsthand portrayal of Pancho Villa. "When he fires, it isn't the pistol that shoots, it's the man himself. Out of his very heart comes the ball as it leaves the sinister barrel. The man and the pistol are the same thing." A generation later, Carlos Fuentes presented skeptical views in two acclaimed novels, *The Death of Artemio Cruz* and *Where the Air Is Clear*. For these writers the defining characteristic of the Revolution was its violence; their goal, and that of their characters, was to ascertain the purpose of it all.

Institutionalizing the Revolution

Obregón succeeded to the spoils of the presidency. The need was for reconstruction after years of civil war, but the world recession after World War I sharply reduced Mexico's export earnings and deepened a domestic economic slump. Nonetheless, the government launched an ambitious rural education campaign under the leadership of the noted intellectual José Vasconcelos. In the area of labor, the Obregón government bet heavily on the newly founded *Confederacion Regional Obrera Mexicana* (CROM), which Obregón soon co-opted, while at the same time harassing the communist- and anarchist-led unions. On land distribution Obregón was cautious, fearing a loss of production. The last of the original popular rebels, Pancho Villa, succumbed to a fusillade of bullets in 1923, and the era of effective demands for fundamental social reform was over for the moment. Obregón did make two important contributions to the stability of the Revolution. First, he achieved an understanding with Washington—an agreement on how U.S. oil firms would be treated, in return for U.S. diplomatic recognition. Second, Obregón managed to transfer power peacefully to his successor, something no Mexican president had done since 1880.

The new president was another general from Sonora, Plutarco Elías Calles. This stolid officer-politician soon proved to be the man who would put the revolutionary political system on a strong footing. For Calles, however, the threat was from the right. Calling themselves the *cristeros* ("Christers"), Catholic militants presented the revolutionaries with the first broad-based, ideologically committed opponents of the secularizing Revolution. The *cristeros* were by no means limited to the wealthy defenders of the old economic order; they included many simple folk who saw the Revolution as the work of the devil, to be stopped only by the sword. This pious belief was reinforced by reactionary clergy, especially in the state of Jalisco, where they desperately needed foot soldiers in their crusade against the anticlerical Revolution.

When the presidential term of Calles expired in 1928, Obregón, never politically reticent, presented himself for election anew. It was not a reelection, Obregón reassured Mexico, because he was not the incumbent. He won easily but did not live to enjoy his power play: before the inauguration he was assassinated by a religious fanatic.

Into the vacuum stepped the lame-duck Calles. He got the political leaders to agree on a new election and on the creation of a new party, the *Partido Nacional Revolucionario* (PNR). During the subsequent short-term presidencies of Emilio Portes Gil (1928–30), Pascual Ortiz Rubio (1930–32), and Abelardo L. Rodríguez (1932–34), Calles continued to be the power behind the scenes.

Most observers expected Calles to continue that role in the presidency of Lázaro Cárdenas, elected in 1934. Cárdenas was a relatively obscure army officer and politician from Michoacán who surprised everyone, promptly sending the stunned Calles into exile. It was the first of many moves that proved Cárdenas was going to be his own man.

Many peasants had grown cynical about the "revolutionary" goals of their rulers. Where was the land they had been so often promised? Cárdenas decided to make good on those promises. During his term (1934–40) he presided over the distribution of 44 million acres of land to landless Mexicans, almost twice as much as that distributed by all his predecessors combined. Cárdenas knew the dangers in simply distributing land without the necessary supporting services. All too often that led to subsistence agriculture, with the farmer able to feed his family but unable to produce a surplus for the market. That would create grave problems in the food supply to the cities, as well as for the export markets.

Cárdenas' solution was to rely heavily on the communal system of the *ejido*. It had the advantage of being genuinely Mexican, while being neither capitalist nor socialist. The land distribution was made to the *ejido,* which was then the owner, even if plots were subsequently apportioned for individual use. *Ejidos* could include hundreds, even thousands, of families. The plans called for schools, hospitals, and financing, which was to be provided by the newly founded *Banco de Crédito Ejidal*. Not all the land distribution was made to *ejidos*. Individual peasants and families got plots as well.

The huge distribution created an initial euphoria, as over 800,000 recipients saw a life-long dream realized. But the longer-term results were not uniformly happy. Agricultural production for the market fell in many areas, as had been feared. The social and financial services promised by the government often never materialized in the volume needed, despite some successes. The result was low productivity and disorganization on many communal units and an insufficient integration into the market for many smaller units. Notwithstanding these problems, Cárdenas earned enormous popularity among the peasants for his boldness in distributing so much land. He had deeply reinforced the agrarian character of the Revolution.

Cárdenas also reorganized the party structure. Calles had led the way by creating a stronger machine than he found upon entering office in 1924. In 1938 Cárdenas reorganized the official party and renamed it the *Partido de la Revolución Mexicana* (PRM). It was now to be built around four functional groups: the agricultural (peasant) sector, the labor sector, the military sector, and the "popular" sector, which was a residual category including primarily the middle class. In applying this concept of functionalist representation, Cárdenas and his political advisers were borrowing from corporatism, the political doctrine then in vogue in Mediterranean Europe, especially Italy, Spain, and Portugal.

In this fashion Cárdenas devised a strategy for dealing with the lower classes: mobilize and organize *both* the workers and the peasants, but keep them apart from each other. Thus the creation of separate (and competing) sectors for each group within the official party. This way the government could maintain control of popular movements and prevent the possible appearance of a horizontal worker-peasant coalition.

Cárdenas also took a more radical line in relations with the United States. The toughest issue was oil. In the early twentieth century, Mexico possessed a significant percentage of the world's confirmed oil reserves. By the 1930s, foreign oil firms, mostly U.S. but some British, had huge investments in Mexico. The companies inevitably got into a wage dispute with their Mexican employees, and it was finally carried to the Mexican Supreme Court, which ruled in favor of the workers. The foreign com-

Frida Kahlo facing one of her famous self-portraits. (Corbis/ Bettman.)

panies disregarded the court decision, assuming that now, as before, there must be a way around such legal problems in backward Mexico. To everyone's surprise, the president intervened and announced the expropriation of the companies. The precipitating factor cited by Cárdenas was the companies' refusal to obey the Supreme Court decision. The legal basis given for expropriation was Article 27 of the 1917 constitution, in turn based on the long-standing principle in Spanish law that all subsoil rights belong to the state (crown), not to the owner of the surface rights. The oil companies were infuriated. The U.S. firms demanded that President Franklin Roosevelt intervene on their behalf. Right-wing propagandists in the United States had a field day at the expense of the "atheistic" Mexican revolutionaries who had first attacked religion and were now attacking property.

In Mexico the news of expropriation provoked an ecstatic response. Mexican nationalist sentiment, never far below the surface, poured forth; Cárdenas was now an authentic hero for standing up to the gringos.

At first Roosevelt issued some angry demands to the Mexicans, but cooler heads prevailed in Washington. After all, Roosevelt's much ballyhooed "Good Neighbor" policy meant, at a minimum, no more U.S. invasions of Latin America. In fact, the Mexican government had already said it would compensate the companies. Dispute then centered on the value of the expropriated properties. The companies filed enormous claims, including the future value of all the oil in the ground they had owned. The long ne-

Privacy on Public View

Long in the shadow of her contemporaries, Frida Kahlo (1907–54) has emerged in recent years as one of the twentieth century's most celebrated artists. As shown in the film biography *Frida,* her personal life was one of tragedy, struggle, and resistance. Stricken by polio as a child and then gravely injured in a trolley-car accident, she endured frequent illness and constant pain. In 1929 Kahlo married the already famous Diego Rivera and joined the Mexican Communist Party.

Despite her political commitment and her appreciation for the muralist tradition, Kahlo's painting was highly personal, private, and intense. Known especially for her haunting self-portraits, she combined Mexican traditions of religious folk art with European traditions of portraiture. Iconoclastic and original, she sometimes drew upon Christian images for inspiration but always in her own way, frequently challenging classic conventions of ecclesiastical representation: in Kahlo's paintings, women's bodies are as naked and bloody as those of Christ and as clothed and emotionally stoic as those of Mary. Rejecting the traditional ideal of the self-abnegating woman, Kahlo also affirmed female sexuality and sensuality. As Rivera himself acknowledged, "This is the first time in the history of art that a woman expressed herself with such utter frankness."

gotiations which followed favored the Mexican government, since the Roosevelt administration had early on ruled out intervention on behalf of the investors.

The companies were paid, and the Mexicans created a state oil monopoly, *Petróleos Mexicanos* (PEMEX). For decades thereafter, it remained a high symbol of nationalism—above all, because its target had been the United States. The oil companies and their friends in the U.S. government did not forget either. For another thirty years they enforced a world boycott against all Mexican oil and effectively obstructed the development of PEMEX's refining operations by getting it blacklisted with all leading foreign equipment suppliers. One reason the companies and the U.S. government thought they had to punish the Mexicans for their nationalist boldness was to prevent other Latin American governments from being tempted to similar expropriations. Mexico paid a price for standing up to Uncle Sam.

In summary, the 1920s and 1930s witnessed the consolidation of Mexico's post-revolutionary political regime. It proved to be a complex and distinctive hybrid. While there were regular elections, it was clear from the outset that only the official party could actually win. Despite proclamations to the contrary, it was widely conceded that outgoing presidents would designate their successors through an informal process known as the *dedazo* (or "big finger"). (There were extensive consultations, to be sure, but the reigning president always had the last word.) Ambitious office seekers were obliged to declare fervent loyalty to revolutionary ideals, but there was no rigid ideology. And when faced by opposition, the regime's most frequent response was to bring its critics into the system—by offering a voice, a job, or a policy concession. As one observer summarized the dominant approach: two carrots, maybe even three or four, and then a stick if necessary. By embracing (and defusing) the opposition, the Mexican state managed to strengthen its support. These features would remain in practice until the 1990s, and, despite their undemocratic character, they would provide the basis for two of Mexico's distinct political achievements: civilian control over the military and more than a half century of political stability. In the wake of revolution, in other words, Mexico developed a "soft" authoritarianism that bore little resemblance to the brutal military regimes that would dominate the Southern Cone from the 1960s to the 1980s.

Stability, Growth—and Rigidity

Cárdenas would have been a difficult act for any politician to follow. The choice of his successor followed a pattern which has been repeated at the end of every six-year presidency to the 1990s: endless speculation, mostly ill-informed, over the likely nominee. In 1940 the choice rested with Cárdenas, who chose neither of the two much-discussed front-runners (one radical and one conservative) but turned instead to his little-known minister of war, General Manuel Ávila Camacho. Clearly there was a consensus on steering the Revolution onto a moderate course.

In his campaign, Ávila Camacho made it clear that he was not anticlerical; he even declared himself a believer. And he actually faced an opponent: Juan Andreu Almazán, candidate of the *Partido de Acción Nacional* (PAN), a fledging pro-clericalist party on the right. The official PRM candidate easily prevailed.

In several key policy areas Ávila Camacho soon proved more moderate than Cárdenas. One was land redistribution. Cárdenas had endeared himself to the Mexican peasantry by his much-publicized land grants, given almost invariably to the collective groups who were to form *ejidos.* Ávila Camacho targeted his distribution at individual families, rather than the *ejidos,* since he favored small-scale, single-family ownership. There was also a contrast in the total amount of land involved. Ávila Camacho distributed about 11 million acres, whereas Cárdenas had distributed 44 million acres.

In the labor field Ávila Camacho made another move away from the left. He replaced the official leader of the party's labor sector with Fidel Velázquez, who was openly hostile to the more militant union leaders and helped to make strikes more difficult. While autonomous union action was being discouraged, the government moved on another front: creating the *Instituto Mexicano de Seguro Social* (IMSS), a social security agency which provided workers with medical care through a network of clinics and hospitals. The coverage was limited to a few hundred thousand workers by the mid-1940s, but it was the precedent for a fringe benefit system which would be steadily extended to the best-organized elements of labor.

In addition, Ávila Camacho faced the challenge of a spreading world war. Mexicans felt a strong sympathy for the Allied cause, but an almost equally strong suspicion of an automatic alliance with the United States. After Pearl Harbor the Mexican government broke off diplomatic relations with Japan, Germany, and Italy, but stopped short of declaring war. It was only the repeated sinking of Mexican ships by German U-boats that led the Ávila Camacho government to obtain a declaration of war from the national Congress in May 1942. Mexico, along with Brazil, was one of the only two Latin American countries to supply combat forces to fight the Axis.

Another step would have grave importance for the future. After an explicit agreement between Presidents Franklin Roosevelt and Ávila Camacho, Mexico began sending agricultural workers north, to fill the gap left in the U.S. fields by the military draft. Spontaneous Mexican migration north had long been under way. As the war continued, the Mexican laborers (known as *braceros*) began to fill nonagricultural jobs as well—a development that aroused the opposition of U.S. organized labor. The war ended with an important precedent established: the officially endorsed northward movement of Mexican workers to perform jobs for which no Americans could be found. Yet there were enormous problems. The Mexicans, used to far lower levels of pay at home, were often willing to be cajoled (or forced) into conditions of employment inferior to what had been officially agreed upon. When the war ended, some 300,000 Mexicans had undergone the experience of working in the United States. Although many had encountered prejudice and discrimination, most had earned much higher wages than was possible in Mexico. The promise of a higher income across the border, however tarnished, remained a constant attraction to impoverished Mexicans for generations to come.

With the end of World War II, Mexico saw industrialization as a way out of persistent poverty. The man to lead the way was Miguel Alemán, the first civilian president since the Revolution. One of Alemán's first acts was to reorganize and rename the official party, now called the *Partido Revolucionario Institucional* (PRI). Adding the word "institutional" signaled a turn toward pragmatism. The party was made up of three sectors: peasant, worker, and popular, the form it has since retained. It emerged as an utterly dominant official party, different from any other in Latin America.

The new president's hallmark was to be economic development. What Mexico most needed was infrastructure—roads, dams, communications, and port facilities. Alemán therefore launched an ambitious program of public works, stressing irrigation and hydroelectric projects. There was also highway and hotel construction to facilitate the tourist trade from the United States. This investment paid off, as tourism became an all-important foreign exchange earner for Mexico, although with cultural and social implications that Mexican nationalists found distasteful.

The Mexican economy showed significant growth. The foundations were laid by sharply increasing protection against imports. The short-run justification was to ease Mexico's severe balance-of-payments deficit, but the net effect was to provide a guaranteed market for domestic production—which made sense in a market as large as Mexico's. Domestic manufacturing responded with a spurt of growth, averaging 9.2 percent a year between 1948 and 1951. Agricultural production did even better in those years, averaging 10.4 percent. Inflation and a balance-of-payments deficit slowed the rate of growth in 1952. An additional cloud over Alemán's economic record was the constant charge of corruption.

The bosses of the PRI knew, when it came time to choose Alemán's successor in 1952, that they had a serious problem in improving the government's image. The man they finally chose was at least a partial answer. Adolfo Ruiz Cortines had been governor of Veracruz and later secretary of the interior in the Alemán presidency, yet he had managed to earn a reputation for honesty. Once elected president, Ruiz Cortines made good on a campaign pledge to root out grafters by firing a series of suspect officials.

The most important policies of Ruiz Cortines came in the economic sphere. Since the war, Mexico had been experiencing an inflation rate which was high for Latin America. The Mexican economic managers made a crucial decision. They opted for a "hard-money," low-inflation strategy, which meant setting an exchange rate (peso/dollar) and then managing their economy (by conservative fiscal and monetary policy) so as to maintain that exchange rate. The first step was to devalue the overvalued peso from 8.65 pesos to the dollar to 12.5 pesos to the dollar in 1954. This devaluation was larger than almost anyone expected. It gave an immediate stimulus to Mexican exports, now cheaper in U.S. dollars, and made Mexico cheaper for foreign tourists. Mexico quickly became known as a promising target for international investors.

When Ruiz Cortines left office at the age of sixty-seven, he and the kingmakers chose a successor two decades younger. He was Adolfo López Mateos, the outgoing secretary of labor with a mildly leftist reputation. Somewhat cryptically, López Mateos himself declared that his administration would be "on the extreme left, within the constitution." Mexico was not highly unionized. The vast majority of lower-class citizens, especially the *campesinos,* had no organized means of protecting or promoting their own interests. The unions that did exist were closely tied to the regime itself. This contrasted sharply with Argentina, where Peronist trade unions had represented a base of political opposition since the mid-1950s, and with Chile, where worker movements identified with one or another political party. In Mexico, unions functioned as part and parcel of the political system.

Notwithstanding this pattern, López Mateos was quickly challenged by militant railworkers, who staged a major strike in 1959. Their leader, Demetrio Vallejo, was contesting the government-dominated structure of labor relations, not least since the railroads were government owned. He was demanding the right to genuinely independent union action. The workers followed the strike order and braced themselves for a long siege. López Mateos applied an old-fashioned remedy: he arrested the leaders and ordered the workers back to work. The strike was broken and Vallejo remained in jail for years, an object lesson to other would-be militants.

The López Mateos government did not rely only on the stick in dealing with labor. It also instituted a profit-sharing plan under which many workers increased their take-home pay by 5 to 10 percent a year. But this measure was typical of the PRI style of social policy: a beneficence granted on government initiative, not conceded under worker pressure. Given the fact that Mexico still had surplus labor, workers had little economic leverage. If they tried to organize independently, the apparatus was at hand to co-opt or repress them.

López Mateos nonetheless sought to distance his presidency from the pro-business administrations since 1940. The obvious starting point was land ownership. A chance to acquire land remained the greatest dream for Mexico's poorest rural dwellers. López Mateos ordered the distribution of approximately 30 million acres of land, giving him a land-reform record second only to Cárdenas. Furnishing basic services (and credit) for these new landowners was much more difficult and too seldom achieved. Nonetheless, revolutionary momentum had been resumed in a crucial realm.

In economic policy López Mateos continued the hard-money policies implicit in the 1954 devaluation. Investment remained high, and Mexico began raising capital abroad, above all in the New York bond market. The attraction was high interest rates, guaranteed convertibility (into dollars), and apparent political stability. The government succeeded in achieving extraordinarily low inflation, thereby making it possible to stick with its fixed exchange rate of 12.5 pesos to the dollar. Yet Mexico was by no means a 100 percent free market economy. Indeed, state intervention in the economy increased in the years of López Mateos. U.S.- and Canadian-owned electric companies were nationalized, for example, as was the motion picture industry, which had been largely U.S. controlled.

The López Mateos administration brought some significant changes in foreign affairs. A 1964 formal agreement between López Mateos and U.S. President Lyndon Johnson gave Mexico sovereignty over a long-disputed riverbank territory in the area of El Paso. At the same time, López Mateos preserved independence on another issue: Fidel Castro's Cuba. After 1960 the United States was pushing incessantly for anti-Cuban votes in the Organization of American States. Mexico was the only Latin American country never to break relations with Cuba. It took pride in its refusal to bow to the U.S. call for a uniform response from its Latin American allies.

The official candidate to succeed López Mateos in 1964 was Gustavo Díaz Ordaz, whom many thought would swing the PRI back toward the right. He was from the state of Puebla, Mexico's Catholic stronghold. As the incumbent secretary of the interior, he had earlier ordered the arrest of certain "radicals," including the world-famous artist David Alfaro Siqueiros.

Díaz Ordaz countered this expectation by pledging to continue the policies of his predecessor. López Mateos had taken seriously the criticisms of the PRI's one-party system and pushed through a constitutional amendment that guaranteed opposition parties a minimum of congressional seats if they won a minimum national vote. Applying this principle in the 1964 elections, both the PAN (a right-oriented party) and the PPS (a left-wing party) had won seats in Congress, although still overwhelmingly outweighed by the PRI representation.

Díaz Ordaz began by honoring this reformist thrust. But the entrenched PRI leaders soon made known their fury at the newly appointed secretary-general of the party, Carlos Madrazo, who was attempting to open up the nomination procedures—always the critical link in a one-party electoral system. Responding to the party machine complaints, Díaz Ordaz fired Madrazo. The new hard line was further evident when the federal government annulled mayoral elections in two cities in the state of Baja California Norte which PAN candidates had won. The democratization of the one-party system had overreached its limit.

Díaz Ordaz would have been lucky if mayoral elections had been his only political worry. But it was his fate to govern in the era of student protest that shook the Western world in the late 1960s. The precipitating factor was Mexico's hosting of the summer Olympic games in 1968. The gov-

The student movement of 1968 began as a limited protest with an eclectic ideology, as suggested by the declaration of solidarity with Che Guevara during this peaceful march along the Paseo de la Reforma in Mexico City. It eventually became a tragic crisis for the nation's political system. (United Press International.)

ernment went all out to "sell" Mexico to the world. The Mexican left, always strong among students in Mexico City, was upset at the idea that the government might succeed in this public relations venture. There began a test of wills. A secondary school clash in Mexico City in July 1968 was met by brutal force from the riot police. Protest spread to the national university in August, culminating in a strike. The government thought it was a "subversive conspiracy," bent on disrupting the Olympic games. President Díaz Ordaz responded by sending army troops onto the campus, thereby violating its historic sanctuary status. The battle was joined. Could the student left stop the Olympic games?

The tragic rhythm of confrontation between students and troops continued. On October 2, 1968, a rally of students in the Mexico City section of Tlatelolco drew an unusually heavy contingent of security forces. An order to disperse was allegedly not observed, and the police and paramilitary forces moved in. Later they claimed to have taken sniper fire from surrounding buildings (a claim since shown to have been false). They began shooting and the crowd was caught in a murderous cross fire, as hundreds fell dead and many more wounded. The massacre at Tlatelolco sent a shudder through Mexico. There was no inquiry, no convincing explanation from the military or civilian authorities responsible for the slaughter. A chorus of critics said the massacre had proved the bankruptcy of the PRI monopoly on power. By the same token, the brutal show of force convinced virtually everyone that mass challenges to authority would only bring more wailing ambulances. The effect was chilling.

Despite the turmoil on the political front, the Mexican economy continued to boom. The gross national product grew at 6 percent a year, although the distribution of income remained troublingly unequal. Between 1950 and 1969 the income share going to the poorest tenth of the population dropped from 2.4 percent to 2.0 percent. Meanwhile, the richest tenth increased its share from 49 percent to 51 percent. The top two-tenths widened their share at the expense of the bottom segments. Mexico's "miraculous" growth had only increased the maldistribution of income.

When the time came for the presidential succession, Díaz Ordaz settled on Luis Echeverría, the secretary of the interior responsible for the security forces at Tlatelolco. It was hardly a choice likely to reunite embittered Mexicans. Echeverría tried to show a new face in his energetic campaign and, after the usual landslide victory, plunged into his new duties. The sphere in which the new president sought to make his greatest mark was the one where he was soon most criticized: management of the economy.

Echeverría and his advisers wanted economic growth, but also better distribution of its benefits. An obvious place to begin, as always in Mexico, was the rural sector. Effort centered on infrastructure, such as rural electrification and the road system. In order to pacify consumers in the cities, the Echeverría government tightened the existing price controls on basic foodstuffs. In effect, the federal government was committing itself to an escalating subsidy on food for the urban masses. This could be financed only by draining the federal treasury or paying farmers below-cost prices for their goods. The latter would inevitably discourage production, and the former would tend to be inflationary. As Echeverría's term continued, he resorted increasingly to short-term measures that would channel resources (wages, land, social services) to the poor.

At the same time the state was increasing its general control over the economy. In addition to direct spending through federal departments and ministries, the government allocated a large share of the budget—well over half in recent years—to dozens of special agencies and state-supported companies. The leading lending institutions, most conspicuously the *Nacional Financiera,* were operated by the government, and the manipulation of credit regulations endowed the state with considerable influence over the economy. As of 1970, for instance, the government controlled principal shares in nine of the country's top ten firms, in thirteen out of the top twenty-five, and in sixteen out of the top fifty. Most of the leading state-dominated firms were involved in credit banking, public services (telephone and electricity), or high-cost infrastructural activities (such as steel or oil), so they did not always compete directly with the private sector.

While the Mexican state took an active part in the country's capitalist economy, it retained considerable independence from the private sector. Much of this autonomy stems from the fact that Mexico's public leaders were, for the most part, professional politicians. They did not come from wealthy families, and after finishing school or university, they moved directly into political careers. In contrast to the United States, there was very little crossover of personnel between private corporations and public office. Consequently the Mexican state was not captive to any social group or interest. It tended to collaborate with the private sector, to be sure, but this was not always the case—a situation that gave the government considerable freedom of action.

While this process continued, the Mexican government faced a new problem: a guerrilla movement. Mexican politicians had long reassured themselves that their country was "different" from the rest of Latin America, where guerrillas were rife. After all, Mexico had already had its revolution. But Mexico was not immune. Guerrillas appeared, calling for violent action against the PRI and all its works. Beginning in 1971, they staged a series of bank robberies and kidnappings. The latter reached into the diplomatic corps; their victims included the U.S. consul general in Guadalajara and the daughter of the Belgian ambassador. In 1974 the father-in-law of the president was seized and held for ransom by militant guerrillas. In the state of Guerrero an ex-schoolteacher, Lucio Cabañas, led a guerrilla army that began to strike at will. They kidnapped the official (PRI) candidate for governor and defied the army by direct attacks on isolated outposts. It took a 10,000-man army more than a year to hunt down and kill the rebels and their leader. Despite predictions on the left, Cabañas had no successor in Guerrero or elsewhere, so the guerrilla threat faded. Why? Was it the genius of the co-optive system of the PRI? Or was it the repressive network developed over the decades as the government's counterpart to its participatory electoral machine?

But Echeverría's major problem was not with the guerrillas. It was with the economy. The weak point in Mexico's economic strategy was inflation. In crude terms, Mexico could not expect to guarantee the peso's convertibility at a fixed rate unless its inflation was no higher than the U.S. level. By 1973 Mexican inflation was running 20 percent and remained at that level in 1974. Mexico's goods, based on the 1954 exchange rate, were growing uncompetitive on the world market. Yet the government stuck with the fixed rate, which had been the bedrock of Mexican development and a powerful political symbol.

Why was inflation plaguing Mexico? Many Latin Americans might have reversed the question: How had Mexico avoided it for so long? The answer was that the Mexican government, trying to please so many constituencies, was running large deficits and financing them in an inflationary manner. There was also pressure from the balance of payments, which went into serious deficit by the middle of Echeverría's term of office. Mexico's continuing industrialization required heavy capital goods. But a relatively new import was even more worrisome: food. The economy's failure was in agriculture. Production had grown for selected foods (tomatoes, strawberries) for export, especially to the United States, but the output of basic foodstuffs, especially cereals, was falling short. Imports to meet this demand put an enormous burden on the balance of payments.

The reckoning came in Echeverría's last year as president. The drama centered on the greatly overvalued peso. With the government stubbornly maintaining its fixed rate of 12.5 to the dollar, every Mexican of means tried to convert pesos into U.S. currency. The government's ever more frequent denials of devaluation rang hollow. In September 1976, after capital flight had reached panic proportions, the government gave way. The peso was devalued by 60 percent. Government credibility was so low that a month later another devaluation of 40 percent was needed to settle the market. Could this incompetently managed devaluation convince investors (including Mexicans) to make new commitments in pesos? Although Mexico at last had a realistic exchange rate, the Echeverría government had failed to attack the rising public-sector deficit—an essential step if future overvaluation of the peso, and thus future balance of payments crises, were to be prevented.

Echeverría ended his term in a flurry of histrionic gestures. Only eleven days before the end of his presidency, he expropriated rich farmlands in the north for redistribution to landless peasants. Panic spread among landowners. For the first time in years, Mexicans talked seriously about the possibility of a military coup. Despite widespread anxiety, his term ended peacefully and on schedule. In retrospect, his presidency appears as merely another swing of the pendulum. (See Figure 8-1 for a schematic representation of the political positions of the presidents from 1934 to 2000.)

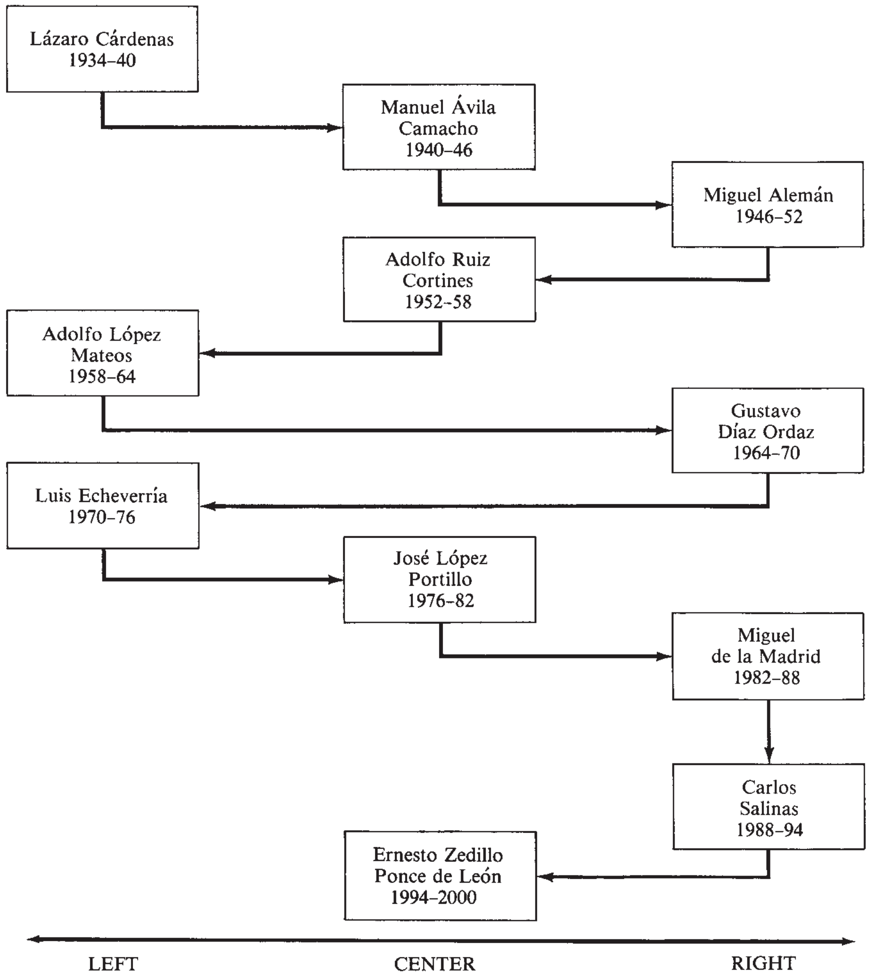


Figure 8-1 Ruling Party Presidencies and the Political Spectrum in Mexico, 1934–2000

The new president was José López Portillo, a leading moderate in Echeverría's cabinet. As the finance minister under Echeverría, he had presided over an economy that seemed to be wildly out of control. Mexico had growing deficits, both in its federal budget and in its balance of payments. Inflation had reached 30 percent. Although modest by Latin American standards, it was enough to erode confidence in the Mexican growth model, which had been based on guaranteed peso convertibility and free capital movement. López Portillo therefore gave first priority to that eternal task of restoring foreign confidence in his economy. Within weeks after his inauguration in December 1976, the new Mexican president traveled to Washington for a highly publicized visit with outgoing President Gerald

Ford and an address to a joint session of the U.S. Congress. It was a powerful reminder that the Mexican elite still saw its fate closely linked to U.S. opinion.

López Portillo's presidency came to be dominated by economic issues. Just as he took office Mexico began discovering vast quantities of oil, and by 1980 López Portillo could announce that the country possessed proven reserves of 70 billion barrels and potential reserves of more than 200 billion. In a world apparently beset by chronic shortages and soaring costs for energy, Mexico had suddenly acquired new international clout. Declared an ebullient López Portillo: "There are two kinds of countries in the world today—those that don't have oil and those that do. We have it."

Optimism and pride surged through the nation. Government officials declared their intentions to increase production only gradually, not rapidly, in order to avoid the sad experiences of Venezuela and Iran—where the influx of petrodollars spurred inflation and exacerbated social inequities. Exports grew and world prices mounted, however, and Mexico's petroleum earnings jumped from $500 million in 1976 to more than $13 billion in 1981. As shown in Figure 8-2, the dollar value of nonpetroleum exports during these years grew at a much less rapid rate. Mexico was becoming excessively dependent on oil revenues—a condition it would rectify by the 1990s.

Economic problems persisted. Mexico was finding that the hard-money strategy which had worked so well between the mid-1950s and the late 1970s was no longer possible. The government could not get inflation below 20 percent, except for one year (1978), and by 1982 inflation shot up to al-

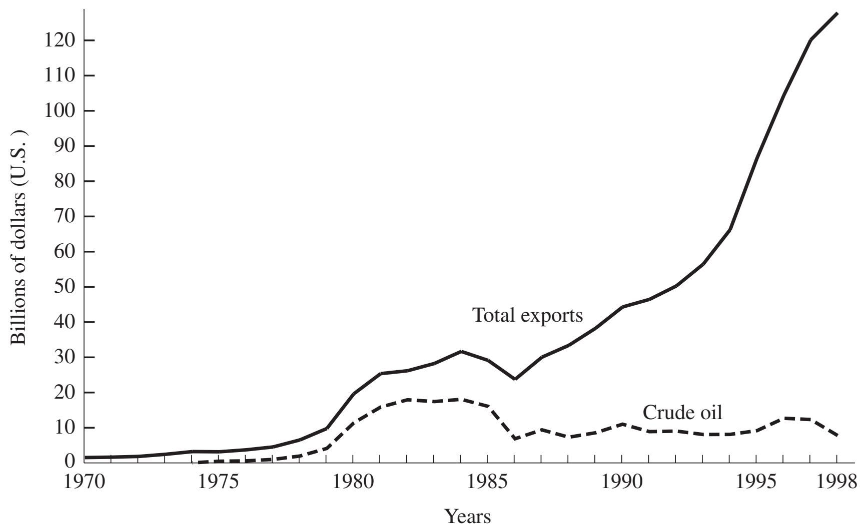


Figure 8-2 Mexican Exports, 1970–98

Sources: International Monetary Fund, *International Financial Statistics* (April 1977), 250–51; (April 1980), 268–69; (April 1983), 288–91; (December 1990), 78, 366; (February 1999), 66; IMF, *1985 Yearbook,* 111, 450–51, IMF, *1986 Yearbook,* 11, 460–61, and IMF, *1996 Yearbook,* 117.

most 60 percent, an unprecedented rate for postwar Mexico. Another painful devaluation became inevitable in early 1982. Mexico had simply not adapted its financial system to inflation (as the Brazilians, for example, had managed to do).

Mexico had hoped to avoid all this by cashing in on its huge oil reserves, but the world slump in oil prices after 1981 reduced dramatically the projected foreign exchange earnings. The López Portillo government was therefore driven to heavy foreign borrowing, which raised the foreign public debt to $57 billion by the end of 1981. Most worrisome was the fact that the Mexican economy was still not producing jobs at a rate fast enough to absorb all the Mexicans entering the workforce.

To soften political opposition, López Portillo sponsored a program of reforms. These included two innovations that seemed particularly far reaching: first, the rules for registration of political parties were made easier, so much so that the Communist Party gained official recognition, and second, opposition parties were guaranteed a total of at least 100 seats in an expanded, 400-member Chamber of Deputies. Such alterations seemed unlikely to lead to a fundamental change in the locus of power, but they at least provided an outlet—within the system—for the opposition. The official presidential nominee was Miguel de la Madrid, a Harvard-trained technocrat and the minister of budget and planning under López Portillo, and he won a predictable victory in the elections of July 1982.

Before de la Madrid could take office on December 1, however, the Mexican economy was shaken by another and much larger financial crisis. Mexico had run out of dollars with which to make payments on its foreign debt—now over $80 billion. Near panic ensued in Washington, New York, Frankfurt, and London, where it was feared that other Latin American debtors might follow Mexico's example and declare a de facto default. If that were the case, U.S., European, and Japanese banks would face huge losses, posing a formidable threat to world financial markets. The causes of the crisis were obvious. The price of Mexico's prime export (oil) had nosedived, interest rates had spiraled upward, and rich Mexicans had transferred billions of dollars out of the country. The U.S. government, the IMF, and the commercial banks rushed a "rescue" loan package to Mexico. These new loans enabled Mexico to continue paying interest but did not allow for amortization.

The rescue had its price: Mexico had to adopt an IMF-approved austerity plan. A key goal was to reduce the inflationary public deficit, which was at a dangerously high 15 percent of the GDP. This meant phasing out government subsidies on food and public utilities. Mexico also had to reduce its tariff barriers, thereby stimulating greater industrial efficiency and thus greater competitiveness in world export markets.

President de la Madrid dutifully followed the IMF prescription but at the price of inducing a deep recession. By 1985 real wages had fallen by 40 percent from their 1982 level; living standards fell even further as subsidies for such staples as corn tortillas were ended. In September 1985 a severe earthquake in Mexico City compounded the economic disaster. The 1985-86 drop in oil prices depressed export earnings, further weakening the economy.

Amid these difficulties de la Madrid and his advisers decided to adopt a dramatic shift in economic policy, a new emphasis that came to be characterized as "liberalization." There were two main pillars to the program. One was to reduce and recast the economic role of the state. This was to be done through continued cuts in public spending and through a program of "privatization" of state-owned companies. Of the 1115 publicly owned companies that his government inherited in late 1982, de la Madrid managed to sell off nearly 100 and to close down 279 by late 1986.

The second component of the new policy was commercial liberalization and "opening up" of the economy. This was most dramatically demonstrated by Mexico's accession to the General Agreement on Tariffs and Trade (GATT) in September 1986, which meant a long-term commitment to the reduction of barriers to imports from abroad. Mexico promptly began lowering and phasing out its tariffs and promoting its exports, especially nonpetroleum exports. For all practical intents and purposes, these changes amounted to a near-complete abandonment of the postwar policies of import-substitution.

In July 1986 Mexico needed another emergency loan package from its foreign creditors. Once again Mexico was told to bear down on its public deficit (down to 8 percent of the GDP in 1984 but nearing 15 percent again in 1986) and further reduce its protectionism. Mexican nationalists angrily charged that reducing protection would destroy their industrial base and benefit foreign producers.

By early 1988 the de la Madrid government could see little prospect for relief. Inflation had accelerated to an annual rate of 143 percent, the public-sector deficit was approaching 19 percent of the GDP, and the domestic capital market had been shaken by a 75 percent drop in the Mexican stock market. Yet another U.S.-engineered capital infusion came in December 1987. In a complex scheme, Mexico would buy U.S. bonds to post as collateral against commercial bank loans. The move offered no prospect for large-scale relief from the debt, which had clearly become unpayable.

Despite these agreements, there would be continuing friction with the United States. A dramatic example was the 1985 case of an agent on assignment in Mexico for the U.S. Drug Enforcement Administration. Apparently his investigation had gone too well. He was kidnapped, tortured, and murdered, allegedly on orders from one of Mexico's multimillionaire drug kings. The pace of Mexican justice infuriated U.S. officials, who in retaliation ordered slowdowns at U.S. customs checkpoints on the Mexican border. This act in turn infuriated the many thousands of Mexicans who legally cross the border daily. An additional ongoing cause for bilateral tension was the U.S. policy toward Mexicans working (legally and illegally) in the United States. The Simpson-Rodino Act, passed in 1986, laid down tough penalties for employers who hire “undocumented aliens.” The prospect of its implementation sent shudders through northern and central Mexico, whose younger generations had long seen jobs in the United States (usually temporary) as their main hope for a decent life. Within a few years the law appeared to have had only a minimal impact on actual migration flows, but Mexicans remained wary.

The debt crisis and economic stagnation in the late 1980s intensified social inequality and popular pressures. Investment plummeted, unemployment increased, and per capita income declined by more than 9 percent during the 1980s. In contrast to the Southern Cone countries in the 1960s and 1970s, however, Mexico did not resort to pervasive, large-scale authoritarian repression. Key attributes of the Mexican political system—its restricted competition, its control of working-class movements, its autonomy from private interests, and its tactical flexibility—help explain why Mexico managed to avoid the violent trauma that afflicted Chile and Argentina.

Aware of their sagging credibility, PRI leaders made the process of choosing the official nominee for president more visible (if not more genuinely open) than the ritual had ever been. De la Madrid’s eventual choice was another U.S.-trained economist, Carlos Salinas de Gortari, only thirty-nine years old, who as the incumbent budget and planning minister had authored the highly unpopular austerity policies of the 1980s.

The election of 1988 brought surprises—and possible portents of meaningful change. For the first time in its history, the PRI faced serious opposition from both the right and the left (as Cuauhtémoc Cárdenas, son of the revered ex-president, led a breakaway faction from the PRI itself). Organized labor also showed its displeasure with the PRI candidate. Salinas de Gortari won with a bare 50.3 percent majority, according to official returns, and in claiming victory he declared an end to an era of “what was practically[!] one-party rule.” Opponents nonetheless accused the regime of electoral fraud. The youthful Salinas took office in December 1988 under exceedingly difficult conditions. Would he be up to the challenge?

The first task for Salinas was to demonstrate political authority. He began by naming a cabinet dominated by his personal associates, instead of mending political fences. In January 1989 he masterminded a spectacular raid on the headquarters of the independent-minded and financially corrupt head of the oil workers’ union, who was promptly placed under arrest (for illegal possession of firearms). Shortly thereafter he dismissed the long-standing chief of the large and powerful teachers’ union. Unwilling to tolerate flagrant corruption within top governmental ranks, in 1990 he dismissed the naval secretary from his cabinet post, an unusual move in view of the delicate balance of civil-military relations in Mexico.

In keeping with his campaign promises, Salinas de Gortari promoted a modest political opening. He commanded PRI officials to recognize a gubernatorial triumph for the PAN in the important state of Baja California (just south of the California border). He oversaw reforms of the electoral system and of the internal workings of the PRI. But there were limits to this *apertura.* The PRI claimed unrealistic victories in key elections in the state of México, near Mexico City, an area that had shown itself to be a left-wing opposition stronghold in the presidential election of 1988. The government also harassed and intimidated Cuauhtémoc Cárdenas and his followers, who found it extremely difficult to organize their forces into a coherent and durable political party. The opening, such as it was, was biased toward the right (and the PAN); it did not include the left.

Indeed, for the first time in memory the question of human rights appeared on the national agenda. Critics called attention to a number of abuses committed by Mexico's national police force in alleged pursuit of drug dealers. They reported the assassination or "disappearance" of at least sixty pro-Cárdenas sympathizers in 1990 alone. They expressed outrage at the murder of a prominent human-rights activist. To assuage the criticism, Salinas appointed a National Commission on Human Rights, led by former university rector Jorge Carpizo, but did not give it genuine authority.

It was in the economic arena that Salinas sought his most lasting achievements. In hopes of completing Mexico's structural adjustments, he continued and extended the "liberalization" strategy initiated under de la Madrid. Salinas and his team kept lowering trade barriers. They aggressively promoted the privatization of state-owned industries, even putting up for sale such sacred cows as the telephone company and the banking industry (nationalized by López Portillo in 1982). With the support of the U.S. government, Salinas negotiated a new debt-restructuring agreement that promised to reduce the net outflow of funds by $2 billion a year until the mid-1990s. The government also sought to assist local development by establishing a "program for national solidarity" to provide seed money for self-help projects throughout the country. Perhaps in response to these measures, the national economy showed signs of picking up: annual inflation moved down to the 20–30 percent range, while annual growth rates for the GDP rose to 3.1 percent for 1989 and 3.9 percent for 1990.

North American Free Trade

The crowning achievement of the Salinas *sexenio* was the North American Free Trade Agreement (NAFTA). Unable to attract large-scale investment from Europe or Japan, the Salinas administration in June 1990 announced its intent to negotiate a free-trade compact with the United States. The proposal entailed a total repudiation of the protectionist strategies of import-substituting industrialization, and it discarded the national tradition of keeping a suspicious distance from the "colossus of the north." Small-scale industrialists and grain farmers expressed fear that they might be destroyed by U.S. competition, and some intellectuals mourned the imminent demise of the nation's economic sovereignty and cultural pride. Salinas persisted nonetheless.

Unveiled in August 1992, the NAFTA accord envisioned the creation of a three-nation partnership (including Canada as well as Mexico and the United States) that would forge one of the largest trading blocs in the world—with a population of 370 million and combined economic production of approximately $6 trillion. It would promote the free flow of goods among the member countries by eliminating duties, tariffs, and trade barriers over a period of fifteen years. Sixty-five percent of U.S. goods gained duty-free status immediately or within five years; half of U.S. farm goods exported to Mexico immediately became duty-free. There were special exceptions for certain "highly sensitive" products in agriculture, typically one of the sectors most resistant to economic integration; phase-outs on tariffs for corn and dry beans in Mexico and orange juice and sugar in the United States would extend to the year 2009. Tariffs on all automobiles within North America would be phased out over ten years, but rules of origin stipulated that local content would have to be at least 62.5 percent for vehicles to qualify. Not surprisingly, spokespersons for Asian governments regarded this clause as a thinly disguised effort to exclude their industries and products from the North American market.

NAFTA opened Mexico to U.S. investments in various ways. Under the treaty U.S. banks and securities firms could establish branch offices in Mexico, and U.S. citizens could invest in Mexico's banking and insurance industries. While Mexico continued to prohibit foreign ownership of oil fields, in accordance with its constitution, U.S. firms became eligible to compete for contracts with *Petróleos Mexicanos* (PEMEX) and operate, in general, under the same provisions as Mexican companies. One item was most conspicuous by its absence: beyond a narrowly written provision for the movement of corporate executives and selected professionals, the treaty made no reference at all to the large-scale migration of labor.

NAFTA precipitated strenuous debate within the United States. In the heat of the 1992 presidential campaign, Democratic candidate Bill Clinton pledged to support NAFTA on condition that there be effective safeguards for environmental protection and workers' rights; by September 1993 the governments reached "supplemental" or side agreements on labor and the environment. As the U.S. Congress prepared to vote on ratification, Texas billionaire (and erstwhile presidential hopeful) Ross Perot led the charge against the treaty, claiming that NAFTA would entice business to seek low-wage Mexican labor and thus lose jobs for millions of American workers. Proponents insisted that NAFTA would stimulate U.S. exports, achieve economies of scale, and enhance U.S. competitiveness. Disregarding vociferous opposition from unionized labor, a historic bastion of support for Democrats, Clinton lobbied tirelessly on behalf of the treaty. And after Perot stumbled badly during a memorable television debate with Vice-President Al Gore, the House of Representatives finally approved the NAFTA accord by the surprisingly lopsided margin of 234–200; the Senate followed with a vote of 61–38.

In final form, the NAFTA accord had several outstanding characteristics. One was its implicit commitment to regional economic integration. Despite its title, NAFTA was not primarily concerned with "free trade." By 1990 tariff and even nontariff barriers to U.S.-Mexican commerce were already low. NAFTA was primarily concerned with investment. By obtaining preferential access to U.S. markets and a formal "seal of approval" through NAFTA, Mexico was hoping to attract sizable flows of direct foreign investment—from Japan and Europe as well as from the United States. By obtaining untrammeled access to low-wage (but highly skilled) Mexican labor, the United States was hoping to create an export platform for manufactured goods and thus improve its competitive position in the global economy. It was for these reasons that the NAFTA treaty contained extensive chapters about investment, competition, telecommunications, and financial services. Implicitly, NAFTA envisioned a substantially more profound form of integration than its label acknowledged.

Second, NAFTA made explicit provision for environmental protection. As originally negotiated NAFTA made only passing reference to environmental concerns. In keeping with his campaign pledge, however, President Clinton oversaw negotiations on a supplementary provision for environmental protection, and under a separate agreement, the U.S.-Mexican border received special attention under a bilateral Integrated Environmental Plan. While some observers raised doubts about the practical significance of these agreements, the mere fact of their negotiation made one point clear: trade and environment had become inextricably intertwined. As one analyst wrote, these developments forcefully demonstrated "that the environment has become a staple of trade politics in the 1990s, for it was politically impossible to contemplate the completion of the NAFTA trade accord without a complementary agreement on the environment."

Yet another distinguishing characteristic of NAFTA was its underlying political rationale. The United States was seeking several goals. One was the preservation of stability on its southern border. The idea was that NAFTA would stimulate economic growth in Mexico, easing social pressure and sustaining the political regime. A second goal was to assure the United States of increasing access to petroleum from Mexico, one of the five leading sources of U.S. imports (Mexican shipments in the late 1980s and early 1990s were roughly half as large as those from the topmost source, Saudi Arabia). A third purpose was for the United States to obtain an important bargaining chip in its trade negotiations with Europe, Japan, and the General Agreement on Tariffs and Trade. And fourth, the United States wanted to consolidate diplomatic support from Mexico on foreign policy in general. As demonstrated by disagreements over Central America during the 1980s, this had long been a source of bilateral tension. But with NAFTA in place, Mexico became unlikely to express serious disagreement with the United States on major issues of international diplomacy.

For its part Mexico was seeking, first and foremost, preservation of its social peace. The hope was that NAFTA would attract investment, stimulate employment, provide meaningful opportunity for the 1 million persons entering the job market every year—and thus reduce social tension.

Second, NAFTA offered Salinas an opportunity to institutionalize his economic reforms, insulating them from the historic vagaries of presidential succession by inscribing them in an international treaty. Third, Mexico was seeking international benediction for its not-quite-democratic political regime. This was especially important because, in comparison with Argentina, Chile, Brazil, and other countries undergoing processes of democratization, Mexico no longer looked like a paragon of political civility. Finally, Mexico believed that NAFTA would provide the country with diplomatic leverage vis-à-vis the rest of Latin America and, by extension, the Third World as a whole. Association with Canada and the United States would link Mexico with advanced industrial democracies and leaders of the First World. Consequently Mexico could serve as a "bridge" between the developing world and the developed world as a representative and interlocutor for aspiring peoples of the South.

Whatever its political motivation, NAFTA appeared to achieve the economic goal of expanding commerce. Two-way trade between Mexico and the United States climbed from $83 billion in 1993 to $108 billion in 1995 and $157 billion in 1997. By this time the United States was exporting more to Mexico than to China, Korea, and Singapore combined, and Mexico displaced Japan as the second largest trading partner of the United States (Canada remained in first place). Contrary to widespread (and exaggerated) expectation, however, NAFTA could not provide a cure for all of Mexico's problems.

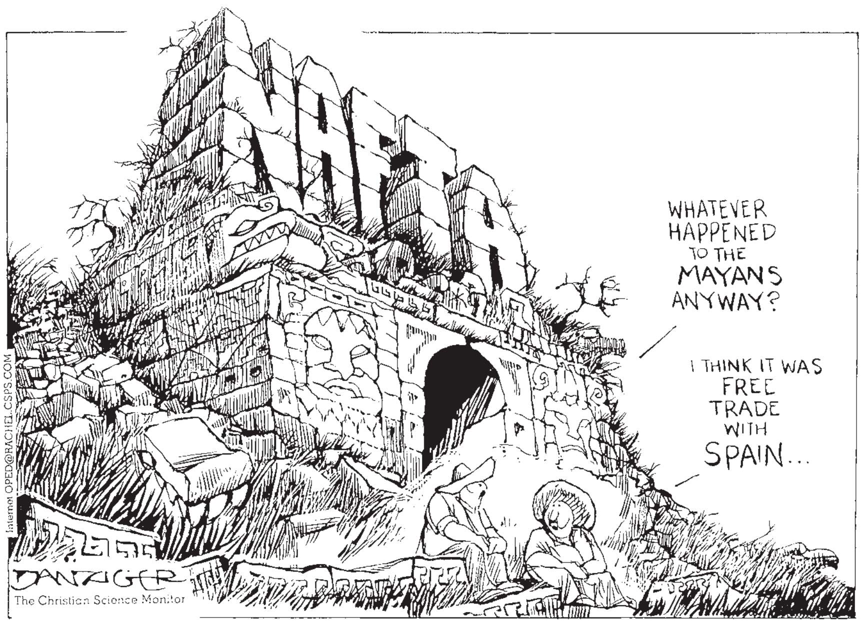
Twilight of the Technocrats?

All the optimism resulting from the NAFTA accord promptly came under assault. On January 1, 1994—the day that NAFTA went into effect—a guerrilla movement in the poverty-stricken state of Chiapas rose up to denounce the free-trade accord, the *Salinista* economic model, and the undemocratic character of the political regime. With colorful and able leadership, the Zapatista National Liberation Army (EZLN) captured national and international attention during the course of highly publicized negotiations with governmental authorities. Despite a variety of governmental responses, from military pressure to political negotiation, the Zapatista movement would remain a thorn in the side of the regime.

Two months later, as public attention turned toward presidential succession, an assassin's bullet struck down Luis Donaldo Colosio, Salinas' handpicked successor and the candidate of the PRI. Salinas hastily chose another nominee, the forty-two-year-old Ernesto Zedillo Ponce de León, who scurried to develop a credible campaign for the upcoming August election. These developments inflicted a devastating blow to Mexico's international image. Mexico could no longer be seen as an up-and-coming country on the brink of joining the First World; it looked, instead, like a Third World society threatening to come apart at the seams.

Earnest and intelligent, Zedillo was a technocrat par excellence. A Ph.D. in economics from Yale University, Zedillo had spent most of his career in the central bank and the planning ministry. As a result he had very few contacts with career politicians or officials in the "political" ministries of the federal government. Despite a lackluster campaign, Zedillo won the August 1994 elections with 48.8 percent of the vote (compared with 26.0 percent for the rightist PAN and only 16.6 percent for Cuauhtémoc Cárdenas' populist Party of the Democratic Revolution, PRD), thus becoming the fifth man in a row to reach the presidency without ever holding prior elective office.

Inaugurated in December 1994, Zedillo faced crisis right away. Fearful of the overvaluation of the peso, investors withdrew more than $10 billion from Mexico within a week. In response the Zedillo administration had to devalue the peso, which eventually lost more than half its value against the U.S. dollar, and the government came within only a few days of insolvency. Early in 1995 the Clinton administration put together a multilateral package of nearly $50 billion, including $20 billion from the U.S. government. One major goal of this measure was to head off a potential default on $30 billion in *tesobonos* (short-term bonds issued by the Mexican treasury, payable in dollars), which would have inflicted major damage on U.S. pension funds, mutual funds, and other institutional investors. Another was to sustain the credibility of economic reform and the viability of NAFTA itself.



Apprehensions about NAFTA prompted recollections of the Spanish conquest. (Danzinger/Christian Science Monitor.)

The financial crisis provoked a political crisis as well. As criticism mounted against Salinas' insistence on maintaining an unrealistic exchange rate throughout 1994, the ex-president publicly criticized Zedillo and his economic cabinet for mishandling the December devaluation. Zedillo reacted by sending Salinas into de facto exile in the United States, then authorizing the arrest of the former president's older brother on charges of corruption. The detention by U.S. authorities of an assistant attorney general under Salinas led to further denunciations of corruption, family intrigue, and official involvement in the assassination of a high-level PRI leader in September 1994. As Carlos Salinas became a figure of widespread revulsion, serious fissures threatened to split apart the Mexican political elite.

The public promptly showed its disapproval. For the first time in decades, rumors began circulating that an elected PRI president might not be able to finish his term. One poll in early 1995 showed that nearly half the respondents thought a military coup was possible. In municipalities and states, from Jalisco to Querétaro and Nuevo León, opposition candidates began winning public office. And in 1997, for the first time in its history, the PRI lost control of the national Chamber of Deputies—taking just 238 out of 500 seats, while the PAN garnered 121 and the PRD earned 126. This situation enabled opposition parties to unite against the PRI and, on occasion, to create a counterweight to executive authority.

The apparent decline of the PRI led to restiveness within the party's rank-and-file and its traditional bosses, pejoratively known as "dinosaurs" or *dinosaurios.* Chafing under the decades-long dominance of technocrats or *técnicos* like Salinas and Zedillo, the party's national assembly ruled in 1996 that its next presidential candidate would be required to have held elected office (a stipulation that would have disqualified every president since 1970). The adoption of statewide primaries strengthened both the party and its candidates, as the PRI won seven out of ten governorships in 1998. In anticipation of the presidential election of 2000, too, President Zedillo publicly proclaimed that he would not himself designate his successor through the time-honored *dedazo,* so the PRI designed a new primary system and gave responsibility for its management to one of the party's most venerable political figures. By mid-1999 there were four candidates for the party's nomination, none of whom could be called a technocrat; the apparent front-runner, Francisco Labastida Ochoa, had studied economics at the national university (rather than abroad) and served as governor of the state of Sinaloa before becoming minister of the interior. As one analyst and former congressman proclaimed, perhaps wishfully, "This is the end of government by technocracy, thank goodness."

Dawn of a New Era

The presidential election of 2000 marked a watershed in Mexican politics. A hotly contested campaign involved three major candidates: Francisco

Labastida of the PRI, Cuauhtémoc Cárdenas of the PRD, and a newcomer to the scene—Vicente Fox of the conservative PAN. Tall, rugged, *macho* to the core, Fox was a private businessman and rancher. He became CEO of Coca Cola of Mexico in the late 1970s and entered politics only in 1988, when he joined the PAN and won election as a congressional representative from the small state of Guanajuato. He subsequently served as governor of Guanajuato. From that unlikely background, in his late fifties, he launched his quest for the presidency.

A charismatic campaigner, Fox pledged an honest government. He denounced the PRI as hopelessly corrupt and obsolete. Vague on specifics, Fox asserted that it was time for a change—and that he would lead Mexico into a new, modern, and democratic era. In contrast Labastida seemed to personify the PRI's most traditional elements, while President Ernesto Zedillo insisted that the election would have to be clean.

Fox won the presidency by a plurality, with 42.5 percent of the vote; Labastida received 36 percent and Cárdenas took 17 percent. Mexico was jubilant, as though it had surprised itself. According to one observer, this was a triumph of "modern" Mexico over "traditional" Mexico—and his challenge would be to reconcile the two. Taking office in December 2000, Fox enjoyed approval ratings around 85 percent. His political honeymoon would be unusually long—but it would not last forever.

Despite the strength of his popular support, Fox had to deal with a recalcitrant legislature—a novelty in Mexican politics. The PRI held plurali-

Vicente Fox stunned the world by winning Mexico's presidential election of 2000. (Susana Gonzalez/Getty Images.)

ties in both houses of Congress; the PAN had only 46 seats in the Senate (out of 128) and 207 seats in the House of Representatives (out of 500). Moreover, Fox had troubled relations with the *Panista* delegation, whose members did not see him as a party loyalist—but as an outsider who had hijacked the presidential nomination. As a result, Fox found it impossible to gain congressional approval for his most important initiatives—tax reform, privatization, and resolution of the crisis in Chiapas. Things got only worse after the mid-term elections of 2003, when the PAN received only 32 percent of the popular vote and lost a number of important seats. One skeptical observer claimed that, as a result, Fox would be a "political corpse" until the end of his term in 2006.

Economic development presented Fox with another dilemma. As a pro-American businessman, Fox had touted the virtues of NAFTA during his presidential campaign. During the first half of his presidency, however, economic performance was absolutely anemic: a decline in the GDP of minus −0.3 percent in 2001, barely positive growth of 0.9 percent in 2002, an estimated rate of just 1.5 percent in 2003. The principal drag on the Mexican economy was, of course, the ongoing recession in the United States (to which Mexico sent nearly 90 percent of its exports). People pointedly asked: Where are the benefits of NAFTA? Their discontent became all the more intense when it became clear that Mexico was losing jobs and market share to mainland China, itself embarked on rapid expansion.

Mexico's relationship with the United States became exceedingly complex. Taking office almost simultaneously, Vicente Fox and George W. Bush promptly established a strong and positive personal connection. Fox persuaded Bush to look into the possibility of immigration reform—an amnesty for resident illegals in the United States plus a large-scale guest-worker program, steps that would "deepen" NAFTA along the lines of the European Union. And in late summer 2001, during a visit to Washington, Fox challenged Bush to enact such reforms before the end of the calendar year. As observers praised the Mexican president's boldness, it appeared that he would get his way. Then came the terrorist attacks of September 11, 2001, and expansive immigration reform became utterly unthinkable. Tension flared between the two governments (and the two presidents) in early 2003 when Mexico, temporarily chairing the UN Security Council, failed to support the U.S. invasion of Iraq. It was not until January 2004 that Bush unveiled a modest guest-worker proposal that had little chance of Congressional approval during an election year. For all this time, Vicente Fox was left holding the bag.

As Mexico moved into the twenty-first century, three long-term challenges loomed large. One involved the economy. The need was not only to regain investment and stimulate growth. It was also to alleviate problems of poverty and inequality. According to reliable sources, the proportion of Mexicans living in poverty rose from 34 percent in 1980 to 40 percent by 2000, after twenty years of neoliberal reform. Mexico also continued to have a highly unequal distribution of income: the richest 10 percent of the population controlled nearly 40 percent of the income (compared with 25 percent in the United States). Cries for social justice had been heard throughout the country's history, and they were being heard once again.

A second challenge focused on law and order, especially in view of the power of the drug cartels. The most dangerous of these cartels were involved not so much in marijuana or heroin, traditional products of Mexico, but in the trans-shipment of cocaine from Colombia to the United States. With an estimated $7 billion in annual profits, these groups could spend as much as $500 million per year on bribery—more than twice the total budget of the attorney general's office. By the mid-1990s Mexico had about a half-dozen drug organizations of truly international scope, the most powerful and brutal ones based in the border cities of Tijuana and Ciudad Juárez. Drug cartels were implicated in a wave of violence that swept through Mexico, including the assassination of a Roman Catholic cardinal in 1993. Former prosecutor Eduardo Valle Espinosa proclaimed that the country had fallen under the heels of drug traffickers and that Mexico, like Colombia, had become a "narco-democracy."

Third, and perhaps most difficult, was the need for democratic consolidation. After decades of struggle, Mexico had achieved free and fair elections at the national level. But crucial problems remained. The PRI still dominated neo-authoritarian enclaves in some states and municipalities. The judicial system was weak, corruption posed a continual problem, and police brutality occurred with virtual immunity. A democratic president—even Vicente Fox—could not alone create a democratic polity. As contenders began to line up for the presidential race of 2006, the challenges of democratic governance presented Mexico with prospects of both danger and opportunity.