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RESEARCH ARTICLE

Social change in Mexico: re-politicizing the agenda of reform

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A key claim of this article is the need for re-politicizing the processes of social change in Mexico, while critically examining economic imperatives as self-induced enforcement mechanisms. Focusing on the socio-political dimensions of the process, I undertake an analysis of the features of the democratization processes currently under way. It is emphasized that if the latter are to succeed, we need to be aware of the broad transformative effects which they entail. Therefore, the challenge for a more egalitarian and democratic society must be undertaken without delay. It is suggested that network governance could be of great help in drawing up a more democratic agenda, which may open up further possibilities of transformation.

Keywords: social change; democratization; equity; networking; agenda

Introduction

The implementation of the new economic agenda in Mexico has been prioritized over conditions of equity and democracy. For instance, democratization and the setting of checks and balances to presidential discretion were, and have always been, relegated to a secondary place behind perceived or self-induced market imperatives, such as reducing public deficits and lowering inflation rates. Judicial reform ranked a distant third.

Regarding the Mexican experience on the economic front, the two most important economic crises suffered by the country during the last decades have been very different in nature, origin and impact. The 1982 crisis had macroeconomic fiscal mismanagement at its root; whereas a dozen years later, although the fiscal deficits were under control, financial mismanagement brought harsh consequences. Moreover, both crises had international causes and impacts, but the structural economic adjustments were mainly absorbed domestically.

The aftermath of the early 1980s crisis has been characterized as the lost decade of economic growth in Latin America, and Mexico was by no means an exception. Years of low economic growth and constrained domestic markets, among other factors, contributed to further lower the standard of living of large shares of the population (Dussel Peters 1997, 2000, Székely 1998). Following the crisis of the mid-1990s, the recovery was not as long and painful as it had been in the 1980s, partially due to a more favourable international context. Judged by the respective amounts of their economic rescue packages, the 1995 crisis was more than 10 times greater in

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nominal value (Lustig 1997, 1998, Adams 1997). Still, if a comparison between the mid-1990s financial crisis bail-out and the debt crisis rescue package of the 1980s is to be made, the constant value amount of the former was roughly seven times greater than the latter. Both reform packages made use of extraordinary resources and were not exempt from controversy, since the means to make use of them and the guarantees provided were unconventional, to say the least.

The financial crisis which unfolded in 1994 was tackled with a concern to avoid derailing the orthodox economic agenda, making sure that the structural adjustment under way would not be abandoned, as it was a perceived condition of external support. In contrast, the 1982 fiscal and debt crisis was used as an opportunity to modify the political and economic agenda of the administration entering office in the same year. It represented a moment of decisive intervention to change the trajectory and the role which the Mexican state was playing at the time as a direct actor in economic activities. For example, this was manifested in the divestiture of government-owned enterprises, which grew disproportionately during the 1970s (Rogozinski 1998). The fact that the new agenda could be implemented owed much, among other factors, to the vertical character of the political system. This allowed a technocratic elite to pursue the economic transformation first, thereby postponing the political transformation. In short, with the benefit of hindsight, it can be affirmed that the importance of the early 1980s reform lay in the fact that a historical transition moved the orientation of the Mexican economy away from de commodified economic activities to a stronger emphasis on market orientation. This made commodification via processes of deregulation, liberalization and privatization the main governmental concerns. Hence, the government seized the opportunities presented by the crisis.

The argument presented here emphasizes features of both structure and agency, and the material and ideational dimensions within specific time and space locations is divided into the following sections. It is contended that the meaning of democracy is not restricted by any means to the exercise of free and competitive elections (Levy and Bruhn 2001). Important as they truly are, they are just a means, albeit one which cannot be guaranteed totally, of reaching more egalitarian outcomes. In order to provide an adequate contextualization of the strategically selective but never determining contexts within which democratization takes place, I explore the early 1980s economic crisis as a crucial moment for intervention. Taking it as a milestone, this was the period from which the Mexican economic restructuring experience took off. Within this context the political reforms have been implemented at a very slow pace, especially if compared with the rush and sense of urgency associated with the economic agenda. Taking into account all these elements, I stress the importance of networking not only for increasing the degree of political autonomy of the situated agents in context, but also for strengthening democratic practices. Finally, after analysing an agenda of transformation suggested by the World Bank, I sketch the participatory relevance of networking for enhancing the relevance of a more inclusive, democratic and equitable common strategic agenda.

Moments of crisis and intervention: the economic restructuring

One crucial international factor which needs to be taken into account for the genesis of the commodification experience of Mexico's economic restructuring is the

changing role of the USA. Having used to be one of the principal capital exporters and creditors since the end of the Second World War, during the 1970s and early 1980s it found itself unable to sustain its financial and productive superiority and became a net importer of capital. The main reason for this qualitative change was the need to finance both its trade and fiscal deficits with external credits (Gilpin 2000, 2001). In the second half of the 1970s, the USA started to have a negative balance of trade, due to an increasing quantity of imported goods into its economy. The second half of the 1980s saw a further increase of imported goods, which after a short recovery has spiralled uncontrollably since the early 1990s. The urge to consume imported goods has not been matched by the growing number of exports, widening the trade deficit every year to levels never reached before. Hence, capital investment in the stock markets has served as an important financing source for the US trade balance deficit.

The direction of capital flows and the function of the transnational banking system was substantially altered as a consequence of financing US trade and fiscal deficits by external credits. While rises in interest rates aimed to attract increasing volumes of capital inflows, the magnet of US markets and financial instruments delivered a more attractive financial profile for capital flows and the transnational banking system, which hardly any other economy, especially in the developing world, could compete against (Dussel Peters 2000).

Within this international context, macroeconomic mismanagement was the root of the 1982 economic crisis. In order to finance expansionary policies, the Mexican government during the previous decade had made use of international credit. Since the economy at that time depended heavily on oil exports, problems arose when the international oil price dropped in the early 1980s, placing Mexico in a position where it could no longer sustain its external debt, mainly to banks from the USA (Lustig 1998). The involuntary moratorium on the external debt triggered the devaluation of the peso. The aim of this was to generate a balance of trade surplus. As an international debt crisis unfolded the government nationalized all banks operating in Mexico. Domestically, the exchange rate of the peso soared from 25 per US dollar to more than 1500 five years later. Internationally, within a year from 1982, more than a dozen other economies were experiencing the same type of fiscal and foreign debt crisis, spreading economic stability concerns throughout different latitudes (Adams 1997).

During the summer of 1982 an emergency loan of US \$4.55 billion was arranged and led by the US government and the International Monetary Fund, in which commercial banks agreed to reschedule the Mexican debt. For the financial assistance of 1982, the US Department of Agriculture provided a loan in exchange for a guaranteed purchase of surplus maize resulting from its agricultural policy. An oil credit guarantee was more problematically agreed between the two governments. After offering a low price for the prepayment of Mexican crude oil for the Strategic Petroleum Reserve, the US Department of Energy proposed that the Mexican government should pay an initial transaction commission. Even though the final agreement conditions were not disclosed and they have been kept secret, the interest rate was close to 38%, more than twice as much as the market interest rate at that time. The US Federal Reserve and the Treasury Department complemented the financial resources from the USA, whereas some other developed countries did the same through the Bank of International Settlements (Lustig 1997). In short, the rescue package proved more satisfactory to the US government and to the banks as

well, as the latter avoided collapse. It has been argued that their survival depended on keeping Mexico afloat (Adams 1997). Although all loans were fully paid the year after, the scarce funds allowed only for a comparatively slow recovery, imposing high social costs on the Mexican population, since the losses of the crisis were socialized (Lustig 1998, Dussel Peters 2000).

Following the 1982 crisis and throughout the decade, neither external conditions nor domestic ones were favourable to the compelled adjustment of expenditures, output re-orientation and the search for ways to foster growth. High real interest rates, unfavourable terms of trade and scarce credit made for an adverse international context. During this period, Mexican international trade surpluses were used to pay the interest on foreign debt, since it was difficult to attract investment. This situation translated into a net resources transfer from Mexico to international lenders which precluded stabilization and renewed growth. The domestic conditions were no better either, because the crisis was absorbed domestically: the fall in real incomes and the rise in poverty levels provide evidence of the deterioration of social indicators. On top of that, rampant inflation, increasing capital outflows and decreasing international reserves further complicated the scenario (Lustig 1998).

The implementation and adaptation of different strategies aiming to attract trade and investment flows became a self-induced priority for the government in office at the time. The moment of decisive intervention was seized at the international level and at the domestic level in order to impose a new trajectory on the orientation of economic policies and the role of the state. The 1980s witnessed significant changes as governmental efforts were channelled towards opening up the economy. Crucial for those purposes was the change in the industrialization model, as the new priority became an export-oriented strategy which had a core component in the inbound industries originally concentrated along the border with the USA, which later spread to some other regions of the country. So were the programmes of divestiture of government-owned enterprises, and the liberalization of formerly protected economic sectors. A key element consisted in central bank autonomy. This aimed to attract portfolio investment. Thus, there was a clear emphasis on increasing commodification.

Nonetheless, contrary to some expectations, the depressed real wages translated into economic recession rather than rapid restructuring. One of the issues illustrating the social embedded character of the markets in the Mexican experience is that the economic adjustment costs were internally absorbed without any serious political or economic disruption. Undoubtedly, the unique cohesion and control of the Institutional Revolutionary Party (Spanish acronym PRI), as the former ruling party's corporatist practices and mechanisms, were instrumental for the acquiescence of the labour force in accepting drastic cutbacks in wages.

It is important to bear in mind that throughout the long process of economic restructuring a major concern was to reduce state intervention and regulation. As this was done, the openness of investment opportunities and the building of business confidence required substantial legal and institutional modifications. The change in economic orientation and governmental policies gained increasing external support. The selling of several formerly government-owned enterprises, including banks at a later stage, the strengthening of the economic partnership with the USA and the returns in the stock exchange were all perceived abroad as

favourable changes. As a response to the attraction of new foreign investment, some capital returned to Mexico (Lustig 1998).

It was also during the late 1980s that Mexico was taken as a ‘pilot case’ for external debt restructuring, due to its heavy dependency on international banks. To begin with, the 1986 Baker Plan introduced, for the first time, a contingency financing clause and the possibility of automatic relaxation of fiscal targets, should growth rates be less than anticipated. Expectations were not matched because the negative transfers of domestic resources characteristic of the decade continued to hinder the economic recovery, despite efforts to reverse them. Three years later, the Brady Plan took Mexico as the first country to sign clauses of debt and service reduction of medium and long-term debt with commercial banks. Neither plan could help Mexico to attract capital and investment on the scale required for recovery (Lustig 1998). In order to reverse the negative transfer of capital there was a need for a reduction in the international debt service, the encouragement of capital repatriation and the attracting of new foreign investment. Without them no efficiency, equity and productivity could occur.

A more decisive push was provided by some other institutional changes. The North America Free Trade Agreement (NAFTA) provided an institutional framework for strong economic and commercial trends already under way. Needless to say, these tendencies have further deepened and accentuated since NAFTA first started operations in 1994. The trade agreement between the USA, Mexico and Canada would not have been possible for the Mexican side had it not engaged in the series of economic transformations which sought to match the market orientation and ‘fundamentals’ of the other members, especially the USA, throughout the 1980s. In short, it shows a clear pattern of strategic selectivity operation. Despite governmental efforts to attract investment from some other parts of the world, the tendency towards concentration has grown further. Regarding trade liberalization, not only have trade barriers been converted into tariffs, which in turn have gradually been reduced, aiming for the full liberalization of goods and services trade among the three countries; but also the unfulfilled initiative towards a Free Trade Area of the Americas was meant to be the next step for a hemispherical elimination of barriers to trade and investment (Cuadra Montiel 2008).

Tangled technocrat and financier webs in operation

Since I am not paying attention exclusively to the material realm, the impact which ideas have is one of the major analytical lines of this article (Blyth 1997, 2002, Watson 2000, 2003). The changes in assumptions, agendas and ideas characteristic of paradigm shifts are also part of the processes of commodification under scrutiny. Having examined the characteristics of the infamous Mexican macroeconomic and fiscal mismanagement crisis, it may be helpful to have a look at a key development of the economic landscape at that time, which ended up proving critically important years later. In this section I concentrate on the interaction between private and public agents. In so doing, I focus on the impact of the strategically selective context on the actor.

One of the elements which should not be overlooked when analysing the contemporary processes of social change in Mexico is the professional profile of key government officials and decision-makers and the networks which they weave. Since

the late 1970s and early 1980s, top government decision-makers in Mexico, especially those dealing with the economic agenda, received a neo-classical economic training in Ivy League universities in the USA (Centeno 1994, Babb 2001, Camp 2002, 2003).

It is not an exaggeration to say that the international financial organizations were co-participants in the economic restructuring experience of several countries, although they would not admit co-responsibility (cf. George and Sabelli 1994, Chossudovsky 1998, among others). Due to an adverse context associated with the external debt crisis, Mexico reached a point at which it became chronically dependent on financial resources and advice from the Bank and the Fund, as alternative private sources of credit were cancelled. The emphasis of the financial restructuring programmes and the IMF's letters of intent pointed emphatically to macroeconomic stabilization and inflation control. However, it is important to note that the characteristics of these documents reflect evolutionary political advice and aims, as they also incorporated a range of issues different from the original economic agenda. For instance, the initial concern to lower inflation and correct balance of payments imbalances, addressed in 1982, saw an increased scope of the agenda as other issues such as strengthening the banking system and the privatization of government-owned enterprises were also included in the last documents as well (Fischer 1997, Rosas 1999, Letters of Intent and Memorandum of Economic Policies 1999, 2000). The letters of intent signalled specific stages of the current punctuated evolutionary processes through which the Mexican economy has moved, but also the new character and concerns of the institutional agenda. Even though the insights about the relatively new emphasis on institutions discussed here focus on the World Bank, they can also be extended to the International Monetary Fund. In addition to the technical and economic terms in which the letters of intent are agreed, there are additional elements such as political will and trust, which affect the decision of governments to engage in an International Monetary Fund programme (Vreeland 2003).

If the first letters of intent were oriented more towards the use of macroeconomic policies to reactivate growth, as the 'Washington Consensus' pointed out, the last ones evidenced quite an institutional turn (Cuadra Montiel 2007b). However, this does not mean that agencies have no room for manoeuvre and taking their own initiatives. On the contrary, the financial liberalization of the Mexican financial markets, first initiated in the late 1970s, was mainly a domestic process in which some diversification was sought to counterbalance the leverage of the banking sector. The provision of financial non-banking services and products was encouraged, although the process could not consolidate as it was halted by the eruption of the 1982 debt crisis. Nevertheless, technocratic networking developed, strengthening its position and gaining influence. While the banking sector was nationalized in the aftermath of the crisis, some non-banking financial sectors were not. By the end of the decade, they played a key part in promoting and resuming an endogenous initiative for the liberalization of financial services. The brokers' preferences, however, were not for a full and indiscriminate liberalization. Moreover, on the Mexican side, foreign participation in the domestic market was prevented, and even the negotiations of the NAFTA were beneficial, as the Mexican financial sector was granted provisions and a long liberalization schedule (Minushkin 2001, 2002). Yet, one of the unintended consequences of the mid-1990s financial crisis was that it completely altered the context and conditions which had previously prevailed. Nowadays,

foreign investors have taken over Mexican banking and financial organizations by buying shares in them.

Having spelled out the economic conditions of the Mexican milestone of the late 1970s and early 1980s, it is necessary to examine in further detail what the efforts towards democratization have delivered, as they have not been running at the same pace as those for economic restructuring.

Moments of crisis and intervention: slow-motion politics

The milestone of the early 1980s is associated with the commodification experience of economic structural adjustment and the modification of the trajectory of state policies since then. Economic details aside, not only did they mean seizing an opportunity to re-orient the economic agenda and trajectory of the policies, but they also triggered, albeit relatively slowly, the gradual constraint and control of presidential discretion and excesses by opting for institutional guarantees.

The political system in Mexico, which has played a central role since the early twentieth century, took steps towards the promotion of stability in policies and the rule of law. Because the Mexican government tried to exercise leverage and control over the degree of openness to avoid altering the status quo, it has been characterized by some analysts as a stable civilian rule without democracy, or even a semi-democracy (Levy 1990, Levy and Bruhn 2001).

Since the early 1990s the Federal Electoral Institute (Spanish acronym IFE) key role was to act as a body independent of the executive to deal with elections. Such a move was complemented by modifications in the regulation of party finance and a more diverse and inclusive evolution of congressional politics that proved crucial for levelling the field for all contestants. Furthermore, even before the IFE was established, the political and electoral landscape had suffered important changes. Not only has it been debated that the winner of the 1988 presidential election did not sit in the presidential chair, but also that the former ruling party had lost the capacity to make constitutional changes on its own.¹ Even though the PRI controversially held the presidency for two more terms until 2000, it did not win two-thirds of the lower chamber seats, making political alliances and coalitions necessary. The government's main move was to approach and negotiate with the conservative National Action Party (Spanish acronym PAN), which ended up winning the presidency 12 years later. The left-wing coalition entering this election, which challenged the government, founded, albeit with some modifications, the Democratic Revolution Party (Spanish acronym PRD). Nowadays, it is regulated that no political party can occupy two-thirds or more of the places needed for constitutional reforms (Elizondo Mayer-Serra and Nacif Hernández 2002a).

At the turn of the twenty-first century, divided federal congresses, alternating governors, states' congresses and municipalities amongst the main political forces, namely PRI, PAN and PRD, have become a common scenario. There is increasing room for political autonomy in Mexico. Such an important trend is supported by stronger and more independent institutions which have moved away from the heavy concentration of presidential power and discretion. Since a democratic and representative rule is better exercised by federal practices which aim to provide non-centralized representation, the decentralization of state governments has allowed them to regain political autonomy and, in some cases, to innovate in public

policies (Domínguez and Poiré 1999, Ward and Rodríguez 1999). Moreover, the asynchronicity of elections for states, congresses and municipalities increases the likelihood of juxtaposition and different combinations of political membership at the different levels of government (Elizondo Mayer-Serra and Nacif Hernández 2002b).

Nonetheless, the increasing room for political autonomy and the transition to, and consolidation of, a narrow concept of democracy is not exempt from difficulties. Clearly, electoral reforms are just means, never an end, in the construction of a more egalitarian democracy. Risks such as granting privileges to political parties or any other actor, at the expense of not properly strengthening the citizens' formal capacity and resources to exercise their rights, and to demand transparency and accountability must be avoided. For no political franchise is more valuable or important than the goal it aims to achieve, especially in a country where democracy with equity is badly needed.

Even though the consideration of an independent judiciary has historical roots which go back as far as the 1857 Constitution, the fact that the legal system is influenced by the political context has heavily conditioned the degree of judicial independence. This is because the current 1917 Constitution, sticking to a rule of legality, rather than to a proper rule of law, has historically determined the judicial system and its organs such as the courts, especially in its relationship with the president. Clearly, maintaining a low political profile in order to avoid conflicts with the executive, all in the name of political stability, meant that alignment was achieved through strategies which bound the judiciary to the presidency, therefore limiting the principle of separation of powers (Domingo 2000). Yet, it is important to note that such a scenario was achieved without upsetting the constitutional order. If political liberalization and democratization has been subordinated to the economic priorities, which have resulted in increasing commodification, then reforms to the judiciary rank third in turn, subordinated to political considerations.

Still, there has been a pair of Constitutional reforms during the mid-1990s which could serve as preliminary steps towards an increasing degree of democratization and political autonomy for the political agents. Firstly, the 1994 reform tightened criteria for the selection of candidates to the Supreme Court, stressing specialization and experience and at the same time detaching them from political profiles. Since the same year, two-thirds of the Senate have to be elected from a list of candidates presented by the executive. As life tenure was changed, individuals were appointed to the Supreme Court for a 15-year fixed term. Moreover, the judicial budget no longer needs approval from the president. Secondly, the 1996 reform extended the review powers of the Supreme Court to some electoral matters. It is now possible to rule on the constitutionality of electoral laws at a federal and state level and jurisprudence has started to develop relating to inter-government and intra-government relations. Additionally, the establishment of a collegial citizen counsellor body in charge of the management of the electoral processes of the Federal Electoral Institute has strengthened its independence (Domínguez and Poiré 1999, Ward and Rodríguez 1999, Domingo 2000).

Nonetheless, important as these reforms certainly are, there is no guarantee that the enhanced political profile of the Supreme Court translates into a better administration of justice. The impartial and predictable protection of rights and enforcement of rules is still an unfulfilled goal, as is the binding of all actors to place effective limits, checks and balances within the discretionary exercise of power of the

executive in Mexico. The next section focuses on the importance of networking, whose crucial constitutive element, namely common and complementary agendas, will be discussed and initially sketched in the final parts of this document.

Networking involves much more than technocratic webs

The rise of a group of neo-classically trained economists during the last three PRI presidential terms of the twentieth century, in which the last two even held office, has been the subject of a number of different analyses (Centeno 1994, Babb 2001, Camp 2002). Although the composition of the cabinet of the next two PAN administrations tended to be more diversified, it still preserved some positions for professionals with the same profile. It is striking that postgraduates in economics from Ivy League colleges in the USA have not delivered the most efficient solutions to some of the key problems and issues for the contemporary Mexican agenda. Nevertheless, it has been suggested that their contribution tends to be more symbolic than functional, as they earn approval and respect from the international and financial community, whose concern is in no way polarization, nor the rising rates of domestic inequality (Babb 2001).

‘Technocrat’ is a term used to describe, among others, professional individuals with expertise in the techniques of neo-classical economics, who have served in the Mexican public administration since the 1970s, and who have made use of institutions, networks and ideas to direct economic policies undemocratically. Benefiting from political stability, electoral bureaucracy mechanisms and the vertical authoritarian features of the political system, they paradoxically sought to reduce the economic functions of the state, while seeking to diminish the economic influence of politics. Working as a cohesive elite with interlocking networks of patron–client relations, they opted for the centralization of power within a group of state institutions to control their resources and impose their views, especially on economic affairs, from the top of the government departments down to the different social strata (Centeno 1994).

Since my concern is not with networks themselves, but with networking, it is important to acknowledge that the relational interaction among actors in open and complex systems cannot be limited to particular constituencies. Rather, networking activities are also able to connect across a wide range of groups relying on formal and informal strategies (Cuadra Montiel 2007a). Important as the linkages within groups undoubtedly are, there seem to be some key actors who play crucial roles. Mentors in groups such as the politicians, intellectuals, the clergy, the military and business in Mexico have played vital roles for recruiting members, broadening contacts and expanding the reach and leverage of the network while introducing aspirants to the social practices (Camp 2002). As networking practices are not restricted exclusively to professional profiles, personal ties and informal contacts may be helpful for reinforcing networking practices and, for the actor him or herself, for influencing opportunities at every step.

Still, networking should not be understood only as a government or elite resource. There are also grassroots networking initiatives which cannot be omitted from any serious analysis. Consider for instance the indigenous peasant uprising of 1994 and the transformations it has been through ever since. They have clearly been through a transformative exercise of networking. Not only have the Zapatistas

changed from a guerrilla to a social movement, but they have also modified their revolutionary discourse. By the time they peacefully marched to Mexico City in 2001, their original confrontation strategies had been left behind. 'La otra campaña' which ran parallel to the 2006 presidential candidates campaigns further ratified this trend. The fact that the San Andrés Larráinzar Accords were not put into practice, and the indigenous rights proposal was not backed by the Congress either, does not defeat the validity of the causes or their agendas.² By networking across several different groups they have become part of a broader movement which is helping to push for a more egalitarian society. Such a task is one that moves forward, and is not constrained by the militarization and the changes in Chiapas, but one that is open and more inclusive at the national level and which mutually recognizes a common agenda in Mexico.

Both elite and grassroots networking is reflected in policy outcomes in two different ways. There are direct effects that can be easily attributed to some specific networking practices, such as the technocratic features discussed above, on the one side; and there are indirect effects for even the same and different processes on the other. Since networking functions as a vehicle for collective action, it is inaccurate to assert that the narrow electoral concern for transition to, and consolidation of, democracy in Mexico has been a government concession. For this is simply not the case. A great many grassroots organizations and movements have historically oriented their efforts toward this goal. Therefore, in such a common enterprise they must be credited with partial and indirect contributions as well. However, the still unfulfilled broader challenge of building an egalitarian democratic society cannot stop at electoral reform. As a target of collective action, numerous partial and indirect contributions are needed if the goal of a more equitable democracy in Mexico is to be achieved.

The never-static nature of networking opens up possibilities for further elaborating and updating a common agenda which delivers, or at least is expected to deliver, benefits to the actors who actively take part in it (Hay 1998, Hay and Richards 2000).³ In so doing, the situated agents in contexts are capable of building different sorts of coalitions and alliances. Forging these around mutual objectives captures a range of strategies of collective action for their execution or fulfilment. But the same is also true for their termination, failure or realignment.

The processes of commodification, on one side, and the current trends towards political autonomy and democratization, on the other, are currently under way, albeit not free of countertendencies and contradictions. Interesting as they truly are in their own right the current dynamics represent social and political challenges to the economic priorities. However embryonic the stage which these trends have reached so far for a Polanyian 'double movement' (1957), there is no reason to deny the possibility that they might gather momentum and strength over time. The shaping of the context and the setting of political institutions are important steps towards increasing degrees of political autonomy, which open up windows of opportunity, though these are not free of any constraint. Still, those institutions need to be put into operation. They could only be put to work mainly by interacting agencies, where the exercise of power is a relevant and unavoidable feature. In the event that the institutions are used to meet the networkers' common or complementary agenda, their utility rises. In the event that they are not suitable for the task ahead, it becomes obvious that they are never a sufficient condition for the social

processes of change. This is why it cannot be taken for granted that institutions alone guarantee the attainment of any objective themselves. As they depend on the use which situated actors make of them, institutional failures should not come as a surprise, because they are always dependent on the use, or misuse, made of them by their operators.

The mutual or complementary strategic agendas which the networks aim to serve reflect the constant motion and dynamics, at the same time that networking plays a role in the dialectical transformation to which the actors refer for elaborating their agendas. This mutually constitutive influence opens up a wide range of possibilities from which wanted and unwanted outcomes may arise. Networking across various groups increases the uncertainty, uneasiness and unpredictability of the outcome. Furthermore, the capability for delivering changes lies in the hands of the actors and selecting strategies constitutes a crucial issue if their common or complementary agendas are to be met. Therefore, the exercise of power by situated actors within a strategically selective context delivers the capacity for change. The importance of this cannot be highlighted enough, as it means the capacity to influence not only current situations but to effect potentially deeper, wider and more consistent future transformations.

Normative as these statements appear to be at first glance, they nonetheless raise awareness about the importance of the identification of agendas or core issues which must be fulfilled. On the basis of these considerations, and with the backup of the arguments presented herein, it is time to present two contrasting agendas for Mexico to which I now turn in the next two sections.

Déjà vu all over again: increasing commodification

Regarding the international context, the relationship between the World Bank and Mexico has evolved through different phases. Initial contact and relations go back to the late 1940s. However, it was not until nearly four decades later, due to the set of economic reforms undertaken by the Mexican government during the last quarter of the twentieth century, that it became one of the most important borrowers of the bank (Urzúa 2000). The World Bank's membership is conditional on prior joining of the International Monetary Fund. Both international financial organizations' loans and conditions exert influence on many aspects of investment, institutional development and public policy.

The concept of the state, and the agenda which the World Bank promotes in accordance with the orientation of the post-Washington Consensus, are specified in detail for specific cases. In Mexico's contemporary circumstances at the turn of the twenty-first century, diagnoses and policy recommendations tend to orient towards ratifying the commodification efforts currently under way. Because the World Bank agenda summarizes the orientation of the trends currently observable and because it also matches the self-induced priorities of the government, it deserves careful analysis. Still, in this section I am not arguing that the World Bank dictates what the Mexican government should do, or should refrain from doing. Bearing this caveat in mind, and because of the close relationship between the latter and the Bretton Woods organizations, the recommendations need to be carefully analysed and interpreted. The World Bank's development agenda for Mexico stresses the following five points: (a) to consolidate macroeconomic gains, (b) to accelerate growth through

enhanced competitiveness, (c) to reduce poverty through human capital development, (d) to balance growth and poverty reduction with protecting natural resources, and (e) the achievement of those goals by means of an efficient, accountable and transparent government (Giugale *et al.* 2001).

There is nothing new in the World Bank's agenda for Mexico. The economic priorities of sound macroeconomic management and the need to strengthen its structural fiscal position by means of a comprehensive tax reform are no novelty. It is also argued that the removal of exemptions, the management of public-sector liabilities and the purge of government finances need to be accompanied by a countercyclical fiscal policy which would place Mexico in a better position to consolidate the macroeconomic gains (Giugale *et al.* 2001).

Similarly, the recommendation for increased competitiveness for the financial sector, infrastructure and the rural economy point towards sustainable long-term accelerating rates of growth if achieved through foreign markets. It is important to point out that back in the mid 1980s some of the economic indicators caused anxiety. Regarding the financial sector, the advice is to strengthen and deepen the reforms to ensure stability and soundness. Private funding and better regulation, we are told, are required for specific sectors such as electricity, telecommunications, gas and oil, water supply and highways. Furthermore, the financing of infrastructure services is supposed to put more emphasis on operational efficiency and pricing without overlooking public and private finance. The constitutional amendments and the new legislation provide the legal framework for the privatization of ports, railways and airports, although an independent transport regulator is needed.

Mexican agriculture has faced drastic reforms such as trade liberalization, subsidy elimination, the constitutional reforms of land tenure and a new programme of land titling. This last item is problematic. Not only do increased levels of poverty affect one-fifth of the labour force, causing it in turn to generate only a small share of Mexico's GDP, but also open competition with the NAFTA is due in 2008. The rural sector seems to be in an extremely poor and unfavourable position to compete with the USA's agricultural sector, which enjoys heavy subsidies. However, the World Bank's orthodox recommendations for the rural sector focus on the liberalization of grain subsectors, the establishment of regulatory frameworks, and an increase in the efficiency of the public support programmes (Giugale *et al.* 2001).

Important as all those recommendations are, they clearly emphasize macroeconomic gains and growth as the goal of development. Development of equitable growth, however, is not merely an economic concern. It is a more complex and multifaceted issue than it would appear at first glance, as the seminal work of Schumpeter made clear (1934). The dimension which is defended here is the political relevance of all collective social activities, independently of their organization and categorization. Therefore, the all-encompassing spectrum of politics reveals that the perception of economic imperatives is by no means irresistible, but highly political and open-ended.

The problem with the commodification strategies is evidenced in the social costs currently facing some sectors of the Mexican population. It is a cause of concern that there is an increasingly uneven distribution of wealth among the social groups and the economic sectors to which they are related. The widening gap between the better-off and the worse-off reflects an unfulfilled promise of recovery of real wages and the already large and expanding informal sector (Williams 2001, World Bank 2004).

What is considered to be the most important part of the World Bank agenda is the consolidation of macroeconomic gains and the promotion of growth through enhanced competitiveness. However, such priorities have adversely impacted upon labour. More importantly, social and environmental concerns are not top of the agenda, since they are considered secondary to the first two points of the World Bank's development agenda for Mexico. The World Bank argues that crucial to the development of human capital is the quality of the public provision of education, health, social protection and other human capital forming services so as to close the gaps in social protection. The provision of security, the building of opportunity and the promotion of empowerment represent a challenge ahead. Broad social policies for security, health, education, job training and housing require the Mexican government to play a decisive role. A similar case can be made about the increasing commodification which the environment is going through. It is becoming urgent first to stop, and second to reverse the mining exercise which has been depleting natural resources. According to the World Bank the removal of subsidies, the clarification of property rights and decentralization efforts are required. An evaluation of the environmental situation by the government is a relatively easy task, especially if compared with the challenge of providing adequate incentives to stop environmental degradation without affecting communal preferences and structures (Giugale *et al.* 2001).

The reduction of poverty levels and the protection of natural resources cannot be achieved simply by following a market rationale, since redistributive efforts are needed in order to counterbalance the tendency towards concentration which markets often evince if left on their own. The unequal concentration of wealth in the richest deciles of the population, in the context of the deterioration of the poorest ones, has gradually made it evident that there is an increasing need for a governmental role regarding redistributive policies. The challenges ahead for environmentally sustainable practices are not merely economic in nature, as indeed they never have been. They are also social and political, due to the fact that markets are embedded in broader socio-political structures.

According to the World Bank the building of an efficient, accountable and transparent government is the last priority for the Mexican development agenda. It becomes evident that the commodification emphasis stresses commercial and financial imperatives and scrutinizes the fiscal and macroeconomic performance of the government. There have been, however, some criticisms of the way in which decentralization has been carried out, as it has been argued that a proper model is not clearly defined. Furthermore, the judicial system is plagued with inadequacies and in need of a major overhaul; and decisive initiatives and actions are also required to reduce the incidence of corruption in the governmental sphere. Propelled by the imperative of reducing costs and increasing efficiency levels, the recommendations pointed to a less centralized type of government. This in turn aims to facilitate increasing private decision-making, while government intervention would only be in regard to public goods (Giugale *et al.* 2001).

A strong political commitment and deep institutional coordination is required if the protection of natural resources and poverty reduction are to be seriously addressed. Since these areas neither have an immediately profitable impact, nor are they prone to the spectacular raising of revenue as some speculative activities are, the role which the government plays is, thus, crucial for redistributing resources in a

more balanced way. There is no argument that special attention needs to be granted to the most vulnerable sectors of society. Yet, experience shows that palliative policies which target only specific groups or small sectors have not achieved anything but delaying a proper solution to the polarization problem. They will not do anything more than this, unless a change in the priorities and their matching strategies provides adequate levels of protection, based on the idea that exchange relations are not to dominate. Overlooking production and distribution relations depreciates the value of labour and praises overvalued exchange transactions in the final stages of economic activities (Watson 2003). Therefore, a more balanced attention is needed to all the different phases of the provision of goods and services. An approach in which the natural resources are neither unsustainably extracted, and in which labour is not perennially condemned to low-wage and low-skill tasks, requires the placing of equivalent incentives on each part and component of the whole economic cycle. At the same time, it clearly needs to place disincentives on the emergence of inequalities and on the overvaluation of partial activities as if they were disconnected from the rest, for they are not. In short, costs and gains need to be equally shared and their value must be better balanced throughout the whole process. Let us now turn to a second, alternative agenda.

Preliminary sketches for an enhanced agenda of reform

Due to the historical characteristic of the federal level having primacy over the state, the concentration of power in the Mexican president and the former ruling hegemonic party, plus the subordination of the legislature and judiciary, it is not surprising that networking in Mexico has been primarily political and concerned with specific policies. Still, this is not the same as saying that we should dismiss the utility of an approach which focuses on networks and the transformation capabilities of networking operating beyond such a realm. On the contrary, the key for the operation of networks and the functioning of networking is the identification of common and complementary agendas. It is not restricted by any means to the character of partisanship or policy. Since networking is such a flexible strategy, network formation could bring up unintended economic issues, or affairs of any other nature of relevance to the situated actors.

Authoritarian regimes typically leave a difficult economic legacy due to their lack of accountability and democratic deficits; since one of the effects of democracy and political autonomy is that, in a sense, they make uncertainty more likely, the transition to and consolidation of democracy set up the likelihood, without determinism, of further transitions (O'Donnell *et al.* 1986). A crucial one, if not the most important one, goes beyond the making of citizens, and concerns the reduction of polarizing inequalities and the provision of equal benefits to the population from the goods and services generated by the society. Such a fundamental and ultimate objective, normative as it is, constitutes in itself a highly desirable goal whose attainment should suffer no further delay. Although the road for such a Polanyian 'double movement' is very likely to be full of unpleasant surprises and difficulties (1957), it is an enterprise worth embarking on, rather than leaving the attainment of a better world to chance.

The processes of political liberalization and the struggle for democratization are by no means a novel phenomenon in Mexico. The current processes and dynamics

owe much more to opposition, whether formally organized or not, than is officially acknowledged. The historical gestation has been lengthy and not exempt from risks, difficulties and challenges (Aguayo 1998). Opposition threats have triggered changes in the former hegemonic ruling party, the electoral procedures, institutions and practices, and even in the reach, transparency and accountability of the executive. The costs of legitimacy have contributed to undermining the conditions and viability of the former symbiosis between the Mexican president and the former ruling hegemonic party. Incomplete and unfinished as these trends still are, they deliver a vivid example of the power of agencies to influence the strategically selective contexts in which they are situated. The ever-changing dynamics in motion provide a spectrum of different possible outcomes.

Those scenarios tend to be more democratic, representative and inclusive than the seven decades of PRI rule, as they make use of and push for increasing political autonomy and the further spread of relational power immanent in social interactions. Historically shifting from induced consensus to compromise and negotiation is not an easy and unilinear process; it varies spatially and temporally. What is important, however, is to orient the efforts, constraints and opportunities which increase the level of political autonomy in order to capitalize on shared governance. Achieving such a goal, with an increasing capacity to attract and incorporate as many actors from civil society as possible into the decision-making process, would be critical in forging a more consistent, solid and strong process of democratization in Mexico. The opportunity has yet to be taken.

Without pretending to deliver a prescription of economic policies or a programme of what I perceive ought to be done, I want merely to draw some very broad and tentative sketches for action in Mexico, which I consider must not be postponed any longer. That country nowadays is socio-economically and socio-politically divided. The political polarization and controversy of the 2006 presidential elections, in which the Partido de la Revolución Democrática's (PRD) Andrés Manuel López Obrador and the Partido Acción Nacional's (PAN) Felipe Calderón starred, reflect widening social, economic and political inequalities. Formal institutions such as the Federal Electoral Institute and the Federal Electoral Tribunal had their first significant test that year. While its legality went formally unchallenged, a number of inconsistencies, irregularities and double standards previous to and during the campaign, and after the election raised suspicion that the narrow victory of 0.5 per cent of Calderón over opposition candidate López Obrador was not a legitimate one.

There is no need to present specific policies of reform or to prescribe substantive alternatives. Still, it is possible to restore agency and the causal constitutive role of ideas to the analysis of otherwise structurally deterministic processes. Therefore, what I can do is to sketch a few non-hierarchical suggestions to reinvigorate the role of actors and ideas for broad areas of reform which could be discussed and included in a common and strategic agenda for Mexico. Networking could help make the agenda for a more equitable social, political and economic scenario real, both as an enhanced whole and in its individual and constitutive elements.⁴ Disaggregation into smaller and complementary agendas could increase the likelihood of the viability and success of the whole enterprise. Needless to say, the following points neither constitute a government programme, nor are they policy prescriptions and must not be considered as such.⁵ Rather, consistent with the argument presented here, I also

maintain broad trajectories of reform perspectives in the propositions presented below. The sketched aims must be complemented by more specific objectives if they are to be reached. To sum up, the challenge ahead is to re-politicize in an inclusive fashion the process of social change in Mexico.

- (1) Bear history in mind. Historical experiences are crucial for understanding where we stand, and are of great help in identifying where we want to go. They help in bringing consistency to the agenda. Historical lessons must not be ignored for the sake of short-term goals. The perspectives and insights which history brings cannot be replaced in any form or sense.
- (2) Aim for endogenous equitable growth. Keep sound public finances in sight, and a long-term consistent implementation of progressive economic environmentally friendly policies, attentive to their social impact.
- (3) Broaden democratization. The concept is by no means limited to electoral affairs. As an open-ended process it delivers windows of opportunity for a more inclusive and egalitarian society, economy and political life.
- (4) Articulate domestic economic activities without subordinating them to international imperatives. Domestic market activities must be reinvigorated, not only to reduce dependency and vulnerability on foreign markets, but also to promote endogenous conditions for growth with equity.
- (5) Protect the environment. Sustainable economic activities are not mining practices where the environment may be used as a site for the assimilation of waste and pollution. It is not only necessary to stop the depletion of natural resources, but also to reverse the current environmental degradation now in progress.
- (6) Forge strong and sustainable commodities and service chains, strengthening forward and backward economic linkages between firms and within sectors. Industrial policies which foster exporting goods and services not based on low-skill and low-wage assembly chains are needed. They must add value and strengthen the complementary articulation within firms and sectors and across the economy.
- (7) Promote further political autonomy. Facilitating the conditions for greater degrees of autonomy, paying particular attention to decentralized finance and regulatory frameworks, would help to empower actors. This is a prerequisite for a more balanced social, cultural and political representation.
- (8) Create and strengthen quality clusters of innovation. Encourage and facilitate the creation, development, acquisition, selection and adaptation of sensible technology which would serve and enhance added-value market niches.
- (9) Set and operate further checks and balances to the excessive discretionary exercise of power of the president. Even though there have been some steps taken in the separation of powers among the presidential, the judicial and the legislative government branches, it is still an unfinished task.
- (10) Develop human capital. Reinvigorate the potential and capabilities of individuals. Health, nutrition, education and training guides and facilities should be available through the whole territory, paying attention to regional and local needs and resources. Social learning which could be scaled up would be optimal.

- (11) Make public and private posts and management accountable and transparent. If the problems of imperfect information, incomplete markets, inefficiencies and disruptions are to be tackled, both public and private sectors could benefit from less corruption. Adequate incentives for a career in the civil service are required to terminate the hijacking of the agenda for electoral constituencies and patronage practices. An independent judiciary is vital.
- (12) Rescue social policies from their subordination to economic policies. Improve the quality of jobs and eliminate sub-employment and unemployment. Promote adequate welfare provision and policies which aim at reducing the income distribution gap and target the most vulnerable social sectors.
- (13) Move away from the rule of legality and encourage enforcement of the rule of law. The abolition of privileges and exemptions that undermine the letter and the spirit of the law, pointing towards a credible and independent judiciary, must not be postponed.
- (14) Facilitate conditions for improving domestic saving and investment rates, lower dependency from international financial flows, avoid economic and financial crises with recessionary impacts and improve the fiscal system.
- (15) Set independent judicial and legislative branches. Make the rapid progress which is crucial for delivering stability on the social and political front, and on the economic one as well. Respect for property rights and political representation would be of great benefit.
- (16) A long-term vision for a more egalitarian society is required. Getting consistency between the broad objectives and the specific policies and strategies is vital. Setting goals must not be subordinated to a short-term agenda. Clearly, the latter cannot dictate the former.
- (17) Reduce dependency on imported capital goods and technology. There must be no delay in formulating the strategy for an efficient and integrated industrial policy which helps the production of capital and consumer goods for the domestic market.
- (18) Facilitate broader and more representative political participation by society. If actors have the freedom to choose among different options for making their voice heard, intending a loyal transformation from inside, or challenging from outside when exiting, the exercise of political autonomy could serve to forge feasible options ahead.
- (19) Maintain consistent and sound non-inflationary economic policies. Keep sustainable and equilibrated external accounts with an exchange rate favourable to productive economic activities. Inbound industries and financial speculation must not guide such policies.
- (20) Encourage the decentralization of public administration and economic activities. Foster real federalism, targeting the correction of regional inequalities. Policy design, supervision and implementation must pay more attention to the specific need of the states, municipalities and areas.
- (21) Make use of a pragmatic trade policy reflective of industrial policies which promote balanced and domestically articulated markets and firms. Aim to reduce inequalities and foster economic activities and sectors which influence and impact on outcome, investment, employment and income.

- (22) Acknowledge the democratic challenge posed by differences. It is not enough to legally recognize social and political differences. Accept that cultural and economic differences matter to individual and collective actors. Therefore, it is crucial to move away from passive acknowledgement to more proactive strategies to avoid a scenario in which intended inequalities worsen.
- (23) Build consensus, but never impose it. An inclusive approach which seeks to enhance participation and the social 'ownership' of projects, goals, policies and institutions could increase the likelihood of their success if grassroots opinions and concerns are properly included.
- (24) Build transparency. Clear information disclosure is a public good and is vital for the identification of key issues which could encourage and enhance broader participation from society. It is also crucial for eliminating corrupt practices.
- (25) Set the vision of a broader democratic transformation, where the elements of the transformation are not confused with the objectives. Spelling out, monitoring and updating the details of preferred strategies and participation help to improve the feasibility of those visions.
- (26) Encourage social 'ownership' and participation. They are key ingredients for political and economic transformations. Institutions and incentives can complement strategies, but no element on its own is sufficient.
- (27) Opt for inclusive strategies, where public sector, private sector and all members of society play a role, as there are incentives for them all to take part. Adequate sets of incentives could encourage wider participation.
- (28) Democracy and development mean a transformation of society. None of them can be reduced to merely technical adjustment, as broader perspectives require strategies and policies which match tasks with means.
- (29) Consolidate democratic practices. Do not sacrifice them in the name of stability. What to do becomes more relevant when the ways of how to do it transparently serve the purpose at which they are aimed.
- (30) Consistency in the aims and coherence in the strategies are crucial for reaching the objectives in an inclusive fashion. Successful partnerships could excel in networking as a flexible mechanism aiming for further social, economic and political inclusion.

Conclusions

An interpretative process-tracing approach differs from competing analytical frameworks in the weight which it gives to material and ideational elements, and also to the situated agency within a strategically selective context in space-temporal placings.

As must be clear now, the processes of democratization and transition to democracy cannot be narrowly confined to electoral terms. Important as the ballot box is, the notion of democracy defended in this article is a normative one which favours notions of equity, social inclusion and participation. It is also one where ideals and values must play a causal constitutive role for bringing them into being. Such an enterprise is not merely an elite concern but entails a broader transformation of society.

This also allowed us to see that the early 1980s' moments of crisis and intervention seized an opportunity to embark on a trend of economic restructuring in Mexico, from which the current process of commodification took off. Technocratic and financier networks did not limit themselves to 'technical' issues and agreements. Rather, economic activities and policies were shown to be embedded within larger broader contexts as the differences between the banking and the non-banking sector during that period made evident.

Since the turn in economic restructuring is very significant and political indeed, the self-induced priority it was given contrasts sharply with the slower pace at which political and judicial reforms have been enacted. Nevertheless, there is increasing room for political autonomy in Mexico, and for stronger and more independent institutions that are not subject to presidential discretion. Moving away from the subordination to the executive, however, along with qualitatively changing from the rule of legality to the rule of law, are still incomplete and unfulfilled tasks.

It has been stressed that networks as a coordinated mode of governance can complement markets and hierarchies. Yet, they must not be conflated with structures. The *sui generis* configuration of the political system in Mexico provided a specific context in which technocratic webs were entangled among the former ruling hegemonic party, the bureaucracy and the presidency. This, in turn, allowed members of those webs clearly to take advantage and benefit from the Mexican authoritarian system.

Furthermore, networking opens up possibilities for social, political and economic transformation. Key for the orientation of such efforts are the elaboration and updating of common strategic agendas which set the goals and guide the efforts towards which the members contribute. As networking practices are socially embedded and rely on formal and informal strategies, it must be highlighted that they should not be understood as a merely government or elite resource.

In this respect, the agenda for increasing commodification, as has been suggested by the World Bank, is insensitive to the fact that markets are embedded in social and political structures, and that building an egalitarian and democratic society is a complex and multifaceted issue, and thus has fallen short of its recommendations. If in addition to the consolidation of macroeconomic gains and the acceleration of growth, the reduction of poverty and balancing of growth supported by an efficient and accountable government are to be reached, there is a great need to broaden the scope of the narrowly conceived and economically driven agenda.

Building on such analysis, some preliminary sketches for an enhancing agenda to secure a broader and more equitable social, political, and economic transformation were presented. Highly desirable goals as they truly are, nevertheless, no point of the suggested agenda should be conflated with specific government programmes or policy prescriptions. As has already been stressed, the challenge ahead is to re-politicize in an inclusive fashion the process of social change in Mexico.

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Notes

1. Former Mexican president Miguel de la Madrid admitted in his memoirs that the 1988 election was rigged. As the PRI candidate was losing badly to the opposition leader, Cuauhtémoc Cárdenas, the government, rather than reporting what the results were, argued that the computer system tabulating the votes had crashed (Aguilar Camín and Meyer 1993, Aguayo 1998, Domínguez and Fernández de Castro 2001).
2. The San Andrés Larrainzar Accords on Indigenous Rights and Culture were signed in 1996 by the Zapatistas with two intermediaries, the COCOPA (Spanish acronym of the Commission of Concord and Pacification) and the CONAI (Spanish acronym of the National Mediation Commission).
3. It is not my argument that networks should replace markets and hierarchies as modes of coordination. The main point is to avoid over-relying on only one mode of them, because the strengths of one compensate for the weaknesses of the others.
4. The capacity and feasibility for transformation which networking can deliver make it an optimal complement for markets and government, due to the transformative powers which the members of the network can infuse in it. Since there is always a risk of failure, networking dialogue cannot guarantee success, but neither can hierarchic command or decentralized and anarchic exchange.
5. I am grateful to Matthew Watson for discussing and providing insight into the relevance and presentation of the agenda.

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