An aerial view of a city skyline at sunset. The sun is low on the horizon, creating a golden glow over the city and mountains in the background. The sky is filled with soft, golden clouds. The city buildings are silhouetted against the bright light of the setting sun.

A World of Opportunities

By Luis Rubio

ISBN: 978-1-938027-72-7

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*“To get power, you need to display absolute
pettiness. To exercise power, you need to show
true greatness.”*

— Napoleon

ACKNOWLEDGEMENTS

This volume is the result of my reflections after writing *The Problem of Power: Mexico Requires a New System of Government*. That previous book, the product of my ongoing thoughts about how Mexico can reach political maturity—a topic that I first explored in *A Mexican Utopia: The Rule of Law Is Possible*—forced me to dwell on the manifest incapacity of Mexico’s current political class (and all its actors and potential presidential candidates) to address the ills that characterize the country. The publication of the previous books generated many questions and commentary that led me to enter into territory previously unknown to me, particularly around the question of how Mexican society could participate as protagonist in order to force political and societal change. This new text is a new twist on my thinking about Mexican reality and its potential for transformation.

As I read endless books, articles, and materials in preparation for this book, I came across a phrase by Margaret Mead that summarizes, better than anything else, the message I want to convey: *Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it’s the only thing that ever has*. I hope this book helps advance that thought.

I would like to thank Duncan Wood, director of the Wilson Center’s Mexico Institute, for his unstinting support and willingness to publish my writings. I also would like to thank Oliver Azuara, Verónica Ortiz, Laurence Pantin, Cecilia Román, Eduardo Reyes, Edna Jaime, Jonathan Furszfer, Cynthia Castañeda, and Marco Fernández for their comments at different moments during the drafting of this text. Finally, I would like to thank Andres Clarke for his translation, and Shannon Granville, Angela Budzinski, and Andrea Tanco for editing the manuscript.

I am, of course, solely responsible for the final text that the reader has in their hands.

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I

Problems and Solutions

It isn't that they can't see the solution. It is that they can't see the problem.

— G. K. Chesterton

All countries have problems. What distinguishes those that are successful in dealing with them is their willingness to change and transform themselves. The key is to change the things that do not work, those that cause seemingly unsolvable problems. Therefore, the transformation that Mexico requires does not consist of reforms in a particular sector or activity (which are symptoms of bigger problems that the country faces) but of a substantial adjustment of the way in which we perceive the world, the citizenry, and the government. In other words, the key lies in a change of perception, vision, and mindset.

George Bernard Shaw defined this phenomenon in an unparalleled manner: “The reasonable man adapts himself to the world: the unreasonable one persists in trying to adapt the world to himself. Therefore, all progress depends on the unreasonable man.” Perhaps the crucial question is: Who is this “unreasonable man”? The answer might enable us to find the key motivation that could awake Mexico from its slumber.

Over the past few decades, Mexico has experienced an explosion of reforms: a change in the trade regime, which enabled Mexican consumers to access competitive, high-quality goods

Mexico City

Photo Courtesy: Amalia Coyle, Flickr

while enforcing a transformation of a large part of the country's production facilities; the opening up of the political system to competition of equals among political parties, altering the old order and enabling the alternation of parties in power throughout all government levels; and the approval of labor, tax, human rights, corruption, energy, and judicial reforms. Each and every one of these amendments has influenced the way in which all components of the country work. What has not changed is the ensemble. That is the main topic of this book.

As mentioned, each country has its own problems, some similar to others and some particular and distinguishing. When observing and comparing nations that have transformed themselves with those that constantly and inevitably are left behind, it is evident that an important difference separates both groups. Just as Leo Tolstoy wrote at the beginning of *Anna Karenina*: "All happy families are alike; each unhappy family is unhappy in its own way." Even nations that were not created with the conditions needed to establish themselves promptly, or those that were devoted to creating wealth but that, especially throughout the 20th century, were able to transform themselves, have similar distinctive characteristics: all of them have had a clear idea of what they want to achieve and are headed in that direction.

Nations that have reached a virtual consensus about their future are characterized by decision-making processes in which the final objective usually is not called into question. Although the existence of a long-term common outlook does not imply an agreement over every specific decision, all stakeholders generally share at least one similar point of view, which in technical jargon is known as a paradigm. This paradigm is a compound of conceptual principles and models shared by a vast community. From its scientific origin, the concept comprises a common vision of how to understand and face problems. From this perspective, when society faces a vision for the future, common conflicts and disputes do not entail a risk for institutional and political breakup: they are merely legitimate differences within a normal process of social, political, and human interaction.

As I write these words, a major issue in Colombia is the agreement reached by the federal government with the terrorist and guerrilla groups known as the FARC (Fuerzas Armadas Revolucionarias de Colombia; Revolutionary Armed Forces of Colombia). For decades, the FARC controlled a large part of the country's territory, carried out attacks and kidnappings, and kept the population in fear. One of the elements of this agreement was President Juan Manuel Santos's commitment to put it on the ballot paper for a national referendum. Given the large number of Colombian citizens who experienced the onslaught of the FARC guerrilla groups, plenty of people opposed the agreement and, in fact, voted against it and defeated the president's program. However, the relevant lesson is that this agreement led to a major dispute on how to solve one of Colombia's biggest conflicts. The cleavage between those in favor of ratifying the agreement and those who vilified it does not stem from a disagreement about the agreement's objective (territorial integration as a means of transforming the country) but rather from the proposed way of achieving it. This example shows the phenomenon I will use to describe Mexico today: as opposed to Colombia, disputes in Mexico are usually about the objectives and not the means, which illustrates how profound the country's challenge is.

In other words, the key lies in a change of perception, vision, and mindset.

The difference between nations that have a common framework and those that do not is the strength of their institutions, which translates into long-term transformative social decision processes. Some nations emerged with institutions specifically designed to pave their way and others developed them by trial and error throughout centuries. As a point of comparison, other countries developed these processes only recently in order to focus on their future development. Colombia has been crafting its institutions for 20 years, and has taken back control of most of its territory and stabilized its economy. South Korea and Japan

are examples of how institution-building can achieve both prompt and egalitarian development, not least because both countries had suffered military destruction in the mid-20th century. There are no exact recipes, but clear processes that are similar in all successful nations.

When observing the nations that have transformed themselves, one can immediately see that they are vastly different from Mexico. Examples include Chile, Colombia, South Korea, Spain, Taiwan, and Vietnam. Their historical, geographic, ethnic, and political differences are wide-ranging and evident, but they all share a trait that makes them extraordinarily similar: a sense of direction that is not in question. Coming back to the Colombian example, former President Álvaro Uribe, in whose administration current President Juan Manuel Santos served as secretary of defense, led the opposition to the FARC agreement; nonetheless, they both share a vision about Colombia's "destiny." In a similar fashion, Spain faces discussions about all kinds of public policies, but not on the country's general sense of direction, or its membership in the European Union or NATO. Some of these nations experienced military dictatorships, others went through destructive and endless wars; some followed socialist projects, others embraced capitalism; some were close to the former Soviet Union, others to the United States. Their historical and overall differences are obvious. What they share, each in their own way, is an essential agreement on the future—an agreement that has provided them with the possibility of building that future step by step, therefore breaking with the "curse" of vicious cycles that are a common characteristic in Mexico and many other nations that have not succeeded in taking that crucial point of transformation beyond some specific activities and sectors.

The objective of this book, which continues a discussion started in two previous ones (*A Mexican Utopia and The Problem of Power*), is to analyze and discuss how to achieve the process of change that Mexico needs in order to consolidate a transfor-

mation that seems to have gone on for decades without having delivered tangible benefits for the everyday citizen. Considering the circumstances that Mexico has faced in recent decades, one could think that this is an abstract and ethereal discussion, more intellectual than practical. Nevertheless, two examples suggest that not only has the problem been acknowledged, but also that attempts have been made to address it—even if these plans ended in failure.

The first example is by far the most impressive: in the 1980s, after deep financial and economic crises, Mexico started to undertake reforms on matters such as external debt, budget, privatizations, and deregulation. In this process, the Mexican government followed a perfectly organized and known map of measures conceived to stabilize the economy and provide certainty to investors, on whose support the government depended to modernize and enhance its growth. These measures were implemented but the hoped-for investment did not materialize; investors, who had known hard moments within Mexico's history, acknowledged the efforts but could not be certain that the new momentum would be maintained and that the specific reforms would not be reversed, so that their investments would remain viable. The North American Free Trade Agreement (NAFTA) was the response to these concerns: through this mechanism, the Mexican government committed itself to a series of measures and obligations, sanctioned by international bodies, to provide certainty to investors. The important point is that Mexico's government acknowledged the existence of an issue—lack of institutions and, therefore, of rule of law—and aimed to solve it. The problem, as I discussed in *A Mexican Utopia*, is that these measures only solved the problem for investors: the rest of the Mexican population do not have these sources of security and certainty.

The second example is also important because of its meaning, although its practical relevance is not as profound. The campaign

slogan of current Mexican president Enrique Peña Nieto was that of an “effective government.” With these two words, the then-candidate acknowledged the existence of another major issue: the dysfunctional nature of the country’s system of government. The Mexican government was extremely powerful because of the extraordinary centralization of power that characterized it for decades and enabled it to pursue its objectives and projects effectively. However, following the decentralization that

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Mexico experienced during the 1970s, and especially later after the long-ruling PRI’s (Partido Revolucionario Institucional; Institutional Revolutionary Party) electoral defeat in 2000, that efficacy vanished. This efficacy was a product of the central government’s concentration of power; the current lack of efficacy, a topic dealt with in *The Problem of Power*, lies in the absence of institutional mechanisms that establish and can enforce the so-called rules of the game and act as counterweights to the exercise of power. In other words, Mexico

does not have a functional system of government that can adequately address the challenges of the 21st century.

The absence of the rule of law and a functioning government are essential and defining components of Mexico’s situation. The main question is how to face and solve these issues in order to build a new consensus that is able to provide continuity as well as an opportunity to transform the country.

Anticipating the conclusion, the way in which Mexico has evolved in the past decades is evidence that there will not be a major transformation overnight, one capable of awaking the country from its slumber. Rather, all indicators point to the likelihood that Mexico will continue to advance and recede at different speeds simultaneously. It should be

expected that transformative efforts, advocated by both society and government, will advance various types of reforms, changes, institutions, and results in diverse sectors; at the same time, it is also evident that certain sectors and regions will remain underdeveloped, and that entrenched interest groups will be relentless in their defense of their goals and sectors. In that sense, progress will depend less on the “unreasonable man” mentioned by Shaw, and more on those who are willing to join efforts and take advantage of the opportunities ahead.

Mexico does not have a functional system of government that can adequately address the challenges of the 21st century.



II

The Many Mexicos

How can you govern a country which has 246 varieties of cheese?

— Charles de Gaulle

The average rate of growth of the Mexican economy in the past decade has been poor to say the least. However, in areas like Querétaro or Aguascalientes, levels of growth can be compared to those of Asian countries; by contrast, certain southern and southeastern states such as Oaxaca and Chiapas have experienced a meager level of development not only per capita but also in absolute terms. Then there is the central region, with the largest number of bureaucrats, saturated with aimless government programs, conflicting political interests, and regulations that are an obstacle for economic development. Growth there has been mediocre, even though its potential could be much higher.

The differences are not just economic. Mexico's social, political, ethnical, orographic, and religious composition is extraordinarily diverse and complex. Each region's history, as well as its own structures of inherent economic, political, and social forces, explains their complexity, creating suitable conditions for accelerated growth or stagnation. Ancestral conditions of poverty that are

Mexico City

Photo Courtesy: shutterstock.com

yet to be solved are burdens that prevent a balanced economic transformation to reduce the roots of inequality. Poverty creates conditions that economists call “rent seeking,” which end up becoming obstacles that tend to perpetuate themselves. As long as these conditions are not addressed, growth is an impossible endeavor. The differences between Chiapas and Nuevo León are evident; however, certain interesting cases are relevant to study because they illustrate this phenomenon in a clearer manner. For instance, Aguascalientes is a state that was born out of the partition from Zacatecas. As a new entity, it did not have a social structure filled with conflicting interests, which may explain its spectacular performance in recent decades. Zacatecas, in comparison, retained its traditional power structures, and has faced larger and in many cases inextricable obstacles to its development.

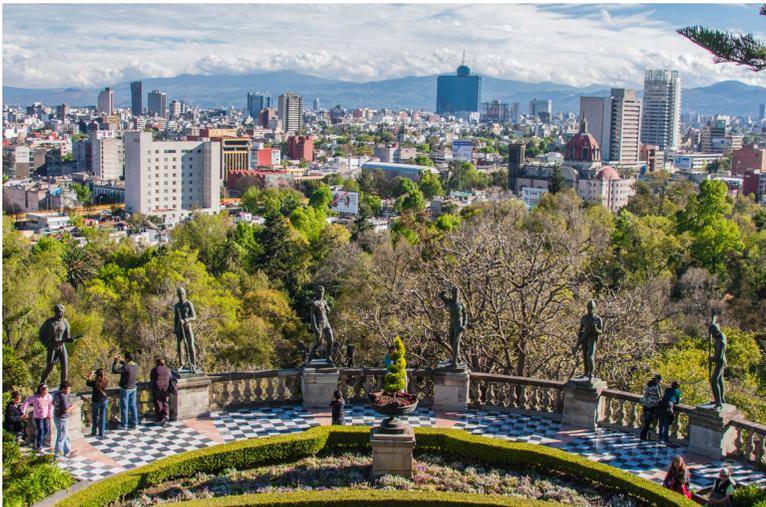
Each region’s history, as well as its own structures of inherent economic, political, and social forces, explains their complexity, creating suitable conditions for accelerated growth or stagnation.

The phenomenon is heightened as traditional structures of power continue to self-perpetuate and prevent social mobility, a situation that the economic reforms of the past decades did not address. These vicious cycles tend to become permanent, which implies that a large part of the population in many regions—especially in the south and southwest—lacks access to the market, thereby perpetuating the status quo and

the resulting inequality and irredeemable, ancestral poverty. All of these problems lead to anomie, resentment, and support for the rebel groups, drug traffickers, kidnappers, and organized crime members that harm collective life and heighten the aforementioned issues. Local and regional differences may open

up opportunities, but these new ventures can happen only after removing obstacles that in many cases are part of the local reality. Therefore, instead of these differences translating into opportunities for excellence, they frequently become insurmountable obstacles to development. Although some of Mexico's states and regions are heading toward sustainable growth, the majority of its locations and inhabitants are left behind.

Thus, the overall economic growth rate is a number that hides more than it reveals. It does not provide any information on the conditions that favor or hinder development in each region or in individual cases. In addition, every region has multiple circumstances and characteristics that showcase a diverse and scattered nation. In other words, there are a great number of pervasive, universal counterpoints: a new Mexico and an old Mexico; a country with democratic structures but also with quasifeudal ways of political and economic organization; a rich country and a poor one, a country where established rules are enforced and one which lives with corruption and impunity; a nation with high productivity growth rates and a massively unproductive one; a



View of Mexico City, bringing the old and new together

Mexico that competes as hard as it can and one full of monopoly interests.

REGIONAL APPROACHES TO DEVELOPMENT

In the political dispute on the economy that has characterized Mexico for the past half-century, one could observe the phenomenon from a different perspective. Those who have proposed and supported solutions using market mechanisms have tended to ignore the typical historical political patronage structures that are sources of unending corruption. A functional economy needs to include a solution to the ancestral sources of inequality that prevent the functioning of a market in which the entire population can have a chance to succeed. By contrast, those who have advocated for government intervention as way to solve these problems generally have forgotten that market competition is necessary and that the government tends to overshadow and disrupt factors that make the economy grow. In other words, it is essential to attack these sources of corruption and patronage, which means altering ancient power structures. The difference between the regions where entrenched political groups live off rent-seeking and those where such a stagnant situation is unheard of or less prevalent leads to the conclusion that the country is advancing at different paces—and that some regions may not advance at all.

The many Mexicos are not limited to political and economic issues; they also include major ethnic, religious, and social differences. The liberal way of thinking of the inhabitants of the Condesa district in Mexico City has little to do with the beliefs and practices of the former Cristero areas of the Mexican Bajío, but both are equally real, integral parts of the country.

The most successful regions tend to thrive while those that do not tend to lag behind, broadening the social cleavages and hardening the ancestral social and political divides that foster inequality. Although there are social differences within the regions with high growth rates, the economic benefits of growth allow their

mitigation; in marginal areas, the exact opposite happens, as the lack of economic dynamism enhances poverty, consolidates the most regressive groups, and blocks any kind of reform. The differences in productivity growth rates observed among certain north and south regions, from Michoacán to Chiapas, are exacerbated every day, creating circumstances that make it hard to believe these regions can be part of the same country. Aguascalientes and Oaxaca are two tangible examples of the contrasts found in Mexico. These cases, however, are not unique; they simply make the divide evident.

At the beginning of the 1990s, when NAFTA was being negotiated, the reformers were fully cognizant of the existence of important differences in the adapting capabilities of several parts of society and economic sectors. Therefore, safeguards were incorporated into NAFTA for a number of goods, giving Mexican producers had several years of protection on commodities such as corn or milk; the arrangement provided producers with 17 years of tariff and non-tariff protective measures.

The goal was to provide an adjustment process sufficiently long enough so that all, or at least most, producers of the aforementioned goods—especially poor farmers—would increase their productivity levels. However, the Mexican government

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did not create programs to help these farmers adapt to the new economic reality, nor did it provide measures for a transitional period in which other measures could be taken to help guarantee their survival in a competitive environment. Time passed and, months before the 17-year transitional period came to an end, the common outcry was that “there was not enough time.” This typically Mexican answer describes the nature of the issue—a

country of enormous contrasts—as well as the total absence of public policies aimed at enhancing development.

In reality, there never was a diagnosis that identified what afflicted the underdeveloped areas of the country or what local factors influenced a region's ability to adopt or implement public policies that would incorporate the population into a competitive market environment. In the absence of such a diagnosis, regional differences were never addressed and ancient vices were not solved. As there was no intention to modify existing power structures, the result was a vast performance difference that actually enhanced phenomena such as rent-seeking, patronage, and exclusion.

One of the perennial characteristics of Mexican politics is that monologues frequently take the place of dialogue.

With regard to public policy, there are contrasting points of view on which is, or should be, the best answer to the challenges generated by Mexico's blatant regional differences. Some argue for industrial policies, subsidies, and other intervention mechanisms; others propose market-based adjust-

ment mechanisms. The former highlight existing inequalities; the latter, meanwhile, aim to eradicate them. Regardless of one's preferences, the first major challenge is that there is not even a common diagnosis. That is to say, the proposed solutions do not match the definition of the problem, which leads to incompatible proposals. One of the perennial characteristics of Mexican politics is that monologues frequently take the place of dialogue.

INEQUALITY OF ACCESS

The differences and discrepancies in Mexico's development are not a coincidence. Although there are different assessments

regarding their origins, the contrasts are staggering regardless of the potential reasons. But as mentioned earlier, these contrasts are equally real *inside* Oaxaca and Chiapas as well as *between* Nuevo León and Guerrero. In all states and regions, one can observe contrasts and drastic differences in their growth levels, responsiveness, ways of addressing issues, and attitude toward the changing national and international realities. Some of these differences are due to historical or idiosyncratic factors, but others undoubtedly reflect old structures of power, control, domination, and exploitation. Although all of these concerns are visible, tangible, and evident, there has not been a government strategy aimed at creating conditions for all the country to enjoy the same level of development.

The inequality prevalent through the country is a consequence of the aforementioned lack of strategy, but this problem cannot be tackled with a natural and automatic solution. Mexican society is characterized by many kinds of inequality, but perhaps the most important of them, the root cause of many others, is inequality of access. This inequality affects access to opportunities, education, justice, markets, health care, medication, and public goods—or similar services provided by the private sector, such as banking services. Much of the observed poverty is derived from this injustice; local power structures strengthen and preserve it.

Inequality in the provision of services increases the transaction costs for both public and private services across all sectors. Bureaucracy and discriminatory practices are pervasive in the public and private institutions that are essential for economic development. Paradoxically, although many of these services are within the economic sphere or are essential for the economy's proper functioning, in a large part of them the market does not operate: services are not offered evenly to all who require and demand them, and their availability frequently depends on special favors. They serve and benefit only those who have access.

Lack of access is one of the largest sources of inequality in Mexico. Those who happen to know the right banker or public official are able to effectively solve their problems; those who do not are left out of the circle and face major costs, the products of a system that was created to benefit some and discriminate against others. The lack of access divides and differentiates those who have privileges from those who live in poverty, a fact that remains true whether the end result is obtaining financial credit or purchasing a ticket for a soccer match. It is also observed in the way in which invitations for events are handed out, when powerful stakeholders use their contacts to approach a Supreme Court of Justice minister and “whisper” their wants to the judge, or when business leaders use their status in a chamber to settle personal issues. Inequality of access is common everywhere, but the Mexican case is striking because of its societal implications, especially when successive governments boast about modernity, transformation, and institutions.

The world of the *haves* ends up being different from the *have-nots*, and social, political, and economic structures not only preserve these differences but sharpen them. As every person rises in the social ladder, they act against the *have-nots*, even though they once had been a part of that group. This phenome-



A classroom in Mexico, Shutterstock.com

non is extended and repeated to the point in which the average Mexican does not have access to the most basic elements of society: education, services, justice, and security. The case of for-profit schools and universities is thought-provoking; many people are astonished by the staggering growth of these institutions, but the reason for this phenomenon does not lie exclusively in the fact that the state has been unable to provide universal education from the start. Many employers favor private schools, and so parents have an incentive to save money so they are able to send their children to such schools. In addition, given the fact that social mobility requires access to a system of favors rather than an intrinsically good education, students and their parents try to find a way of getting inside main centers

of power that provide such favors. As a result, Mexico has ended up building a Soviet-style social system because of the privileges granted to the public and private elites, who use the system of hegemonic control to preserve and push forward their interests and privileges. Both the television and the education system end up becoming instruments for preserving the status quo, preventing the implementation of reforms, and keeping the power structure intact.

It is rare to find a homogenous nation, at least in the Western Hemisphere, since both North and South America have been

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characterized by migration waves and cross-cultural history. On that matter, Mexico is different from countries like South Korea or Japan, where internal differences have more to do with economic and social issues than with ethnic, religious, or historic ones. However, not all homogenous nations have managed to transform themselves, nor have all heterogeneous countries lagged behind. In fact, there are nations that have used diversity

Looking to the future, it seems obvious that, without a consensus on the country's future direction or a willingness of the political world to provide an answer for its population, the only hope for progress will be to help construct a society capable of political action to demand that the government support its well-being.

as a source of opportunities and a transformation factor. Such is the case of Canada, the United Kingdom, and Australia, but also of Costa Rica, Singapore, and South Africa. Moreover, both Japan and South Korea experienced profound social reforms after experiencing devastating wars in the 20th century, a fact that changed the starting conditions and made possible the emergence of societies in which equality of opportunity became the main criterion for their development.

In some societies, one can observe the existence of a shared sense of direction; in others, the government dic-

tates the way for development. Some have a consensus in the matter; some have institutions that conduct production processes. Japan and South Korea modeled a very structured strategy for development that other successful nations in Southeast Asia soon adopted to a greater or lesser extent. But not all successful nations have enjoyed a consensus or social agreement. Suc-

successful nations that do not have a sense of common destiny, however, happen to have strong institutions that regulate their public strategies, foster the existence of a functioning system of government, and enjoy high social approval.

In Mexico, the government never had to respond to a demand for action, except under critical situations. Looking to the future, it seems obvious that, without a consensus on the country's future direction or a willingness of the political world to provide an answer for its population, the only hope for progress will be to help construct a society capable of political action to demand that the government support its well-being. Powerful drivers could include demands to remove obstacles to economic growth or pressure for greater citizen rights in the face of government abuse.

No nation is free of problems, but some have managed to create mechanisms and platforms that will enable them to build a different future. Yet in Mexico, where enormous changes and reforms have been made, the country does not have a social agreement regarding the future it wants to achieve or an organized society to demand such a deal. Thus, the existence of many Mexicos has been an obstacle for development. No greater movement has been capable of facing (or willing to face) the groups in power that hinder the country's development, and Mexican society lacks the vision, wisdom, and leadership to transform its clear potential into an opportunity. That, in essence, is the challenge for Mexico.



América

III

The Old Way of Governing

It belongs exclusively to the king to deliberate and decide. All the functions of the members of government consist in the execution of the commands which have been given them.

— Louis XIV

When observing the functioning of the Mexican government on all levels, three things stand out. The first is its ineffectiveness and dysfunctionality; the second, its distance from the population; and third, the contrast between the formal actions it undertakes—especially the so-called reforms of recent decades—and the difficulty with which their effects permeate everyday reality. An observer could reach the initial conclusion that it is all a sort of permanent schizophrenia. Although there is a part of truth in this, the reality is that, despite implementing major reforms and transformations in the most diverse sectors, Mexico has not abandoned the patrimonial-like structures that functioned well enough in the past but which preserved a power structure that is incompatible with the nature of the implemented reforms.

A consequence of retaining these old systems is that government was never professionalized and no institutional structures were available to help secure the new reality that was being sought, at least with regard to the reforms' content or the

government's rhetoric. That is to say, power structures were not modified and, thus, the values, criteria, and essential characteristics of the old political system remained unchanged. Based on the content of political documents and speeches, Mexico may aspire to be a modern, 21st-century nation, but it still preserves a system of government that dates from the Mexican Revolution and has nothing to do with these aspirations or its proven inability to turn them into reality. In such context, it is no coincidence that reforms have had an uneven and generally insufficient impact.

Based on the content of political documents and speeches, Mexico may aspire to be a modern, 21st-century nation, but it still preserves a system of government that dates from the Mexican Revolution...

When President Peña Nieto mentioned the need to achieve an effective administration, he was not talking about a modern government but about the reconstruction of an old political system. He seemed to be operating under the premise that such a centralized, vertical system was effective. The obvious question is: what made such a system effective, and why?

What is evident is that the old political system worked in a centralized manner but was quite effective. At the end

of the 1940s, Mexico's economy was growing at rates close to 7 percent, with very low inflation for almost two decades. The Mexican middle class expanded, and crime rates were low. From that perspective, it is logical that a current president, who admires previous ruler Adolfo López Mateos (born in the Estado de México and in power between 1958 and 1964) looks back with nostalgia and aims to return to the order, economic growth, and social period that characterized that time.

Extraordinary as the rates of economic development in the pe-

riod of the stabilizing development (1940–70) might have been, the reality is that Mexico was not an exceptional case. During that time, most Latin American nations experienced periods of high and sustained growth that were not very different from what was happening in Mexico. The country was an exception among other nations in the region due to its political and social stability. While other Latin American countries experienced coups d'état and military dictatorships, Mexico had decades of stability and prosperity. It is no wonder that there is a sense of nostalgia for this time.

Regardless of the feasibility of a return to the past, it is important to understand how the old government used to work because it provides a general explanation for the current problems. The old system was born out of the ashes of the Mexican Revolution: Mexico was going through a chaotic time when nothing was working. Communications were damaged, 10 percent of the population had been killed, and the economy had stagnated. On the political side, groups, militias, armies, and gangs had won the revolutionary battle, but each acted according to their own interests. In that context, the creation of a political organization that would comprise all relevant stakeholders of that time was a stroke of genius.

The creation of the PNR (Partido Nacional Revolucionario; National Revolution Party) in 1929 helped channel the energy of the myriad political, union, military, social and farmer organizations that had been “orphaned” after so many years of political and physical derangement. The creation of this new political institution would include nearly all leaderships of that time, transforming itself into a virtual political system. The PNR became the institution that would channel the political conflict, process the demands of its many members, and appoint presidents. Over time, the party added the contingents of the leaders within the PNR, renaming itself the Party of the Mexican Revolution in 1938 (with its four sectors: workers, farmers, the general public, and the military) and, finally, the Institutional Revolutionary Party (PRI)

in 1946 (excluding the military, which was professionalized). The common denominators of the three parties were the centralization of power, vertical control, and monopoly of the political system.

In its daily functioning, the “system” operated apart from the constitutional structure, which mandated a federal system. Although the government was federal in name, the state governors were de facto accountable to the president, and the latter had the power to remove them from their positions without further explanation. The presidency and the party worked in unison, helping each other with their responsibilities and duties. In practice, it was an ordinary and unending process of negotiations, but once a decision was made its implementation was almost automatic. The party had mechanisms that allowed it to act and be informed, which guaranteed a swift government operation. The government was effective under any measure, but that efficacy had nothing to do with an administrative strength, honorability, or trust in its processes, but rather with the enormous control it exercised.

The key of the old system was centralized control. The PRI system worked apart from the formal federal structure of the country because it consisted of several branches with presence throughout the country. It was a mechanism of hegemonic control with operators even in the smallest of towns. Its officers had presence in most of the national territory, and served as a source for obtaining information on local matters, preventing usual and common challenges from getting out of hand as well as deterring potential rebels and, if needed, suppressing any kind of dissidence. There were many problems, but the system had mechanisms to deal with them, and in a world without the ubiquity of information and smartphones that are so common nowadays, no one could find out how the government actually addressed them. What mattered was not carefulness, but efficacy.

That system worked in an unrepeatable national and international environment. It was the postwar period, a time in which the United Nations Economic Commission for Latin America and the

Caribbean promoted import substitution and its inherent scheme for import control. The business class grew but did not seek to challenge the government, and unions were firmly incorporated into the system. On an international level, the Cold War offered endless opportunities to make internal decisions without much hassle or interference. In other words, it was a simpler world in which problems, whatever they were, were solved internally. During that time, crime rates were kept under control, governors were at the service of the president, and security forces maintained public order without any kind of supervision. This was an ideal world for corrupt politicians, but also for countries that had aspirations to become developed nations.

Regardless of the formal structure of government, the system worked in a vertical and centralized manner. The system was *the* government. It worked not because it was effective, properly managed, or operated in accordance with the constitutional structure, but because it kept a tight control over the national territory and all political and social actors, especially through the PRI. The governors were instruments of and not counterweights to the system. Criminals negotiated with the federal government



The backdrop of the Mexican Chamber of Deputies, covered with the Constitution of Mexico, Flag of Mexico and corbata.

and, due to its overwhelming influence, the state was able to impose terms and conditions. Drug trafficking did not have a significant impact beyond local corruption, as its business consisted of transporting drugs from the south to the north and the Mexican government allowed (and managed) the transit in exchange for contributions to local politicians and federal police forces. Because of the enormous influence and control exercised by the federal government, the money coming from drug trafficking had no further impact beyond adding resources to the already frequent and institutionalized corruption.

But the main issue is that there was never a formalization of the system of real power that worked as a government. The country functioned thanks to a control structure exercised from the center and which forced the implementation of programs designed in the center for their local enforcement. The secretary of finance of the time possessed great powers and used the federal budget to carry out projects in collaboration with governors throughout the country. The secretary of the interior maintained order

through a security structure that answered to the center. It worked because it was a simple country with a relatively small population that had a ruthless power in its core, in the presidency.

The country functioned thanks to a control structure exercised from the center and which forced the implementation of programs designed in the center for their local enforcement.

The flipside of this system was that no local capacity for governance was built. In effect, there was no governance at a local level. Although there were local services managed by state and municipal administra-

tions, the supervision came from the central government. Resources came from the center, projects originated in the center,

and control was imposed by the center: the responsibility fell entirely on the federal government.

This was the system of government that existed and imposed its law, which was not always in accordance with the corresponding legal codes. Authority was exercised with the flexibility demanded by the circumstances, but it maintained order and society was prosperous. It was, as Federico Berrueto argued, “an effective way to maintain social harmony ... [a] corporate arrangement [that] worked because the State served itself but did not relinquish its authority to the unions, which is why there was a talk of Bonapartism, a way of alluding to government dominance.”¹

When the centralized government began to crack—first in small steps, as with the 1968 student movement and, later on, with the economic crises of the 1970s—the quality of government was drastically reduced. The center began to lose its ability to control the rest of the country. There were new sources of economic development that were not linked to the federal government (for instance, the maquiladoras [foreign-operated factories] near the northern border); the size of the population increased and demanded new things that were qualitatively different from those that the system traditionally was able to manage; and, finally, there were sources of political and electoral competition that had not been present before. With time, the old system stopped being able to govern, a process accelerated by the PRI’s defeat in the 2000 presidential elections and the subsequent “divorce” that formalized the end of the PRI-government arrangement that had enabled such a tight central control over Mexican society.

The formerly imperial presidency suddenly realized that without the PRI as an instrument of control it was not as imperial as it had thought it was. But most important, the political and electoral reforms that enabled the alternation of political power, especially the one that was enacted in 1996 and which led to the defeat of PRI in 2000, did not include anything beyond the electoral components of the Mexican political system. The center did not conceive that it would have to build a new structure of govern-

ment; once the PRI was out of power, it was expected that there would be new institutions that would provide the country with competent governance. The problem of electoral disputes was solved, but there were no changes in the issue that has been aggravated within the past decade: the capability to govern.

The government's actual capability to govern is a key issue. An important discussion in the political science literature deals with three vertexes of government functions. First, Barry Weingast² argues that a government that has the capability to protect the population is sufficiently strong as to expropriate the wealth of citizens. Second, Jonathan Hanson³ proposes that even though it is important to have counterweights on the government in order to prevent the potential excesses discussed by Weingast, it is equally relevant for a ruler to be capable of creating conditions for economic development. Third, Acemoglu and Robinson⁴ explain that even though the authority and functioning of a government may vary according to the different stages of development, all governments have some essential and permanent functions, such as maintaining order and enforcing property rights. The point is that the capability to govern is essential for a country to function; such was the case of Mexico decades ago, but this capability did not adapt to changes within the country, leading to the stagnant conditions that persist nowadays.

Mexico went from a system of government that was effective and efficient, at least in its conditions and circumstances, to a dysfunctional system that was unable to address and face the everyday problems of a growing, more diverse, and more demanding population. Even worse, this all started to happen just when, on one hand, the international competition demanded better services and more quality in government and, on the other hand, drug trafficking became more important due to exogenous reasons but which, nevertheless, had a massive impact in terms of criminality and violence.

Despite its previous efficacy, the system never built a capability to govern at local levels that could replace the functions previously

performed by the federal government. With the PRI's presidential defeat, the country was decentralized in a rapid manner, opening the door to a federalism that had never (at least in the 20th century) existed or operated, and was without a feasible and functional structure of government that would sustain it and make it accountable. Governors ended up having control of a huge amount of resources without the institutional structures to use them or the capacity to operate them. Even with the defined rules of the game, including the police forces and the justice and accountability systems, there were no professional institutions to replace the old patrimonial and patronage system. Any government ought to be able to address such problems on an everyday basis. Yet the final result for Mexico has been severe political, security, and fiscal disorder. The question is how to break the status quo, design a new political/government arrangement that would break the current impasse, and enable a new system to be built.

A British diplomat stationed in Mexico during the 1970s recently revealed a conversation he had with KGB operators attached to the Soviet embassy in Mexico during that time. For the Soviets, the Mexican political system was something extraordinary. The PRI system had managed to achieve something they could only dream of: a ruthless system of control without the need for repression. "We are mere amateurs when compared with the PRI" was the quote the diplomat recalled. The system allowed control without the fear inherent in the Soviet regime; in Mexico, repression was an exceptional resource reserved for extreme situations. It was the "perfect dictatorship," as Mario Vargas Llosa once described it.

The problem is that this system stopped working and did not modernize, transform itself, or evolve. Its nature has prevented it from moving toward a new institutional structure suited for the realities of the 21st century, which would allow the system to govern itself and to achieve what both the population and politicians claim to desire. If the country did not evolve in a natural and "automatic" way in that direction, how could future success ever be achieved? The complexity of the current time, including violence and other negative externalities, are not a product of chance.



IV

From 1989 to 2000 and Afterward

“The path to democracy and the market is paved with uncertainty. There are no dynamic models to mirror over democratization or the implementation of competitive economies. There are no laws or certainties, only suspicions, some of them well-founded. You make the path as you go.”

— Guillermo Trejo

In 1989, the PRI lost the first governorship in its history. Mexican society had high hopes for this event: after more than a decade of electoral and post-electoral conflicts, the PRI finally had accepted a defeat. Everybody anticipated a new political era. Other local alternation process would ensue and, in 2000, the first presidential alternation of political parties would become a reality. The expectation, quite naïve in hindsight, was that the alternation would create counterweights, resulting in a system of government radically different from the previous one. The reality was different, and although there are disagreements as to why the expected result did not translate into the expected scenario, it is possible to speculate about its reasons.

Supporters of Mexico’s elected President, Vicente Fox, gather to celebrate the result of the general elections in the Angel of Independence in Mexico City, July 3, 2000.

Photo Courtesy: alamy.com

In *The Semisovereign People*, one of the most influential and critical books on American democracy, E. E. Schattschneider⁵ argues that whenever there is a political conflict between two uneven parts, the most powerful part always has a strong incentive to keep the conflict as constrained and isolated as possible. In contrast, the weakest part has the opposite incentive: to make the conflict as large as possible, especially by involving new stakeholders and thereby altering the power asymmetry. Likewise, Edward L. Gibson,⁶ who studied the relations between states (or provinces) and central governments, argues that, in authoritarian regimes, whoever holds power has every incentive to isolate conflicts, while those who seek to defeat it at the polls have every incentive to nationalize the conflict. That way, claims Gibson, power disputes always end up turning into territorial confrontations.

These points are particularly relevant for the electoral disputes that characterized Mexico throughout the 1980s and 1990s, when the political parties that fought the PRI were allocating more resources to the postelectoral conflict than to the election

itself. Successive reforms addressed the causes of conflict until an integral reform in 1996 laid the foundations for a political transition, at least in electoral terms. Although not all stakeholders agreed with the implementing legislation—which would lead to an endless stream of further reforms and conflicts in the

...it was foolish to assume that the alternation of parties in state governments would modify the existing structures of political power.

decades to come—there was ample recognition that the way of gaining access to power in Mexico changed in that year. What the reform did not achieve, and what has not been addressed in the following 20 years, was tackling the structure of government: the way of reaching power, rather than the way of governing.

From that perspective, it is important to review what happened between 1989 and 2000, from the first alternation of power at state level until the PRI's presidential defeat, because therein lies the explanation for why the Mexican system of government has not addressed the needs and demands of its population.

In the 1980s and 1990s, there were three phenomena that contributed to the alternation of political parties in different government levels. Although there had been some local power transfers, it was not until 1989, in Baja California, where an opposing party—in this case, the PAN (Partido Acción Nacional, National Action Party)—defeated the party that had historically kept an almost impenetrable monopoly of power. PAN candidate Ernesto Ruffo won the governorship election and opened up the road ahead. Until that time, all relevant decisions in the country were made in the context of an effective monopoly of power by the president and his party, in which governors were just bishops and instruments of the head of state. The election of a governor from an opposing party broke this monopoly; paradoxically, however, this radical shift did not alter the power structure.

The new PAN government came into power and assumed the duties of any other government: negotiating the budget with the federal government, handling the teachers' union, and addressing the demands of several local groups and interests. The governor did not have an agenda of profound reforms but, being a member of a party that had campaigned on good governance and honesty, started to govern using efficiency as his main criteria. What actually happened was that everybody assimilated and participated in the process as if nothing had changed. Unions defended their interests, PAN members adapted to the traditional PRI ways of power, and there were no new counterweights. The established participants continued to operate normally and thus nothing changed within the political structure. Ruffo inaugurated the alternation of parties in government, and Baja California since has gone on to elect the PRI, then the PAN, then the PRI and once again, the PAN. What did not change was the nature or the system of government.

The question is why. As with everything, there are an endless number of hypotheses that seek to explain what enabled the “democratic normality,” a smooth transition between governments of opposing parties without serious consequences for the population. Nonetheless, the fact that no new institutional counterweights emerged suggests that the governor’s office had enough influence to maintain the power structures intact regardless of the party in power. Given that the overwhelming majority of the state budget comes from the federal government, the power of the local government is largely determined by the relationship between the governor and the (federal) secretary of finance. With that perspective, it is evident that Governor Ruffo, and all successive governors in Baja California and other states, had only one choice: to negotiate and to have the best possible relation with the central government. Consequently, it was foolish to assume that the alternation of parties in state governments would modify the existing structures of political power. Moreover, given the lack of reformist agendas in the PAN administrations, local powers did not experience any more change than what would have happened with any other change of government.

It is important to highlight that the alternation of political parties in different government levels was successful in one particular regard. Because the change in parties did not alter everyday life, it enabled the population to adjust to a system that, even without effective counterweights, nevertheless does have a control mechanism: the vote. Governors in this new era know that they can be replaced by people from other parties, a factor that has changed the incentives of those in power. There is a clear difference in the performance of governors where power had never alternated before compared with those where parties had alternated in power. Similarly, the “divorce” between the PRI and the presidency had the effect of decreasing the latter’s capability for abuse and imposition. The alternation did not bring a democratic paradise, but it certainly changed the power relations.

In that regard, the PRI's presidential defeat in 2000 did alter the shape of Mexico's power structures. In contrast with local alternation, a change in power in the presidency led to a dramatic alteration of the structure of political control, which was the essence of the old presidential system of control and thus of the central government. With the inauguration of a president from a party other than the PRI, there was a divorce between the then-dominant party and the presidency. The source of political power in the country was transformed. Looking back, however, that change did not translate into the creation of an effective system of government.

The fact is that the 1996 electoral reform created conditions for equal competition and the alternation of parties in power. There was not, however, a parallel reform to structure a system of counterweights, which meant that the country's future governance was left to chance. In that context, and speculating on this matter, an obvious question is warranted: would former President Vicente Fox have been able to change the power structure and institutionalize these changes? There are two ways of addressing this question. The first involves the realities of power and the way in which they advanced after Fox's inauguration, while the second has to do with Fox's agenda and his ability to lead a transformation process.

Regarding the structure of power, there were two key moments in the first months of Vicente Fox's administration. The PRI members, who were used to both exercising power and taking advantage of the traditional abuses that the winner exacted from the losers within the party itself—embarking on vendettas, planning incarcerations, choosing scapegoats—at first panicked,

Looking back, however, that change did not translate into the creation of an effective system of government.

expecting and fearing that Fox would act equally harshly against them. For many observers, this period was the key moment in which Fox could have negotiated, from a position of enormous strength, an institutional transformation that would use the PRI's defeat to modify Mexican institutions. Instead of taking the vindictive approach, it could create effective counterweights that would provide a new face for Mexican politics. Looking back, it is clear that Fox did not have an agenda of change for the government. His team had not been formed from politicians who were experts in exercising power, and the first months in power were squandered in internal struggles that, even if they grappled with the aforementioned issues, were focused not on building new institutions but with differences and complexities of the everyday exercise of power. The second moment came when members of the PRI realized that Fox would not start a witch hunt, nor would he implement substantial reforms of the Mexican political system. From that moment on, Mexican politics changed radically, without having experienced the slightest change in the essence of power. This apparent paradox refers to the fact that the power

From that moment on, governors acted without the center's checks and balances: they never created any local counterweights and they were no longer beholden to the power of the presidency. Consequences soon ensued.

that had been concentrated in the PRI-presidency duality migrated out from the center toward the governors, party leaders, and numerous groups that came to be known as "the de facto powers"—a term that comprised unions, political groups, some businessmen, and local, regional, and national leaders.

By 2003, the governors had integrated into a true union known as the CONAGO (Confederación Nacional de Gobernadores; National

Conference of Governors), whose first great achievement was to “steal” the checkbook from the Secretariat of Finance. Freed from the presidential stranglehold, the governors started to exercise their new power—first in the budget, by demanding direct transfers without the meddling of federal authorities, and then by building power platforms of their own. Until then, governors had been virtual instruments, if not employees, of the president and had aligned with his commands, complying with everything they were told to do, in exchange for benefits such as promotions within their political careers as well as personal wealth. From that moment on, governors acted without the center’s checks and balances: they never created any local counterweights and they were no longer beholden to the power of the presidency. Consequences soon ensued.

First, governors did not allocate their budget to building governing capacity; that is to say, to basic services, including security. They did not create new police forces, did not invest in justice, and only squandered resources in pharaonic projects that would boost their political careers. Second, the governors’ budgetary authority was enhanced owing to the access to credit guaranteed by federal allocations, which jeopardized the states’ future while also providing opportunities for the governors and their associates to get rich quick. Finally, the quality of local government did not improve because all incentives were against it. The most obvious example of this consequence is current President Enrique Peña Nieto, who used his time as governor to build a coalition that successfully took him to the presidency.

As with NAFTA, the alternation of parties in power was seen as an end in itself, not as a means for transforming Mexico’s institutions. Alternation, rather than institution building and counterweights, was seen as the solution for existing or perceived problems of governance. The result has been the consolidation of a stagnant political system of three political parties (not only the PRI), one that is strong enough to protect itself from the population and enjoy an inherent system of privileges but not strong enough to carry out the essential task of governing.



Man in black t-shirt and red pants, pointing upwards.

Man in white shirt and blue jeans, speaking into a microphone.

Man in white shirt and blue jeans, wearing a straw hat, speaking into a microphone.

Sign on the bus window: "MEXICO 2015" and other text, including "MEXICO 2015" and "MEXICO 2015".

Red banner: "FUERA PEN" and "LIBRE MEXICO".

V

Consequences of the Old System

How many legs does a dog have if you call the tail a leg? Four. Calling a tail a leg doesn't make it a leg.

— Abraham Lincoln

Mexico evolved from a “perfect dictatorship” to an “imperfect democracy.” The latter is, of course, an exaggeration, but it is a metaphor for the change the country has experienced in the past decades: the old system collapsed but did not fully disappear. Although nowadays there are regular elections that are operated and managed flawlessly (regardless of the fact that one candidate and his party disputes them), Mexico is far from being a functional and effective democracy at the service of its people. The consequences of this new reality can be observed in two aspects: political and economic. This chapter is about the economic consequences of the old system. The next will deal with the sociopolitical consequences.

The old system lost its controlling capability by virtue of its own success in pacifying the country after the Mexican Revolution and after laying the foundations for development over the years. High growth rates throughout various decades (especially from the 1940s through the end of the 1960s) created a major differentiation in Mexican society, an extraordinary urban growth rate

and the expansion of professional occupations, universities, and other factors that, with time, were incompatible with the old control system. Little by little, Mexican civil society started to gain spaces within the old, highly centralized system of control and ended up weakening the excessively rigid and inadaptably traditional structures.

Perhaps there is no better example of the weakening process of the old system as the 1968 student movement. The main actors in that event emerged from the new segments of Mexican society: university students whose parents were businessmen or public or private sector workers with little or no attachments to the areas traditionally controlled by the system, such as unions, peasant organizations, and chambers of commerce. The government's reaction—stopping them at all costs—is an example of the system's failure to understand the change that the movement represented within Mexico's political structure. Regardless,

Little by little, Mexican civil society started to gain spaces within the old, highly centralized system of control and ended up weakening the excessively rigid and inadaptably traditional structures.

the old system experienced a gradual weakening process, even if its operators never fully realized that it was being weakened. The system continued to work as if nothing had happened. This is one of the emblematic factors of that system as well as of that time, and which directly influences the problems that Mexico faces today.

For starters, the system was created to pacify the country and establish an institutionalized process for decision-making after the Revolution. The mechanism for attraction—the carrot—of the leaderships that were incorporated into the new organization was the promise of access to power and wealth through the

system. The cost of incorporation was losing freedom of operation outside the system, because membership in the new party (PNR) meant accepting the system's "unwritten" rules, which consisted of complete submission to the president's power. The system was so effective in enforcing its goal that Mexico was able to create a new group of rich and powerful politicians, members of an exclusive club. This "Revolutionary Family" took care of their own members and compensated them generously.

The exchange of loyalty to the system for a promise of access to power and wealth was the trademark of the scheme developed by former President Plutarco Elías Calles. Corruption was an extended practice in this system; it was not a deviation, but its *raison d'être*. The attraction of belonging to the system was obvious and implied an almost blind loyalty to the party leader—who, until 2000, was also the president. This completely inflexible element penalized the introduction of new ideas; prevented open and public discussion; and, above all, hindered the emergence of new leaderships. The system was subjugated to a master that had little incentive to change the status quo.

The presidency of Carlos Salinas (1988–94) was illustrative of such incentives: a modernizing president, the only statesman that Mexicans alive today have ever known who was devoted to transforming the foundations of the country's economy with the goal of increasing its growth rate. He did so by building a long-term development strategy that affected important vested interests along the way. Countless reforms ensued, encompassing foreign trade, foreign investments, and economic regulations, as well as the privatization of government-owned corporations such as the phone industry, television broadcasting, and the banking system. The economic reforms were ambitious and profound but, at the same time, they were affected by an ulterior goal. The implicit objective was to increase the rate of economic growth *in order to avoid* political change; that is to say, to prevent losing control of the system and the benefits provided to its members.

The administration of Salinas coincided with the final years of Mikhail Gorbachev in the Soviet Union. Both leaders implemented reforms. Gorbachev led a process of political opening (*glasnost*), which he conceived as necessary to advance toward an economic transformation (*perestroika*). The result, as we now know, was that Gorbachev lost power and the Soviet system collapsed. In that context, Salinas, who closely followed what was happening in the Soviet Union, focused on the economic reforms, even if these were limited by the political conditions. For Mexico, this approach had dual consequences. On the one hand, Salinas set the foundations of a new competitive and productive economy, but one which nevertheless was limited in its scope, leaving a large sector of the economy outside the modernizing processes, condemning them to very low levels of productivity growth. On the other hand, in one of history's ironic twists, both Mexico and Russia, each in their own way and within their historical traditions, eventually rebuilt part of their old political systems.

The fact of the matter is that the Mexican economy underwent a profound yet not generalized transformation. This transformation has had major political effects, mainly because the economy has not experienced significant and sustained long-term nationwide growth rates, creating areas with significant differences between each other. The old political class, in large part opposed to the reforms undertaken in those decades, has followed a gradual but systematic process of reconcentrating power, guided more by nostalgia for the old system than by the existence of an alternative political or economic model. In this context, it is significant for the PRI to have returned to power under the administration of Enrique Peña Nieto: rather than his policies indicating a new project, they are an attempt to rebuild the old system—which is why the administration's first instincts were to recentralize power, control the media, and try to rebuild the ancient imperial presidency.

THE ECONOMY AND GOVERNMENT EFFICACY

Perhaps the most evident effects of the economic liberalization model implemented in the 1980s were the growth of an extraordinarily productive and competitive export sector alongside the stagnation of an industrial sector that was never reformed. The stagnation was the result of the protection and subsidy mechanisms that were implicitly derived from the aforementioned liberalization criterion of partial opening. To protect the sources of income and power of the political class and its cronies, the economic liberalization was left incomplete, creating unforeseen vices and consequences. These mostly stemmed from the fact that the old industrial sector, or at least the remains of it, did not face much competition from North American imports because goods produced by Mexico largely competed with those from nations like China, with whom there were no free trade agreements. Meanwhile, high tariffs, subsidies, and other protection mechanisms were maintained. Hence, rather than boosting an industrial transformation, these measures had the effect of freezing in time thousands of businesses that did not and could not modernize, even as the strength of their sectors contracted on a daily basis.

The interesting part of this conundrum is that the modern industrial sector, which currently comprises between 80 and 90 percent of industrial production, is extraordinarily profitable because of the transformation it has experienced and the competition that has forced it to constantly adapt. The modern part of the Mexican industrial economy is concentrated in the automobile, electronic, household appliances, food, and chemical product sectors, having been fully integrated into the American and, in some cases, to the European and Asian industrial circuits. Another way of seeing this phenomenon is that the private sector has had to transform in order to avoid being obliterated by domestic and international competition, as well as to grow and develop. Globalization has forced it to increase its levels of productivity, raise the quality of its goods and services, and compete in favor of the consumer.

The government, by contrast, has not experienced a similar transformation. It is an area in which there is no competition and thus less of a perceived need to adapt. The Mexican system of government has always been distant from the everyday life of Mexican citizens, and the rationality of its participants has never been associated with the performance of the economy or the well-being of the population. There is no real pressure to increase its responsiveness, which has evident consequences. Although the modern sector of the Mexican economy had to move from being part of the “fifth world” to demonstrating world-class performance, capable of competing with the best, the system of government has remained as it always has been. This phenom-

enon is enhanced at state level and is worsened within local jurisdictions.

The historical nature of the Mexican political system clashes against the demands and needs of a modern economy. On one hand, the government is structurally protected from the population’s demands and reacts only in the face of unavoidable crises. On the other hand, the incentives produced by the system—which, paradoxically, were not altered during the two PAN administrations—

widen the gap with regard to the everyday life of the citizen and of the needs of a modern economy. Governors see their post as an opportunity to enrich themselves or seek the presidential candidacy, or both, before being accountable to the population. Moreover, corruption remains legitimate in the political world,

In more recent years, starting in 1968, the system had neither the disposition nor the capacity to exercise the monopoly on the use of force, to use and develop professional police forces that respect human rights but seek to maintain peace.

which means that the political system itself is a massive obstacle hindering the country's development.

In addition to the regulatory or bureaucratic obstacles that have emerged from the logic of the old system and produced the aforementioned conditions, another component affects the performance of the economy. The political environment is complex and prone to conflict, and there are no institutions or mechanisms able to channel conflicts and maintain social peace. The old system reacted by suppressing any attempt at rebellion or by coopting leaders and incorporating them into the system. Those responses worked when there were emerging movements within the context of a highly centralized political system. In more recent years, starting in 1968, the system had neither the disposition nor the capacity to exercise the monopoly on the use of force, to use and develop professional police forces that respect human rights but seek to maintain peace. Instead, it chose to use its favorite weapon: corruption. There is no small enough conflict that will prevent the system from coopting individuals to serve its interests, a fact that has given rise to two consequences. The list of petitioners is ever larger and, in fact, such increases are unavoidable; at the same time, any situation can become explosive. This problem leads to the kinds of deficits that Mexico experiences today: police forces are not particularly skilled at managing conflicts; prosecutorial offices have no idea how to conduct a criminal investigation; and the military is ordered to perform police duties, with a high tendency toward an excessive use of force. None of these situations is exceptional in Mexico: they are everyday realities that inexorably lead to critical situations. Although it might seem obvious that the system has to build on its capacity to respond—for instance, to develop and train a modern police force respected by the population—it has no incentives to move in that direction.

DISCRETIONARY POWERS—OR ARBITRARY POWER?

Finally, the other element derived from the old system, and which affects everyday life, is the discretionary—even arbitrary—actions of the government. Although all governments have discretionary powers in order to perform their duties, the nature of the Mexican government makes the use of such power more arbitrary than not: a crucial difference between an effective government and one that can act as it pleases, with impunity. Mexican legislation provides great discretionary powers to the bureaucracy, and these translate into opportunities for corruption (which may be the reason why the powers remain in place) but also are a source of permanent uncertainty.

Discretionary powers refer to public officers of any level using their judgment in the exercise of their functions. Some activities require wide discretionary powers; in other areas, the use of power should not rely on the whim of the person in charge. For example, judges should be able to use their judgment and experience so that they, within the margin accepted by the law, may rule on different cases. A building inspector, by contrast, should not have any discretionary powers over whether the regulations are enforced. In the first case, particular circumstances that require a specific latitude based on judgment; in the second case, if an inspector has a wide margin of options available, it would mean that the existing regulations are not precise and can be argued over, a circumstance that would defeat the inspector's entire purpose. Although the dynamic of discretionary powers justifies their use when authorities can apply their judgment criteria to the limit established by the rules, when the rules give the authorities sufficient margin as to make the rules of the game irrelevant then those rules become entirely arbitrary. The latter condition is damaging for public duties because it becomes a source of uncertainty, the opposite of what is required with the actions of a government or the development of a society. In the end, discretionary powers and arbitrariness are almost identical in Mexico because of the absence of accountability. When

public officers do not have to explain or justify their actions, their powers end up having no limits. On this matter, the difference between a developed and an underdeveloped nation ends up being absolute.

Once, I witnessed an audit being performed by the U.S. Securities and Exchange Commission (SEC). Two things impressed me: the limitless discretionary powers of that government agency and the complete lack of arbitrariness in its procedures. When the SEC finally delivered the result of its findings, it provided a massive document where the resolution was to be found in a single page at the top of the enormous volume. The rest of the report explained what motivated the SEC's decision, why it had modified its criteria for previous precedents, and what it saw as its outlook for the future. Although the decision was not severe, there was not a hint of emotion in the resolution. All the players in the process had precise clarity as to what would follow next. This detailed product is a contrast with the resolutions of Mexico's own regulating agencies, such as the old Commission of Competition, where every resolution is published in a single page without further explanation of what went into the decision and regardless of whether a decision might contradict previous or successive rulings.

In the end, discretionary powers and arbitrariness are almost identical in Mexico because of the absence of accountability. When public officers do not have to explain or justify their actions, their powers end up having no limits. On this matter, the difference between a developed and an underdeveloped nation ends up being absolute.

These obvious obstacles for investment and economic growth go beyond the reforms that the administration of Enrique Peña Nieto so vigorously fostered during the first months of his government. They are factors that inhibit investment because they make it expensive and, above all, risky to entrust money to such an arbitrary system. An investor, or an everyday citizen, who does not have a reasonable certainty of the “true” rules of the game will think twice before making an investment. A large company that aims to invest in the energy sector or in a manufacturing export plant will feel similar reticence about working in Mexico. It is no coincidence that those who invest the most in Mexico are those who, thanks to NAFTA’s rules and regulations, have asset and legal certainty—a major contrast to everyday Mexican citizens, who do not enjoy similar legal protections.

The late Mancur Olson,⁷ an American professor, clarified this phenomenon: he found that when a company or consortium entertains a clearly defined special interest, it can obtain very broad benefits compared with those that could be achieved by millions of consumers lacking common objectives. In this manner, a nucleus of companies or labor unions can achieve customs or regulatory protection that negatively affects the consumer in general because the larger organizations have the capacity to exert direct and effective pressure. Hence, they can come to an agreement with the authority of the secretary of the economy that may benefit them, but at the same time not only jeopardizes the population in general but also makes investment generally risky. Who would want to invest in an environment in which the rules are established in a willful—that is, corrupt—fashion by the authority? This problem is endemic in sectors such as communications, agriculture, and cattle raising. When we ask ourselves why the Mexican economy does not grow, the answer should be obvious.

In Mexico, the system of government was built on the premise that authorities must have a great margin of discretion to decide where and how the country will go in the future. This

approach may have made sense and worked a hundred years ago, after the devastation of the Revolution and within a context of an enclosed and protected economy. Nowadays, these powers persist, but the environmental reality is the opposite: in a competitive and open environment, what once may have been virtuous is now a path to poverty and disillusionment. Nothing will change as long as arbitrariness and a lack of counterweights are the norm, but these elements cannot be changed unless the old political system disappears.

In conclusion, one of the reasons why there is such a large amount of dissatisfaction with the current Mexican government and, in fact, with the general system of government in Mexico, is its lack of efficacy, greatly derived from the rationality of the old control system (with its overarching criteria of control) and the preservation of entrenched privileges rather than the pursuit of economic growth or enhanced development. It is in this sense that I use the phrase “imperfect democracy” to exemplify Mexico’s current dilemma. The old system was authoritarian, but not repressive, and it enabled economic growth in the context of the mid-20th-century political and economic environment. The current system preserves many of the vestiges of the old authoritarianism—especially at the state and local levels, but also in sectors such as the media—but it has not enabled balanced development across the country. Politicians have tended to subsidize and protect companies and regions that have been left behind, but the cause of this underdevelopment is the incomplete economic liberalization that resulted from the preservation of privileges and criteria inherent to the old political system. As long as this situation remains unchanged, Mexico’s potential for economic growth will continue to be limited to the modern sectors of the economy, especially those that are developed under the framework of NAFTA.



Monologues and Legacies

We can and must write in a language which sows among the masses hate, revulsion, scorn, and the like toward those who disagree with us.

—V. I. Lenin

In the hardest years of PRI rule, it was said that the internal process of the Mexican government was as complex as following the decisions of the Soviet Union's Politburo. Many people argued that, in order to understand what was going on in the Mexican political system and government, "Kremlinology" skills were required. Indeed, there are many similarities between the former Soviet Union and the PRI system—although certainly not on ideological terms—with regard to the structure, functions, operations, and goals of PRI, compared with those of the Communist Party of the Soviet Union (CPSU). The PRI was a system of political control that managed to build an ideological hegemony as an instrument to exercise tight control without it being perceived as authoritarian. In that regard, the Mexican system was as totalitarian as the Soviet one, although Mexico's was comparatively benign. Nonetheless, just like in the Soviet Union, the Mexican system has affected the way that politics operate, the way that society acts, and the criteria that guide decision-making. Thus, the key question is: What will be, or currently are, the political consequences of the old regime?

President of Mexico, Manuel Ávila Camacho (1897-1955) signs an agreement with the United Nations, 1942.
Photo Courtesy: [alamy.com](https://www.alamy.com)

Winston Churchill, who saw firsthand the modus operandi of Soviet dictator Joseph Stalin, coined a phrase that has since then become the classic description of the Soviet system: “It is a riddle, wrapped in a mystery, inside an enigma.” The greater part of the PRI system operated in the same way, following the famous “unwritten rules” that had to be interpreted correctly in order to advance one’s political career. Politicians interpreted decisions and the rules of the game as best they could, always knowing that the rules were an enigma that needed to be deciphered, as it was in the Soviet Union. Unlike the Soviets, the risk for Mexicans who failed to grasp the meaning of a given interpretation was much less likely to have fatal consequences or, in very exceptional circumstances, to lead to a Siberian-like exile. A former president who fell from grace was sent as an ambassador to Fiji, which is not exactly Siberia.

But Churchill’s phrase did not conclude with the words that are so renowned; he went on with an argument that is also applicable to Mexico. After the first phrase, Churchill added, “but perhaps there is a key [to decipher the enigma]. There is nothing which they [the Soviets] admire so much as strength, and there is nothing for which they have less respect than for military weakness.” In Mexico, the military has not been as relevant, owing to the less belligerent attitudes and circumstances of our neighbors, but the notion of not being overwhelmed or controlled by the great power to the north was always a key factor in the acts of the post-Revolution governments. They employed a vulgar anti-Yankee nationalism as a mechanism for internal cohesion and to keep Mexico at a distance from the United States. It is not by chance that the government of President Peña, guided by the criteria and protocols of the PRI’s hard governments (from the 1940s through the 1960s) also tried to recreate, at least at the beginning, a new form of anti-American nationalism.

Nowadays, what worries most of the Mexican political class is not the threat of their northern neighbor (with the exception of Donald Trump and his insults) but rather the growing pressure

exercised by civil society to make the government's methods of operation more transparent and to deal with security and corruption issues. At the end of the day, even if Mexico is wrapped up in a veil of democracy, it still has countless remnants of authoritarianism, imposition, and disregard for the population.

The similarities with the Soviet Union are of course limited to the party, the PRI, which operated in a fashion similar to that of the CPSU in its aim for control and its systematic construction of an ideological hegemony. Mexico did not experience the military dictatorships or coups d'état that befell many other nations in the Western Hemisphere; at the same time, it did not enjoy the political liberties and freedoms, in particular freedom of speech, that were entrenched in many South American nations in ways that Mexicans hardly understood. Such freedoms were not a part of the country's history. With the exception of Cuba, no other Latin American country developed a system of government founded in controlling minds and souls, as was the case of Mexico. Thus, Mexico's political history is distinctly different compared with the rest of Latin America, and that difference has consequences.

The Mexican political system has changed superficially in recent decades, but has not changed its essence. It adapted to a changing world without developing the mechanisms and instruments that would enable it to fulfill its objectives: processing demands and making decisions. It changed forms and practices, but not its reason of existence, despite its increasing irrelevance. The regime was created to control the population and to channel privileges to the powerful, but the change in reality had made the mechanisms of control less effective and the system of privileges more illegitimate. Thus, the goal of control was attained but the ability to achieve it in a continuous and systematic manner was lost; at the same time, the structures of power were preserved, even though those structures were increasingly distant from those needed to survive in everyday reality, creating unsustainable contrasts between the life of the population and that of the political elite in the age of social networks and

the ubiquity of information. The result has been a disconnect between the evolution of the country, economy, and society on one hand, and the capacity of the system of government to keep pace with and adapt to a constantly changing world on the other. The current government does not match, nor does it correspond to the characteristics of, the population or the requirements of a modern society.

The case of the Mexico City constitution offers an opportunity to observe these disagreements explicitly. Local politicians have long demanded that a 32nd state be created, but it is not something that gets the population excited. The process of writing the city's constitution, which took most of 2016 and concluded early in 2017, has been an affair handed by politicians alone. Society

has not been involved in and has not participated in the process. This case illustrates the true nature of the problem; politicians live in their own particular Olympus, distant from the population's everyday lives.

Their agreements may

enhance the government's capabilities, but they do not solve the issues that are most important to the population. That is the core of Mexico's challenge: how to combine both processes in order to involve society in decision-making and to solve the issues that are most important to it.

The old system matched Mexico's reality of the 1960s, but its structural inflexibility has prevented it from transforming itself. Its internal structure and, above all, its original goals prevent this transformation. The most relevant example is that of the PRI itself; after its 2000 electoral defeat, it stopped working as a part of the process of government within the structure of the old system of presidential power. With Mexico once again under the PRI's rule, the party works as an entity that operates in parallel

Politicians live in their own particular Olympus, distant from the population's everyday lives.

with the government but is not directly subordinate to it. The “old” PRI’s system of control was dismantled simply because it became irrelevant. With the 2000 presidential defeat, its tentacles died, starved of nourishment. This is not a matter of will: the PRI simply no longer has the tools to exercise the same control as in the past. The current PRI government has tried to recreate the imperial ways of the past, but its structural reality is not the same as before.

This change to the structural reality has happened in parallel with the growth of sources of power independent of the traditional system, a media that is no longer subordinated to the presidency, social networks that follow their own dynamics, and a system of political parties that have an incentive (as suggested by the Weingast example in chapter 3) to make a permanent and systemic increase in the level of conflict. Many of the efforts that have been made during the past decades to recover political legitimacy—a succession of electoral reforms—were intended to restructure power and create mechanisms of political transition as well as of trust in electoral processes. What did not improve was the government’s capability to govern or address the demands and interests of the population.

The old system was disjointed with the “divorce” of the party from the presidency without a structure to would replace it. Governors, who had been tools in the hands of the executive, have become deeply dysfunctional actors in their own right. True to its history, the system has not developed counterweights that would prevent excesses or provide accountability of their actions, or mechanisms of participation that create spaces for the population. The system alone is not able to tackle the deterioration in both the presidency and the government.

In my previous book, *The Problem of Power*, I analyzed the reason why the system has remained in place even if it has shown no capacity to transform itself. Laws and regulations may change, but the system and its operating criteria remain. Permanence has had its cost: although there are many dysfunctional

political and government systems in the world, Mexico's case is particularly significant because of its origin as a party devoted to controlling the population. Inexorably, as Mexico heads toward a new presidential election, conflicts and risks will increase because the system as it is fosters political disorder.

THE PECULIAR WAY OF NOT GOVERNING

The Mexican political system concentrates a lot of power in a single individual. The job becomes extraordinarily attractive: all politicians want to be the president. A cynical individual once said that one of the verses of the Mexican national anthem was wrong, and that the line "has given you a soldier in every son" should actually be "has given you a candidate in every son." The process of succession during the PRI's rule was managed by the president, who limited the competition to members of the cabinet; since competition was opened up to other political parties, no one person controls the process and all players, as citizens, have the right to aspire to the post. Democratically speaking, this is an absolute legitimate aspiration. However, the practical effect of such a powerful "award," in the context of a complete lack of effective accountability mechanisms, is to transform the whole political world into a factory of corruption as a source of finance for potential political campaigns. Nowadays, all governors, legislators, and cabinet members are permanently devoted to creating war chests for a potential campaign, all financed with public resources.

Likewise, although there are plenty of formal rules for political participation and the electoral processes, there is no similar structure for exercising power. As in the case of the regime that emerged from the Revolution almost a century ago, power is seen as a treasure owned by the winner. The absence of accountability mechanisms, the arbitrary powers of governors, and the many political parties create a suitable environment for such a paradigmatic exercise of power at all government levels. These factors also create powerful incentives for political polarization,

making the cooperation among political forces or transparent decision-making a difficult, if not impossible task. The legacy of the Revolutionary regime created incentives for corruption, and the legacy of the PRI system created incentives for oppressing and controlling the population; they both became barriers that ended up distancing the politicians from the population. The system of privileges that originated from it continues to be the core of the Mexican political system as well as the country's main problem: an inability to solve everyday problems.

The combination of these two legacies caused another very Mexican phenomenon, different from what is happening to the south. In an interview reproduced in a 2010 book on the Mexican political system, former Uruguayan president Julio María Sanguinetti showed an exceptional understanding and foresight on the Mexican dilemma:

[T]he problem of Mexico is that its authoritarian age left it unable to engage in dialogue. There needs to be discrepancies and agreements in order to coexist and live together, dialogues that enhance the mutual understanding of the players. Mexico does not have a tradition of dialogue—what we would call the reform ethics, the morals of the evolutionary change. Mexico still lives by its old tradition: things are black and white. The following hegemonic conception prevails: 'I rule, you oppose, you are my enemy, not my partner in building a political society in which we both are together.' Society still feels that someone who engages in dialogue will do so because of weakness. This is what needs to change: if one dialogues is because one feels with enough strength to negotiate, so dialogue is no longer a conversation but a stage of implementation, of negotiable products. In the end, if there are no minimum understandings, this condition ends up becoming a boomerang that threatens everyone. All of this boosts cheating, secret pacts, unspeakable transactions or payoffs to get support.⁸

Can anyone question the depth or the blatant truth in this statement?

The Mexican political tradition has thrown together a culture of monologues where there is no communication that leads to problem solving but only toward a strategic advance. Everything is a zero-sum game in which someone always wins something at another's expense, which is the opposite to the purpose of dialogue. As Sanguinetti says, the hegemonic concept prevails in all Mexican politics and produces a permanent incentive to preserve the old system rather than building a new one.

WHERE DOES THIS LEAD TO?

A perverse legacy, predatory practices throughout the political structure, and a culture that disregards collaboration and promotes monologues cannot be a breeding ground for political transformation. In September 2016, René Delgado lucidly summarized the problem:

Seen in retrospective, there have been several administrations in which the country has lacked a government . . . the evidence is obvious. The regime rejects the government. It does not matter who wins the next presidential election; no one will seize the government. . . . If the administration and the opposition parties do not build a dike that will stop the political degradation, they will hardly be able to guarantee the next elections and, thus, that the subsequent transition of power will end in acceptable conditions. The opposition might demand it vociferously, but they will not get it unless they work on it.”⁹

Mexico has kept its stability because the population has been extraordinarily generous with successive bad governments. It is possible that this same generosity comes more from the fear produced by the old system than of a society's desire to repress itself, but the fact is that the problem is extraordinarily complex because of societal divisions between those who benefit from the system of privileges and those who earn a living in a skewed and limited economy, all thanks to endless restrictions imposed by the political system and its bureaucracy.

In the old PRI system, responsiveness was high because control mechanisms were resorted to regularly. Without those mechanisms, there is plenty of disdain for society and its organizations: the political system itself does not seem to recognize or even realize how ineffective the old control mechanisms have become. In this context, it is interesting to observe that the only leader who has tried to respond to the situation is former Mexico City head of government Andrés Manuel López Obrador. This relative lack of leadership reveals the nature of the problem: Mexico no longer exists at a time in which problems can be solved by strong or enlightened leaderships, but only with solid institutions that create an environment of trust for the whole of society. This last point is crucial. The key to the country's functioning is society; as long as its problems are not addressed, the country will not advance. At the heart of Mexico's crisis dwells an old ill: distrust.

The resulting question, which I will try to answer in the following chapters, is whether a transformation in this context is possible at all and, if so, where and how.



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But there has been Progress . . .

History does not move forward in a straight line; many times, it jumps and, not infrequently, it does so backwards.

— Edmundo O’Gorman

If one accepts the core of the argument presented so far in this text, an obvious contradiction presents itself: if the structure of power is so self-absorbed and lacks all incentives for internal reform, how is it possible that Mexico has undertaken such ambitious reforms as the ones in the 1980s and 1990s, or the ones in the first years of the current administration? More to the point, even with all of the problems described earlier, whole regions of the country have transformed themselves. Mexico has hypermodern industries that can compete with the best in the world, examples of good administrations in the functioning of local governments, and successful companies inside the country and abroad. Is this a contradiction, or is there an explanation that would shine a light on the blatant contrasts that remain?

The simple answer to this apparent contradiction is that Mexico is characterized by both aspects: there are parts of the country that function as if they were in the developed world, and at the same time there are forces—traditions, interests, and powerful

A worker prepares for the arrival of customers at a supermarket during the sales weekend called “El Buen Fin”, in Mexico City, capital of Mexico, on November 14, 2014
Photo Courtesy: alamy.com

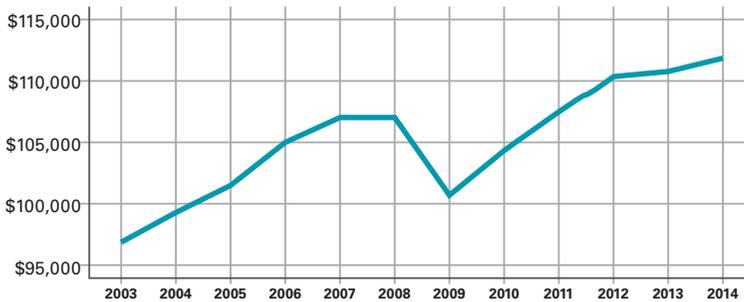
groups, both economic and political—that have managed to prevent reforms from advancing in order to preserve the status quo. In practice, this implies that, as a part of the population and the country prosper, another sector experiences continuous deterioration in its living standards. Every day, Mexicans face two undisputable, contrasting realities, to the point where such contradictions are barely noticed anymore. This chapter begins by listing the characteristics of both sides of the “mirror” in order to analyze how and why there has been such important progress despite the political stagnation.

In the book *A Mexican Utopia*, I proposed that the solution to the problems of Mexico lies in a leadership that is willing to limit its own power. After analyzing the potential sources of change, I ended up concluding that, given the difficulties, an integral political transformation would only be possible through a leader who combined two traits: an understanding of the nature and dimension of the challenges, and the capability for political operation needed to overcome them. In my subsequent book, *The Problem of Power*, I argued that Mexico appears to be in a permanent transition to nowhere because no one can agree on the goal to be achieved, and that this status quo works for those who intend to preserve their privileges. The real structure of power makes it impossible to achieve change derived from an enlightened leadership, regardless of its capacity or understanding.

The problems are real—and yet, nonetheless, the progress that Mexico has experienced in recent decades is staggering. As shown in the figures below, it is evident that there has been progress in countless sectors and tangible improvement in the population’s standards of living, a circumstance that surely explains why Mexico does not dispute the importance of instruments such as NAFTA. Figure 7.1 indicates that the gross domestic product (GDP) per capita has been increasing in a constant albeit insufficient manner (figure 7.1). Formal employment also is on the rise, as shown in figure 7.2. Figure 7.3 shows the increase of credit, which perhaps explains the high growth in consumption in recent years. Finally, figure 7.4 shows the increase in the

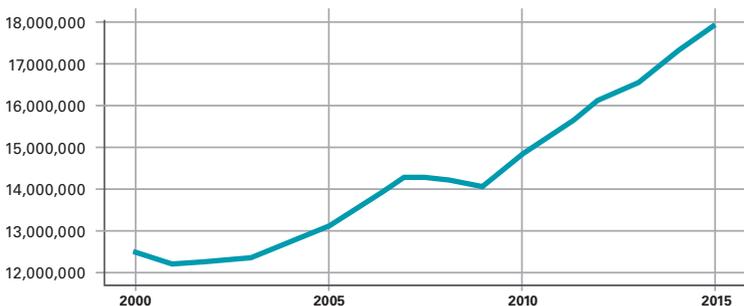
number of Internet users. All four figures suggest that economic indicators show steady gains. This does not mean that all problems have been solved, but it indicates that Mexico is a country of contrasts rather than a scenario of generalized growth, a situation that is likely to persist.

FIGURE 1. GDP PER CAPITA, 2008 PRICES



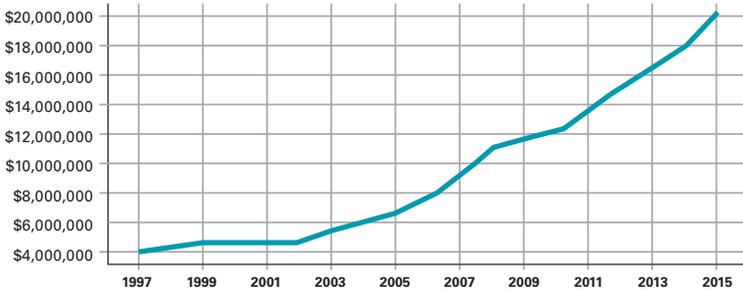
Source: CIDAC (Centro de Investigación para el Desarrollo A.C), with data from INEGI (Instituto Nacional de Estadística y Geografía) and CONAPO (Consejo Nacional de Población).

FIGURE 2. NUMBER OF WORKERS AFFILIATED WITH THE IMSS (MEXICAN SOCIAL SECURITY INSTITUTE)



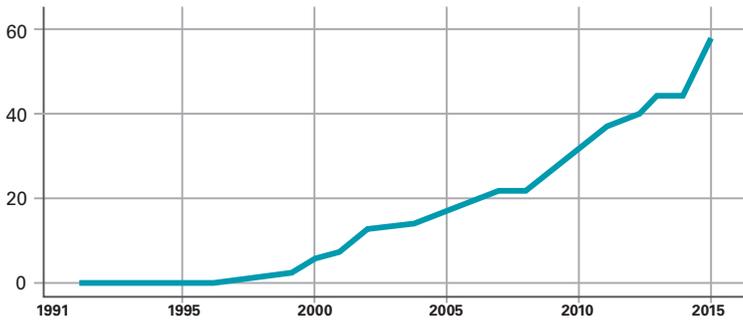
Source: IMSS (Instituto Mexicano del Seguro Social)

FIGURE 3. INTERNAL FINANCING OF THE NON-FINANCIAL PRIVATE SECTOR (MILLIONS OF NOMINAL MEXICAN PESOS)



Source: IMSS (Instituto Mexicano del Seguro Social)

FIGURE 4. INTERNET USERS IN MEXICO (PER 100 PERSONS)



Source: World Bank

Indeed, the overall economic performance has been less than what reformers expected and promised when the corresponding laws were enacted. The question is why. The contrasts in the Mexican economy are staggering, a result of a reality that is neither coherent nor consistent.

Mexico's political dysfunctionality and economic transformation are two sides of the same coin. The combination of an overconcentration of power with a dysfunctional government (where the former explains the latter) leads to stagnation because it prevents the institutionalization of power. The laws and rules of the game change according to the preferences of the person in power, which becomes the source of dysfunctionality and the reason why autonomous institutional counterweights are absent. Part of the explanation for this condition has to do with the immaturity of Mexican democracy (see chapter 8 and the references to "delegative democracy"); the other part has to do with the structure of power derived from the regime that emerged after the Mexican Revolution.

In addition to the aforementioned factors, there is also a relatively new (dating from the 1990s) but equally important factor that is one of the main causes of the government's loss of legitimacy: violence. Traditionally a monopoly of the state, it ceased to be so as the government lost its ability to guarantee domestic order and control criminal activity. Worse yet, in whole regions in the country, the monopoly of violence fell into the hands of organized crime.

The paradox is that the government response to its loss of capability to govern and the subsequent absence of state legitimacy has not been to enhance or reconstruct such capabilities within the government itself or redefine its functions, but rather to implement patchy, ineffective, and temporary solutions. For example, while the political reality is characterized by a growing civic engagement and a disorderly process of decentralization of power, the government has not attempted to strengthen democratic procedures or to develop checks and balances to better

implement decision-making. Rather, the system has responded with the historical reflex of the post-Revolutionary regime: coopting dissenters, sharing benefits and privileges, and above all pacifying those who complain without creating conditions to solve the core issues. The case of the CNTE (Coordinadora Nacional de Trabajadores de la Educación; National Coordination of Education Workers) is paradigmatic: there is not a small enough conflict that will not involve coopting, even if this implies a larger conflict afterwards.

Cooptation—the historical way of settling disputes, developed by the Revolutionary regime—enabled political stability, but that strategy has lost its impact as it clashed with functionality. The case of education is symptomatic: while education was used as a mere mechanism of hegemonic development, it had a political significance. Once education became a cornerstone of development, when creativity became the main factor of added value in the economy, in contrast with the traditional workforce, cooptation ceased to produce results. Although one would like to think that the cooptation of the CNTE is something exceptional, the system persists in expanding privileges as a means of attaining stability and maintaining peace. That was the rationale that led to the 1996 electoral reform: incorporating the second- and third-largest parties into a system of privileges. Rather than advance its democratization process, the Mexican government has shared its privileges and protected special interests. What the political system and the members of the various political parties do not acknowledge is that, by definition, the privileges given to some imply the exclusion of all the rest.

Thus, although the country has decentralized and democratized in different ways, the traditional practices of the old political system are as active as they have ever been and remain essential components of the workings of the system at all levels, regardless of the party in government. In this regard, the old political system is no longer a monopoly of the PRI. All parties—the PAN, the PRD, Morena (Movimiento de Regeneración Nacional; Na-

tional Renewal Movement), the Green Party, and other parties at the municipal, state, and national levels—share the same way of doing things. The old practices have remained as they are.

THE FIRST CONTRADICTION

While the political response has been essentially reactive, lacking any long-term vision or planning, the economy followed an almost opposite path. In the economy, there is a clear vision and sense of direction that has been pursued, with more or less conviction since the 1980s. This vision is what guided the government's response to the 1980s debt crisis and led to the opening and liberalization processes. However, this general vision has not permeated all areas and sectors of the economy, given that the same political phenomenon is equally present here: there are spaces that are untouchable, either because they affect powerful interests or because of the perception of risk that would imply, for example, the complete liberalization (including reduced subsidies and tariffs) of the industrial sector.

With regard to the economy, the system has responded with structural reforms, many of which have transformed the Mexican economy as a whole or vast regions and several economic sectors at least. The most obvious of these changes are the liberalization and deregulation that occurred in the 1980s and led to the NAFTA negotiations, not only in energy and telecommunications but also in the privatization of public companies. Not all of these reforms and actions were equally successful, but together they created a different economic platform. But the most relevant issue is that the traditional industrial production plant still exists, a pristine manifestation of the contradiction in the core of the reforms themselves.

One can observe this contradiction in the industrial sector: on estimate, nearly 90 percent of industrial production comes from the modern sector, which successfully exports and competes with imports. The remaining 10 percent of production comes

from 80 percent of Mexican companies, which employ at least 85 percent of the industrial workforce. The modern sector is the engine of the Mexican economy through its exports and it is the first source of demand for the goods produced by the traditional industrial plant, which remains and persists thanks to various de facto protections. Some of these protections include tariffs and subsidies, but consumer inertia is a much stronger factor. Nonetheless, over time the wage disparities between the two sectors have grown, a product of staggering discrepancies in productivity levels that sooner or later will turn out to be politically and economically unsustainable.

But none of what has been described until now can explain why Mexico has ended up with such a contradictory political-economic structure. The reason, in a single phrase, is that Mexico developed a strong group of technocrats and politicians without interests of their own, and who emerged from within the structures of power to lead the aforementioned economic transition. At the same time, these reforms are incomplete and have not been implemented in full because political factors or powerful interests stand in their way.

TECHNOCRATS AND POLITICIANS

The Mexican government has acknowledged the dysfunctionality and unfeasibility of its structure for some time now. However, it has failed to assume the implications of this acknowledgment and act accordingly. In recent decades, countless government actions have shown that there is a full understanding of the problems Mexico is experiencing. Perhaps there is no better example than NAFTA, because its mere existence as a virtual exception regime (since it grants guarantees to foreign investors that locals do not have) is evident proof that the system acknowledges that its practices and nature are a source of development uncertainty. NAFTA was conceived as a means of isolating a class of individuals—foreign investors—from internal political storms. The same can be said of the evident lack of government capacity to satisfy

its core governance function. The campaign promise of the now President Peña was precisely to consolidate an “effective government”—a revealing campaign motto, since no one would promise what already exists.

In their insistence on restoring the Mexican economy’s growth capability, governments from the 1980s onward implemented different kinds of essential reforms. Their goal was evident: to increase the economic growth rate in order to finally solve ancient problems of poverty and underdevelopment as well as to satisfy an increasingly critical population. It is clear that the ulterior motivation was based on the assumption that a buoyant economy would allow the old system to preserve its privilege regime from the day of the Mexican Revolution, just as (at least up to now) the Chinese have achieved. However, this motive does not diminish the importance of the implemented reforms, which have made a great deal of progress.

Not less important is the fact that there has been significant progress in countless areas, progress that was possible only through the cooperation of public officials with a clear sense of direction, often together with social actors willing to establish alliances (whether explicit, implicit, momentary, or permanent) to achieve concrete goals. The case of the education reform developed in the administration of former President Felipe Calderón, the heart of the reform enacted into law in 2013, would never have been possible without cooperation between the secretariat of education and the nongovernmental organization (NGO) Mexicanos Primero (Mexicans First). While the Secretariat negotiated the reforms, the NGO highlighted the underdeveloped state of the educational system; one enabled the other one to advance. Similar outcomes have been achieved elsewhere; for example, in the area of public expenditure, social organizations showed the squandering of resources in certain government projects, which in turn paved the path for the secretariat of finance to cut waste from the budget. A similar occurrence can be said of the small amount of cases in which local groups have showcased

the corruption and abuses of several governors, making a de facto alliance with the secretariat of finance to impose limits and at least some semblance of accountability. The point is that, with the exception of very specific cases, progress in Mexico is not due to major initiatives that have emerged from the presidency but thanks to small efforts implemented by public officers, civil organizations, community leaders, and other stakeholders whose only common trait was the clarity of the goal they all pursued. The likely and (given the current circumstances) desirable future is for these efforts to continue. Perhaps the only thing that could speed them up is the acknowledgment that there are valuable opportunities in these spaces of cooperation.

The future Mexico will continue to have permanent contradictions—progress and setbacks—but also important transformations. The example of the aforementioned economic reforms is quite clear. Many were conceived to avoid a change in the political status quo, but such was the case in all other sectors. The education reform mentioned in the previous paragraph did not decrease the number of members in the teachers' union (SNTE), but it did create a platform for a larger-scale educational reform. If the country were experiencing a refoundation, everything would be coherent and consistent, but this is not what has been or what likely will be in future. Nevertheless, political change is real, and that is a paradox that cannot be disregarded.

All the same, the lack of coherence between political and economic goals has its consequences. The reforms advanced in these decades have been accompanied by excessive and sometimes absurd promises about their potential impact, which inexorably leads to a permanent state of disappointment. Politicians overpromise because they assume that this is the only way to achieve their political approval, but subpar results in fact reduce the legitimacy of both the government and the reforms themselves. This *other* dimension of the flagrant contradictions that are characteristic of Mexico's politics largely explains their enormous complexity. In addition to this problem, the politi-

cal change that is taking place is not a product of institutional reforms, and has the effect of creating new spaces and ways of participation that are not necessarily compatible with the formal political system. For example, much of de facto Mexican politics is taking place outside of the electoral framework, a circumstance that anticipates future conflicts that will clash with formal institutional mandates.

Despite the aforementioned concern, the reforms are important and real, and most of them are a product of the vision held by the team of technocrats that joined the federal government in the second half of the 1980s. They incorporated major changes (in which they passionately believed) by professionalizing essential parts of the economy and creating new trade, investment, and regulatory realities. In many cases, this meant substantial changes to the rent-seeking practices that countless politicians and their allies in the private sector had been using to their advantage. In other areas, both of what economists call “rents” (excessive profits not explained by economic factors) and the privileges of the system were preserved and expanded. Still, the most important effect of professional economic management and the implementation of market policies substantially increased overall economic dynamism.

In that sense, the limit of the feasibility and functionality of the reforms is a political one: as long as untouchable interests remain, the reforms will achieve less than what was promised, the anticipated benefit will be more limited, and it will serve fewer people than it originally would have. The fact that there are so many successful Mexicans in the United States—migrants from poor backgrounds that have become successful businessmen, technicians, and professionals—shows that the limits to development in Mexico are not ethnic, ideological, or even educational, but rather are the product of a political structure that hinders the existence of rules of the game that are equal for everyone, simple to understand, and easy to enforce. Another way of seeing this condition is that the economy cannot prosper

as long as there is no rule of law (and the institutions that make this possible), and that rule of law is impossible if its existence is inconvenient because it undermines the arbitrary powers that are the essence of the system. The case of NAFTA illustrates this perfectly.

A TWO-WAY COUNTRY

The implementation of important reforms and visionary public policies on economic affairs has help mitigate Mexico's problems but has not fully solved them. Worse yet, it has created or increased contradictions that raise the level of conflict in the country. In fact, two parallel thrusts coexist. On the one hand, modern Mexico—which has prospered with economic reforms despite political hindrances to their implementation—has managed to advance, fast becoming the main source of wealth creation and employment. Economic liberalization, deregulation, and other measures have helped increase productivity, creating a new reality of a modern and prosperous country that pulls the rest forward. On the other hand, the self-imposed political limits to the implementation of reforms, whose thrust is not to undermine vested interests, privileges, and rents, has increased inequality in the country. When comparing Aguascalientes with Oaxaca, the inequality gap becomes undisputable: when one state grows at annual rates above 6 percent for three or four continuous decades and the other practically stagnates, the result is unquestionable. The problem is that the political instinct is to privilege the current ways of doing things in Oaxaca, to follow the existing example rather than to create a new economic and political order, all to avoid political disputes. There is no better example of this dissonance than the way one government after another have dealt with the CNTE, the dissident teachers' union. In practice, the country has devoted itself to preserving the past rather than assuming the short-term costs of implementing reforms. In the absence of a capability or willingness to reform, it would be better to accept that Mexico will advance at different paces and build an agenda based on that premise.

The acute differences in the rates of economic growth throughout the country are a product of the way in which public affairs are conducted, which is nothing but the exercise of power to preserve what exists rather than building something different ahead. The implication is obvious: that which is not reformed gets left behind. Thus, an important part of Mexico increases its margins of freedom while other lives in fear—sometimes because of violence, sometimes for the fear of having to close down. Such circumstances have affected countless Mexican companies in previous decades.

In essence, the biggest deficit in Mexico is the lack of reform inside the government. The problem is not the violence, drugs, or corruption, but the absence of the state. It is this absence that explains the country's security problems, poor quality of services, and lack of strong and effective institutions. The result is poor services, corruption, and a deep and permanent nationwide dependence on arbitrary individual preference (of the president, the public officer, the governor, and so on) for success in business, intellectual, work and private endeavors. As long as everything depends on volatile individuals with their own personal interests, it will be impossible to develop autonomous and functional mechanisms and institutions on matters such as justice, security, or basic government-provided services. Such is the flagrant contradiction between an old and stagnant system of government and a prosperous economy on the rise.

At the end of the day, the country will prosper only with a general commitment for reform and transformation, but this will not come about until the contradictions that characterize it are solved. As the great playwright George Bernard Shaw said in the quote at the beginning of this book, progress depends on the unreasonable man. Perhaps the key to progress in Mexico will rely on a reasonable man to launch a movement and create an environment prone for a new institutional set up. Aristotle once said it with particular clarity: "A perfect government is not necessary; it is necessary that the government is practical."



The Change That Did Not Arrive

The Goofus Bird “builds its nest upside down and flies backward, not caring where it’s going, only where it’s been.”

— Jorge Luis Borges

Anyone who looks back at Mexican history must acknowledge the massive change that Mexico has gone through. The complexity of the challenges ahead tends to cloud the transformation that has happened in the country’s cities, in the economic structure, in the rural middle class (which has emerged mainly due to remittances), and in the population’s attitude. Although political problems are increasing and the absence of political leadership at all levels of government is more evident every day, Mexico’s physical, social, and economic transformation is evident.

What is not a reality is that the paradigm through which the country is understood has changed. Successive Mexican governments have chosen to implement profound changes but have not been willing to alter their world view. This contradiction is not only apparent but also sharp and perceivable, and it entails major consequences.

There are leaders who imagine a transformed and different world in which all problems have been solved, and they act as if that

*Black and white auto workers toil together in a fresco by Mexican artist Diego Rivera
Photo Courtesy: alamy.com*

world was real. This leads to a proliferation of utopian visions that sooner or later end up collapsing; take the examples of some Latin American and Caribbean nations. Mexico's rulers have been very different: rather than imagining a better world, they have tried to preserve the past one at all costs. The administration of President Peña even tried to revive the idyllic world of the 1950s.

The utopias of Hugo Chávez or Fidel Castro did nothing but bankrupt their nations; the reforms that Mexico has implemented have opened up opportunities for the country. However, what is evident is the extraordinary contradiction entrenched in the absence of a political vision that is coherent with the actions it has undertaken. This absence prevents the birth of a new vision and hinders the advance of reforms. This was true in the 1990s, and is still true now.

The Australian scholar Paul Monk wrote about the economic change that has been taking place in the world for the past 50 years and its impact on the way countries are governed. According to Monk, the most significant part of the economic expansion caused by the globalization of production that took place throughout these decades has been the transformation that it has required from the governments in order to function. Specifically, he argues that as production was essentially concentrated in a determined geographic space, the nation-state was the natural political boundary. Once production was internationalized, it was essential to create conditions in order to attract production investments and compete for them, which turned the state into a "market state"—an essential component of the globalization process that has ended up transforming the world.¹⁰

When observing the Mexican government, two things are clear. On one hand, it is evident that the government has transformed its relationship with private investments. Local governments now seek to attract industrial plants to their states, and the federal government negotiates free trade agreements and other instruments to boost investments. Everyone understands that employment in the future will not come from isolation or economic

models like import substitution linked to tariff protection, but of a full incorporation of the economy into the international sphere. President Trump has challenged this notion, but it is improbable that he will change it in the long run. At the same time, power relations in the economic world have changed as national governments have lost their old ability to impose their will over the market, an issue studied in depth by Susan Strange.¹¹ On the other hand, out of the economic space, the Mexican government still acts as an enclosed entity, devoted to the interests of the political class. It acts according to economic circumstances but does not see itself as a government that fully boosts competition and markets. This contradiction partially explains the lack of coherence in decision-making and, above all, the self-imposed limits to advance reforms to their conclusion. Part of the current social discomfort derives from this fact: ambitious reforms are promoted but cannot be enacted because their full implementation would affect powerful political interests.

A HARSH POLITICAL REALITY

In the real world, unlike the one seen by the government, the frame of reference has changed but the everyday reality remains stagnated. For instance, information flows are not vertical but horizontal, and come from multiple sources, something that diminishes the power of a centralized government and takes away its capacity for controlling information and imposing its will on the population. Fifty years ago, a call from the secretary of the interior to the main television network was enough to decide the approach that the news would take and what information would be presented to the public. Today, those phone calls are still made, but the population has access to countless sources of information that enable it to distinguish information from manipulation.

Governments that have accepted this new reality have tried to enhance conditions for the population to successfully compete. In some cases, they have created mechanisms to train individuals who have lost their jobs in noncompetitive industries; in

others, they have established investment funds to ensure that the population can benefit from the new economy. There are many paths, some more successful than other, but the general lesson is that the nations that have advanced the most are those that have seen globalization as an unavoidable reality and have aligned all their actions in that direction. Specific examples, with varying degrees of success, are Singapore, Canada, Chile, and Ireland. Yet although there are nations that have tried to

what has changed is not the relevance of the government, but its reason for existence.

adapt, others have opted to preserve potentially incompatible ways of public and economic administration. The clearest example of this is China—which, by trying to preserve a political system concentrated and controlled by the Communist Party, has resulted (as Monk

has argued) in an atavistic, arbitrary, and despotic government operating in parallel with a dynamic economy incorporated to the international trading sphere, where it has achieved a remarkable success.

The contradiction is clear, and China is not the only example of it. At the core of the issue is an important factor that is precisely what is missing in Mexico: what has changed is not the relevance of the government, but its reason for existence. Its de facto functions have changed, creating new obligations, and its sources of legitimacy have been altered. The traditional functions exercised by a government have been surpassed by reality, but the new reality demands that the government exercise other important functions—and it is the acceptance and fulfillment of these *other* functions that generates legitimacy. This has not been understood in Mexico because the government and politicians continue to be self-absorbed, and even though this has not prevented some of these new functions from being developed it has not given them the legitimacy they used to have. It is the

worst of both worlds. The inherent paradox to this situation is not exclusive to Mexico, but it may have a bigger impact there because Mexico has sought economic success without the necessary political conditions to achieve it. As a result, any future transformation it experiences will not come from the government, a possibility that opens opportunities for economic development but with a risk of a massive disruption.

For Philip Bobbit, author of *Terror and Consent*, among others, the change in government functions happens every day, and includes changes that alter not only the government's actions but also its narrative. For example, many countries have moved away from owning entire companies (the so-called parastatals) to creating sovereign wealth funds; embarked on deregulation not only on economic affairs but also on human reproduction; enabled private contractors to develop activities once traditionally left for the government; and legalized the use of drugs, same-sex marriages, and so on. The state is not disappearing but it is changing. In Mexico, these changes have not been fully assumed, and the rationality behind them continues to be that of preserving traditional benefits and privileges.

Governments that have transformed their mindset and vision have done so by acknowledging changing realities, which has allowed them to adapt their institutions. The Mexican government has concentrated on changes that lead to visible actions, such as competing for investments, but has not understood that one thing is not separated from the other. By not adapting, it has lost control of the production processes, public opinion, and (in recent years) even of parts of its territory. Perhaps there is no better example of this loss of control than in security, where the government does not even understand that it needs to act differently than it has in the past. The consequence is that, for some time now, the Mexican government has lost the control that current governments like China's hold dear, even though it has preserved both its privileges and its sense of being a government that is isolated and distant from society. The question is how this has happened.

THE PECULIAR MEXICAN DEMOCRACY

I have always been intrigued by the contrasts in the Mexican political evolution compared with the South American nations. Although there are some similarities, the reality is that our history throughout the 20th century has little to do with theirs. In analytical terms, without any superlatives, the Mexico of today carries a more totalitarian than authoritarian legacy. The essence of the PRI is not the same as the Southern Hemisphere's military dictatorships, and the difference explains, at least partially, these contrasts. But time and the generational change, especially with the ubiquity of information and a growing number of fast-spreading social protests, are undermining the differences, providing valuable lessons.

In 1994, Guillermo O'Donnell coined the term "delegative democracy" to explain the distortions of the South American dictatorships. Ironically, many of the signs currently seen in Mexico are not that different. For O'Donnell, delegative democracies "are not—and do not seem to be on the road toward being—representative democracies." The key lies in that the "installation of a democratically elected government [should open] the way for a 'second transition', often longer and more complex than the initial transition from authoritarian rule . . . [but] nothing guarantees that this second transition will occur." This sounds much like what happened with Vicente Fox. The 2000 election allowed political parties to alternate in control of the government but it did not change the regime. Fox did not start the "second transition" as described by O'Donnell, and therein lies his biggest failure:

The crucial element determining the success of the second transition is the building of a set of institutions that become the decisional points in the flow of political power. . . . The successful cases have featured a decisive coalition of broadly supported political leaders who take great care in creating and strengthening democratic institutions. . . . A noninstitutionalized democracy is characterized by the restricted scope, weakness and the low density of whatever political institutions exist. The place of well-functioning institutions is taken by other non-formalized but strongly operative practices—clientelism, patrimonialism, and corruption.”¹²

Is there any doubt on how the reforms of President Peña’s administration were approved? With this outlook, is it not possible to see the CNTE protests, the PAN corruption scandals, the PRI voting in Congress, and the staggering growth of public expenditure and, thus, the debt increase? Instead of a “second transition,” recent governments (from 1994 onward) have tried to preserve the old regime, without acknowledging that the realities of both internal politics and the global economy make this an unviable endeavor. They cannot see the forest for the trees.

Delegative democracies rest on the premise that whoever wins election to the Presidency is thereby entitled to govern as he or she sees fit, constricted only by the hard facts of existing power relations and by a constitutionally limited term of office. . . . [In this view] other institutions—courts and legislatures, for instance—are nuisances that come attached to the domestic and international advantages of being a democratically elected president. Accountability to such institutions appears as a mere impediment to the authority that the president has been delegated to exercise.

Does this not sound like the discretionary appointment of a secretary of public function, the disregard for the judiciary, the appointment of an attorney general with the specific purpose of leaving him in his post in perpetuity, the unredeemed corruption of the legislature, or the poor handling of cases such as Ayotzinapa and Nochixtlán? The issue is not only that these administrations have held on to the old regime, but that they think it is possible to preserve it without an end in sight, even while (implicitly) recognizing that everything else has changed.



Teachers from Mexico's southern states belonging to the dissident teacher's union CNTE march during a protest against the education reform near the Los Pinos presidential residence in Mexico City August 28, 2013.

What matters is not only the values and beliefs of officials (whether elected or not) but also that they are embedded in a network of institutionalized power relations. Since those relations can be mobilized to impose punishment, rational actors will calculate the likely costs when they consider undertaking improper behavior. . . .

Delegative Democracy gives the president the apparent advantage of having practically no horizontal accountability. Delegative Democracy has the additional apparent advantage of allowing swift policy making, but at the expense of a higher likelihood of gross mistakes, of hazardous implementation, and of concentrating responsibility for outcomes on the president. Not surprisingly, presidents in Delegative Democracies tend to suffer wide swings in popularity: one day they are acclaimed as providential saviors, and the next they are cursed as only fallen gods can be.

This quote suggests that the decision of siding with President Trump in the U.S. election or hiring a Chinese company to build a high-speed rail line in Querétaro without a public tender are abuses rather than paradigmatic cases. It illustrates how the risk was already evident, years before the current government acted as it did.

The extensively studied history of reforms in innumerable countries worldwide demonstrates that the errors, and the opposition to them, build in direct relation to the concentration of power

The world of government and politicians spins around a logic of self-preservation. Society lives under a logic of survival. The clash of both rationalities is unavoidable and produces all kinds of disagreements.

among decision makers acting without counterweights. It is a textbook example of the circumstances of the current Mexican government. The question is what the consequences will be. As O'Donnell suggests: "Once the initial hopes are dashed . . . cynicism about politics, politicians, and the government becomes the pervading mood. . . . Power was delegated to the president, and he did what he deemed best. As failures

accumulate, the country finds itself stuck with a widely reviled president whose goal is to just hang on until the end of his term." Mexico is not the first country to undergo such a negative social mood.

The risk for Mexico lies in the inherent contradiction between its economic reforms and the expiration of its political structures. It does not have effective counterweights to the presidency, which has become a permanent source of uncertainty, evident in the public discussion regarding the 2018 presidential succession; an

entrenched, dozing government almost guarantees a result that all Mexicans, and the president himself, would find appalling. The key to success, as several nations around the world have shown, lies in effectively reconciling the reforms that have been approved with the concurrent stagnating political contradictions.

The world of government and politicians spins around a logic of self-preservation. Society lives under a logic of survival. The clash of both rationalities is unavoidable and produces all kinds of disagreements. The problem is exacerbated as the demand for political access increases, creating opportunities for plenty of stakeholders—many of them mutually incompatible—to create conditions for an accelerated political change that has nothing to do with the formal and traditional political world.



Students of Ayotzinapa Teacher Training College and CETEG members (State Coordinator of Teachers of Guerrero) take part in a march to show their support for the 43 missing students, on outskirts of Chilpancingo, in the southern Mexican state of Guerrero, November 26, 2014.

Photo Courtesy: alamy.com



GOBERNAR A LA CIUDAD
ES SERVIRLA

From Where Will Change Come?

I'm not interested in preserving the status quo; I want to overthrow it.

— Niccolò Machiavelli

In the book *A Mexican Utopia*, I analyzed the potential sources for change within Mexican society. I identified three such sources: an enlightened leadership, a crisis that forces a redefinition of political relations and compels building a new political-economic platform, and a society that “steps up” and forces the regime to transform itself. In that book, written just before the administration of President Peña ran into difficulties on the issue of Ayotzinapa (but anticipating that such a problem might occur), the proposal was for the president to acknowledge the unfeasibility of his project and undertake a complete transformation of his office. I thought then, and I still think now, that the president had the great chance of leading a transformative project that would not only act against corruption but also provide new relevance to a renovated political system.

Those sources of change may still be valid. In the chapters to come, I will develop an idea of how this process of change might happen. This chapter will address another potential source of transformation that was not covered before because I assumed that, in light of the three sources mentioned above, the country

would be capable of and willing to deal with its problems and challenges. The additional, obvious source of potential transformation is the outside world.

If Mexicans look at themselves in the mirror, they will see a cluster of contradictions. One contradiction, however, is the most blatant of them all: we pretend that we are part of the developed world, but we act like a nation from the developing world. This can be seen in all areas, down to the person who complains about another's poor driving skills without acknowledging his or her own ways of abusing the system. The president visits other nations and praises Mexico's improvements on different indices of competitiveness or human development, but does not embrace the international justice standards that are, or have become, an essential component of the civilized world. Local companies boast about competing with the best in the world, but still charge higher prices to Mexican consumers. The Mexican Constitution may have established the powers of the branches of government as well as the states and municipalities, but the secretary of finance (and everyone else) does not follow these principles at all.

The point is not to showcase what is evident, but to illustrate the contradictions that Mexicans accept but that may not be tolerable for external stakeholders used to international standards. Perhaps the most interesting case, due to its obvious and extreme nature, is credit rating agencies: companies that evaluate the strength of capital or debt instruments, whose judgments might determine exchange rates, levels of investment, or debt service costs. It is no coincidence that the government reacts with such eagerness toward the agencies, as it is aware of the consequences of ignoring their assessments. Credit rating agencies show how Mexico has implemented international standards in financial and other areas simply because it had no other alternative: the cost of not doing so would have been far too great.

It is not inconceivable that a similar trend might start to happen in other areas and sectors over the coming months and years.

For example, it may not be impossible that the net impact of the 2016 U.S. presidential election ends with Mexico imposing standards on justice, corruption, transparency, and regulation, as well as agreements in parallel to NAFTA. I do not propose such an action; I merely argue that, seen from the outside, it seems an obvious conclusion that if Mexicans are not able to reform themselves, we—that is, the new U.S. administration—will impose the reforms on them. Interestingly, Democrats and Republicans seem to be of a similar mind.

Notwithstanding Mexicans' preferences (and, regardless of shabby nationalism, I suspect that many Mexicans long for a foreign imposition of such reforms), Mexico has voluntarily stepped into the spotlight not only by being part of economic mechanisms such as free trade agreements with developed countries but also of entities that represent the essence of Western civilization, such as the International Court of Justice, the Organization for Economic Cooperation and Development, and the Inter-American Court of Human Rights. Although membership in these organizations was surely as a diplomatic strategy, participation in them has consequences. As transparency grows in importance, enhanced by technological advances and endless Wikileaks, Mexico will not be able to detach itself from these international principles.

In general, Mexico does not fully acknowledge the bad practices in its justice system, the acts of corruption and impunity, the lack of transparency in decision-making, and the capricious (by international standards) way in which government decisions or public investments are “reserved” and thus are not subject to public scrutiny.

It is in this context that a potential clash between the domestic common practices and the international standards may end up being important for Mexico's future. In general, Mexico does not fully acknowledge the bad practices in its justice system, the acts of corruption and impunity, the lack of transparency in decision-making, and the capricious (by international standards) way in which government decisions or public investments are "reserved" and thus are not subject to public scrutiny. The same can be said of the actions of the army or the police forces as well as the abuse of the property rights. The mere fact that different principles are applied in similar circumstances highlights the peculiar nature of the way the system operates, which the civilized world frequently condemns. As the world becomes more integrated, telecommunications makes information and its dissemination ubiquitous, and it is impossible to pretend that a country can withdraw itself from the standards that apply in other regions. It is even worse for a country that has successfully been admitted in all kinds of international bodies but then chooses not to comply with their rules.

In the past five decades, Mexico has adopted a number of rules, free trade agreements, and institutional commitments that have forced it to comply with such outside standards. The fact that it has not managed to transform the way it operates and decide on the aforementioned issues might not have had any consequences 30 or 40 years ago, but over time it has become harder to ignore. The reason is simple: companies that make much-desired investments in Mexico must comply with the country's rules, but if they fail to do so because the Mexican government itself ignores these standards, investments might cease. The main point is that the political system and the government structure still work as if these were 1930s or 1940s, when reality was different. Consequences will not be avoided.

In essence, the problem does not lie in accepting international standards but in the cost of not doing so. The case of NAFTA is paradigmatic not because it has been so successful but because

it has been less successful than it could have been. In Mexico, NAFTA was seen as the end of a process rather than the beginning of an integral transformation. It was conceived of as a guarantee for preserving previously implemented reforms, instead of a transformation process that would soon include the whole population. Yet at the same time, companies—and, in some cases, a few individuals—that joined with NAFTA wholeheartedly have modernized and transformed themselves, unlike the rest of the country. The results are apparent in the staggering differences in the economic growth rates within and across many regions; the inequality that is aggravated not only between the incomes of the rich and the poor but also between workers in modernized and traditional manufacturing sectors; and, most of all, in the current disparity of well-being that implies less prosperity, and lower growth rates, for everyone.

Although the Mexican economy has experienced significant changes, the political world is not even pretending to need any relevant reforms. As it is fully exemplified in the recent Mexico City Constitution, there is still a fantasy world in which the most important thing is not the substance but the rhetoric: great promises instead of tangible results.

A major question regarding the future is whether the little world of Mexican politics may be able to preserve its ways of being and operating within an increasingly integrated, pressing, and transparent international context. So many Mexican individuals, organizations, and public and private entities have profound links with the rest of the world and see those links as opportunities for Mexico's internal transformation. The imposition of conditions under international standards is right around the corner.

External pressure can only increase. It would be much better if the country made the decision to transform fully of its own accord.



X

The Problem of “Due Process”

Where-ever law ends, tyranny begins.

— John Locke

In the book *The Problem of Power*, I argued that, in order to break the impasse within the Mexican system of government, it would be necessary to advance toward the rule of law. In the short term, this would imply establishing a series of procedural rules known by all citizens and forcing everyone, starting with the government, to abide by them. If enforced, these rules of procedure could become the initial platform of a future consolidated rule of law. The quickest way to achieve this outcome, which would also help the government swiftly achieve legitimacy, would be to adopt “due process of law”—the most basic legal principle of developed countries, which for this reason presumably would gain widespread acceptance. Due process of law would be a straitjacket for the government that would enable it to recover the public trust, perhaps the most undervalued of all political goals but one that is the most important for the country’s future.

In its origin, the concept of due process implies a safeguard against the government acting against the law or in an arbitrary manner to deny people of their lives, freedom, or property. The due process clause provides four sources of protection: due process in legal action in civil and criminal cases, substantive due

process (respecting not only procedures but also the spirit of the laws), a ban of the issuance of laws with vague content, and a procedure for implementing a charter of citizens' rights. From this perspective, due process implies protecting citizens' rights regardless of which party or group holds a legislative majority or of the interests of whoever is in power. Legality implies that all parties will act in accordance with general principles (process) and with respect for these principles (their content or sub-

stance). Due process thus becomes the most important principle of legality.

In order to advance toward the due process—a sine qua non condition for modernity and development—we will need not only a vision and willingness to implement it, but a constant and decisive process of building the necessary government capacity for such a purpose.

The problem lies in how to shift from a regime where law is an instrument in the hands of politicians who seek to satisfy their own interests to a regime of legality where due process becomes the political regime's *raison d'être*.

Although in appearance this is only a conceptual and theoretical matter, it is actually a concrete concept that frequently determines the legality of an event. In the case of Florence Cassez, a Frenchwoman accused of kidnapping in connection with a criminal game, she

was set free when it was acknowledged that the police had violated her rights by denying her due process, an exceptional event in Mexico's history. The Mexican Supreme Court's decision was not that Cassez was innocent—that was never determined—but that her rights had been violated and, therefore, she could not be judged based on illegally or improperly obtained evidence. With

its actions, the government had abused its powers, and thus the courts decided to set her free. It was the fact that a person's rights had been violated that decided the Supreme Court's case, the first time in which the Mexican government has been so blatantly condemned for this type of violation. The protection that due process grants, the most important in judicial terms, forces rulers to strictly comply with a process in order to ensure that the rights of all stakeholders—defendants, victims, and investigators—will be respected.

However, the liberation of Cassez was highly unpopular in Mexico. Understanding the reason why the judges in the Supreme Court, as well as most pundits, saw the issue so differently from the rest of the population is paramount because it may provide a good part of the explanation for why it is so difficult to implement the rule of law in Mexico. It also explains why Mexico has found it so difficult and complex to take the second part of the transition that O'Donnell talked about—the transition to democracy.

To begin with, Mexico's great problem is the absence of counterweights, or limits to the exercise of power. Although many have talked about the rule of law and its importance as a foundation for the development of a country, the reality is that rule of law is an impossible endeavor when one person has the power to decide if a particular action adheres to what is established in the law. If compliance with the law relies entirely on a single person's decision or option, then the rule of law does not exist. The only thing that can force a ruler (and of course, the rest of the population) to comply with the law is the lack of other alternatives, which can only happen with a strong, articulated system of checks and balances.

If laws are seen as optional, the rule of law does not exist. All the same, building the rule of law requires a number of factors and circumstances that help institutionalize social and political processes. In the two previous books, I speculated about the processes and circumstances that could produce such a result, and concluded that adopting due process as a measure could,

as it gained credibility, become the foundation for establishing the rule of law. Nowadays, I acknowledge that even though due process is critical, the government's ability and willingness to enforce the law is as important, if not more so. It is pointless to have so many laws if they are not applied or are interpreted in arbitrary manner, according to the circumstances. For the rule of law to exist, the law must exist alongside capable and willing critical actors, such as attorneys general, who will enforce it. Unfortunately, due process is inconceivable if the state is not capable of enforcing the law.

I have continued to think about this matter, speculating on the best way to put due process in practice and listening to complaints and worries regarding its implementation. I have realized the inherent complexity of it, as well as a fundamental issue: in order for such a proposal to succeed, it needs an exemplary leadership, something that is not found in Mexico today. In other words, without strong leadership it is impossible to advance on due process, and without the enforcement of the law, due process and the true rule of law can never occur.

Furthermore, there are serious problems with the implementation of due process. Someone who has been the victim of a crime; who has lost a relative through violence, extortion, or kidnapping; or who has been robbed, slandered, assaulted, or experienced violence of any kind, wants retribution. He or she wants to see the killer, kidnapper, or extortionist in prison. This individual and his or her family do not care about having an impeccable judicial process, and their argument is indisputable: "Where were all of these processes when I was being harmed?" Inevitably, the notion of due process itself creates resistance, enemies, and opposition. These are all logical expressions of a population that has seen the consequences of criminality and no evidence that these patterns have changed. In this context, the release of inmates on the grounds of procedural reasons, even those who have voluntarily admitted committing a crime, is an insult to the victims; this insult is worsened when there is no evidence that

the prosecutor's offices, police forces, or the judiciary are acting any differently. That is to say, in the absence of due process, the only thing that victims see is that criminals are being freed.

None of the aforementioned alters the fact that due process is one of the cornerstones, if not the most important element, of a civilized political system, but it does indicate that more than a series of judicial decisions will be needed to make it possible. Indeed, judicial and police capabilities must be built in a way that makes it possible to develop a political-judicial system in which due process can be instilled. A simple way to explain this is that, in order to implement due process, all of the Mexican government would have to be thoroughly transformed. Since this has not occurred in the Cassez case, the population's grievance is completely reasonable. Undoubtedly, this should be the central goal, but it also describes the size of the challenge.

In terms of security and justice, implementing due process would imply the existence of professional police forces; experienced and properly trained investigators; and judges who are not only competent, educated, and experienced but who also can act within a context of supervision and accountability. This description of justice procurement requirements is a stark contrast from what happens in everyday life. And within that context, it is absolutely logical for victims and their relatives to protest the liberation of criminals: it is not a "level playing field."

María de los Ángeles Fromow, a former head of the Technical Secretariat of the Coordination Council for the Implementation of the Criminal Justice System, has explained the complexity of the process that Mexico must go through in order to achieve an impartial, prompt, and effective justice system (of which due process is a natural component): "Our justice system is a newborn. . . . But it is too young for us to demand that it speak on its own or to prove that it will be able to support all of the family from now on. . . . Justice is not an entity that has all answers; it is a tool used by individuals to respond to a social imbalance in a specific moment. . . . All institutions related to justice in Mexico

must change how they act in order to consolidate this justice system.”¹³ In other words, the establishment of rule of law is a long, complex, and winding process.

Although no one expects that Mexico will imitate more civilized countries overnight, the least that can be asked is that there be clear evidence that we are headed in the right direction. In order to advance toward the due process—a *sine qua non* condition for modernity and development—we will need not only a vision and willingness to implement it, but a constant and decisive process of building the necessary government capacity for such a purpose. Due process is not something that does not exist one day and is consolidated in the next one; as everything in life, it is a gradual building process in which customs, practices, and results must gradually be accepted. Everyone, from those who conceive it to those who have to endure the everyday battles, have to grow into a learning process which, at the same time, will allow citizens to realize that change is happening not only in discourse but in reality. The Cassez case was paradigmatic because nobody took responsibility for it: police forces and members of the judiciary saw it as a deviation, an aberration on how things work and how they should be handled. No one saw the case as an essential, aspirational principle but as an exception because the case involved a foreigner whose government was intervening on her behalf. With that, Mexico lost a great opportunity.

The third point is crucial: the question is who will take responsibility. A process as transformative as the one described here requires a leadership that is not only effective but visionary, something that has been absent in Mexico for decades. The current government promised major reforms and got stuck at the first sign of trouble, precisely when their implementation was put into question. If this can happen in areas that are not part of the central political structure, apparatus, and process, one can see why the group in power would be reluctant to head toward shaky ground.

The implementation of due process would imply the destruction of the traditional political system because it would eliminate its central element: arbitrariness. At the core of corruption, of political control, and of the operating ways of the old system lies the existence of vast discretionary powers in the hands of the president and the regime. These powers are so great that they enable arbitrariness and its other side, impunity, which translates into the opportunity to use the government for personal purposes, whether enrichment or use of power.

Implementing due process and the rule of law would mean the death of the old political system, and thus is it anathema to the political class of all political parties and groups, regardless of their beliefs. Unless a political leader emerges with a willingness to build a new system of government, based on a different concept of power and of the role of the citizenry, and is prepared to break the old system of privileges, the change will not come from within. The old system was created to allow the victors of the Revolution to enjoy and expand the benefits of their triumph. Those who created the system, the “Revolutionary Family,” built a regime to control those further down the chain of command and to allow those at the top of the ladder to enjoy their privileges. Although many things have changed, that essence remains, even if new actors have been brought in, especially the PRD and the PAN. No one has an incentive to alter the established order. If change will not come from within, where might it come from?

Everything stagnates in the justice procurement system because it is actually designed to not provide justice at all. Two recent cases suggest the way in which things might evolve. The first case comes from Guatemala, where a group of internationally renowned prosecutors, acting under the umbrella of the Inter-American Court of Human Rights, achieved the destitution of the President. The case, widely controversial even in Guatemala, points out the way in which the world is evolving—and, above all, the fact that the outside world is watching and sooner or later might be willing to act. There is no reason to believe that Mexico

might be exempt from a similar process in the future. All the same, Mexico has had a series of initiatives that have started to undermine the control that the traditional judiciary holds over these issues. One of these is the government initiative in ordinary justice, which attempts to bring justice directly to the issues that matter to the population in their everyday lives. Rather than solving major political affairs, the initiative looks into the abuse of bureaucracy, the lack of attention to patients in hospitals, problems in schools, excessive paperwork, and other matters

that affect ordinary people every day. There is no doubt that this initiative is tied up in government marketing and self-promotion, especially with the expectation that the population will accept solutions to small things and therefore disregard the larger questions. However, cases like the self-defense groups in Micho-

acán and other locations suggest that the population is fed up and is willing to act in defense of its fundamental interests.

I have no doubt that major institutions emerge in moments of crisis and that Mexico is undergoing an endless stream of crises. The government's inability or unwillingness to act will lead the population to act on its own, and will create an enormous challenge for the authorities. For years or perhaps decades, the government—or rather, the system—has managed to avoid a change in the status quo because of its enormous power over the government apparatus. However, it is extremely likely that in the future, this power will not be enough to preserve privileges that, at the end of the day, are nothing but sources of impunity. In extraordinary times, justice entails dealing with nonordinary solutions, and the Mexican government's response could end up determining the fate of the country.

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The Nature of the Challenge

Those who cling to the old order can't quite credit the sincerity of those who advocate the policy proposals of the new order because they are so unresponsive to the assumptions of the industrial nation-state about what the State is for.

— Philip Bobbit

Diego Valadés writes: “In Mexico, the efficacy of the State has been decreasing for a long time. . . . The lack of governability is an escalating process that undermines the legitimacy of the State. . . . The legitimacy of the State depends on the efficacy of the institutions.”¹⁴ In other words, the Mexican government has ceased to satisfy its basic functions, which has caused opprobrium in the population, growing civil disobedience, hatred in social networks, and, above all, an increasing risk of political conflict on the way to the presidential succession in 2018.

As I have argued here and elsewhere, the main problem of Mexico is the inefficacy of the Mexican government at all levels: federal, state and municipal. Of course, there are areas in which services work normally but, unfortunately, they are an exception. The quality of public services and the system of government

can be described either as lacking or poor. An unorthodox way of measuring quality levels is by observing the sort of crimes that are registered in the country: from persistent violence and murders in states such as Veracruz and Tamaulipas to extortion, kidnapping, and robberies in Mexico City. The severity of the phenomenon changes but its nature is the same everywhere. This finding does not take into account the poor quality of the roads, the lack of drinking water in countless regions, the floods suffered by parts of the population, and the overall bad quality of services provided by the government, starting with education. The question is what to do about it.

Public discussion on this matter has gone in two directions: on the organization and institutionalization of power and on the structure of the government itself—its functionality—at all levels. They are two different problems and must be understood and assessed in their own dimensions.

THE MAJORITY PROBLEM

On the first issue, that of power, there are two strands: one is that of the relationship between the executive and the legislature, concentrated on the possibility of requiring that a legislative majority be constituted so that whoever is elected president (or governor, or municipal president) can govern. The other focuses on the issue of legitimacy of those in power. Several proposals have been made to address these challenges, but there are two major ideas within the political environment. One proposes a semiparliamentary mechanism that would confer stable majorities to whoever is in power; the main proposal in this regard is some sort of coalition government. The most polished idea suggests that, once the presidential election has taken place, whoever wins the highest number of votes (if it is less than the 42.8 percent of the legislative votes to which the current law already grants an automatic majority) will be required to form a coalition that then would have to be approved by the Congress. This mechanism has issues because, in the end, it is a

parliamentary patch within a presidential system, but it is also a reasonable proposal to discuss in a context as conflicted as the one in the current political system. The other idea is to include a second round, a runoff, in the presidential election, a mechanism that is proposed as necessary to provide total legitimacy to the electoral result.

Proposals dealing with the institutionalization of power are an answer to serious concerns about the increasing violence in Mexican politics, but one has to wonder whether they tackle the core issue. The important question is whether one of these mechanisms would be enough to stabilize Mexican politics and set the foundations of a functional system of government, one capable of tackling the many deficits that exist today.

First, although the discussion on forging majorities is old—in fact, it dates back to 1997, to the first time the PRI lost the legislative majority—it is paradoxical that a solution is being sought today with such intensity. By “today,” I mean the obvious situation in which a series of the most ambitious, profound, complex, and transcending series of structural reforms since the issuing of the 1917 Constitution were approved. It is strange that the need to have stable and guaranteed legislative majorities is being discussed even though it has proved to be irrelevant in the approval process of the recent reforms. I wonder whether there is a nostalgic spirit in the search of these guaranteed majorities: Is it an attempt to recreate the PRI system through the back door? The systems of separation of powers, presidential systems, were specifically conceived to make changes in the constitutional framework difficult. In contrast to parliamentary systems, whose main characteristics is the unity of executive and legislative power, the presidential system in theory has counterweights in structural checks and balances.

Second, most of those who support stable majorities are the same ones who sought to remove the excoriated presidential system of the past. What we have today is a dysfunctional political system because the system of government was never

reformed and the apex remains in the presidency. It does not seem possible to solve this problem by creating artificial majorities (which, considering recent experiences, clearly are not necessary for governance). But the most important thing is that the problem does not lie in the relation between the branches of government but in the structure of government itself: the dysfunctionality, the lack of counterweights to the exercise of power (as seen in many cases of gubernatorial corruption), and the poor services provided to the population. The system of government is not designed to address people's problems and needs. In that

context, how can a legislative majority solve the problem?

The point is not redistributing power among those who are already part of the political elite but creating structures that institutionalize it, and force the powerful to be accountable and to respond to the people's demands and the country's development needs.

The reform of the political-electoral system is certainly needed, but if the diagnosis is mistaken, the product that comes out of it will be wrong as well. The risk of another reform, one that fixes the wrong problem, is that the problems end up worsening rather than being addressed and tackled. In addition, it is possible that even if minor issues are fixed, the truly relevant ones will be left out. The proposals might seem reasonable and logical, but they address only one part of the problem, if any at

all. In that sense, the current proposals for electoral reform are essentially power games among politicians—exactly what has created the current situation. Thus, they are not conducive to solving Mexico's current problems by excessively concentrating power in a small group that hoards it and employs it for its own goals. The point is not redistributing power among those who are

already part of the political elite but creating structures that institutionalize it, and force the powerful to be accountable and to respond to the people's demands and the country's development needs. This point, which should be obvious, clearly is not.

That said, the political problem is not minor at all. The structure of the current political system is what remains of the old PRI system built by former President Plutarco Elías Calles almost a century ago, and it does not respond to the current circumstances. That system was created to concentrate power and institutionalize conflict in the post-Revolution era, whereas today's problems emerged from the new socioeconomic reality, geographical dispersion, and social and political diversity. The problem was not caused by a specific individual or party; it is the result of a stagnant political system that never fully adapted. Although a president might lead a transformative process, the reality is that the structure itself is wrong, something that cannot be solved by one person alone. Some presidents, such as Vicente Fox, wasted extraordinarily favorable circumstances to launch reform attempts, but in the end it comes down to negotiations, leadership, and political agreements.

In past decades, a series of political and electoral reforms produced, over time, an incipient yet stagnated democracy. The problem is that there has never been an integral diagnosis—done from the perspective of power—of the political structure. The government has responded to crises, but never created a new political platform capable of action, negotiation, and leadership. Hence, there is no mechanism that allows for the people to participate effectively in decision-making. Of no lesser importance is that citizen participation in the political process must cease to be optional and become a political reality.

In brief, it is possible that electoral reform is needed, but this will not solve the structural problem of power or develop a more effective and responsive system of government. For this to happen, it will be essential to understand the other side of the coin: the citizenry.

Every time that the possibility of political reform is discussed, myriad proposals aimed at advancing citizens' interest typically pop up, though it is not obvious that this is their true objective. These proposals generally focus on referendums, recall elections, and the issue of reelection. Each of these mechanisms has its own rationale, but they all purport to bring the government closer to the citizenry. Such a thing would certainly be welcome. Nevertheless, none of these proposals have succeeded for an obvious reason: they all call into question the current power structure. The case of reelection is paradigmatic. Although a reform allowing for reelection was approved to start functioning by 2018, it included a condition—the approval of the party leader—that made irrelevant the mechanism that, in principle, was supposed to “empower” citizens. Both referendums and recall elections are debatable tools that few countries have used for a very specific reason: they enable small minorities to impose their law over the majority. My own opinion is that the Mexican political system is too immature to implement mechanisms that are so prone to manipulation.

CITIZENRY, PROGRESS, AND POWER

If one observes the phenomenon of control from a citizen's perspective, rather than from the vantage point of power, the outlook is quite different. This may explain why so many structural and electoral reforms have not ended up creating a platform for the country's stability, economic growth, or a more streamlined and responsive system of government to promote development. A telling sign of the way in which citizens' perception has evolved from years of downfall and despair is rejecting everything, mocking rulers, voting against whoever holds power, and trusting that the abuse will not get worse. The reality of the average Mexican in the face of power calls to mind a famous conversation between the former Argentinian president Carlos Menem and the mother of Argentinian singer Facundo Cabral: reportedly, Menem warmly greeted the mother of the singer, saying some-

thing along the lines of “Madam, I am a great admirer of your son. Please tell me if there is something I can do for you.” After a brief silence, the mother allegedly replied, “Not screwing me would suffice.”

Rather than analyzing the power games behind the proposals for electoral reform, it is important to understand the contrast between the government’s functions in its everyday activities at its three levels and Mexico’s development needs. Seen from this perspective, the country has had many reforms in all sectors but has not managed to change what is most important: creating a sustainable foundation for development.

The case of the current administration is telling. Mexicans have lived under one of the periods of highest legislative “turbulence” (as the substance of the 1917 Constitution was crucially altered) in recent years. Nonetheless, not only have the problems not disappeared but disillusionment continues to increase. Part of it may have to do with the excessive promises of the potential benefits to be derived from the reforms, but it is also possible that the main cause has more to do with the nature of the reforms themselves and, above all, the diagnosis that led to them in the first place. This is not to criticize the reforms per se, but to point out the misleading propensity of accepting trends as certainties and changes in paper as transformed realities. The national discussion has come back to the diagnoses: whether the problems are the reforms themselves, corruption, impunity, the political class, the parties, or the absence of the rule of law. Some of them are symptoms and others are potential causes, but it is essential to determine which is which before signing pacts, approving laws, or pretending that the solution to such a complex situation is around the corner. The only thing that is evident is that all of these are elements—components—of a complex picture with which the country, and especially the government, has to deal.

In his most recent book *Political Order and Political Decay*, Francis Fukuyama offers some perspectives that could be useful in

understanding the current complexity.¹⁵ His main conclusion is that the order of factors does alter the product but not in a deterministic way: for a country to achieve stability, order, and progress, it must have both a competent government and an effective accountability system. However, if the former does not exist, the latter will only serve to hinder the government's functions.

The countries that first built competent and effective bureaucracies and then achieved democracy tend to be more ordered, effective, and noncorrupt, but their governments are usually less responsive to their citizenry's demands. The typical case illustrating this point is Germany, a country that Fukuyama compared with the United States, where democracy preceded the construction of a strong state and where the organized citizenry has enormous influence over the decision-making process. An extreme scenario of the first example would be China (very effective but not democratic at all), and the second example could be Greece (very democratic yet extremely dysfunctional). Where does Mexico fit in?

One way to assess Fukuyama's argument is by observing the systems based on patronage and clientelism; a system that grants favors ends up drowning in corruption and is highly resistant to change. Clientelism, argues Fukuyama, is an "ambiguous phenomenon" because it is "inherently democratic" but also "systematically corrupting." Governments devoted to building, enhancing and exploiting clienteles create incentives for everyone to see politics as an opportunity for personal gain. Likewise, when Fukuyama evaluates underdeveloped countries, he writes that what makes nations like South Korea, Vietnam, or China different from those in sub-Saharan Africa is that the former are characterized by the existence of "competent, high-capacity states," in contrast with those that "do not possess strong state-level institutions." The key, he argues, lies in the strength and capability of institutions, not in the ideological or ethical (that is to say, cultural) orientation of society. Wherever there are strong institutions, there will be a capable government, and vice versa.

Whichever is the right diagnosis of Mexico's problems, it is evident that its institutional weakness is staggering, which leads one to ask two crucial questions. First, is the government willing to face a problem that was not among its priorities and that has surpassed it within the past two years? And second, will Mexican society accept that some of its advances in democracy are also part of the problem because they hinder the existence of a functional and accountable government?

Regarding the first question, Mexico lacks a government that is capable of even the most basic elements of governance: security, justice, infrastructure, and willingness to generate public trust. On the second question, the government's ability to approve the reforms should be enough for a great exercise in leadership that would allow it to distinguish what is desirable from what is needed. What is not expendable is a functional government.

The problem is evident and acknowledged, but nothing has been done to face it. If the government and politicians do not solve it, is there something that society can do? Previous chapters mentioned three possible sources of change: (1) a great leadership, (2) a crisis, or (3) mass mobilization. In the past months, Mexico experienced moments that can easily become sources of enormous opportunities, whether because they are crises or because they convert into possibilities for transformation. One was the election of Donald Trump to the U.S. presidency, a circumstance that has the potential to be catastrophic for Mexico and thus a source of unusual national unity if handled well by a great leadership. Another could be society's frustration with politics, as expressed in the 2015 midterm elections and, most of all, in the 2016 state elections. In both cases, the population broke with tradition and condemned the outgoing administrations. What was striking was the lack of mobilization, from below or from above, in the face of such potentially transcending situations. The danger of the lack of action is double: on the one hand, the growth of messianic leaderships; on the other, society's support for radical movements.



XII

Impunity and Corruption

When pluralism arrives but the judicial legs of the table are broken, the furniture teeters and may collapse. The alternation of parties in government and a multiparty system with a weak rule of law invite uncontrolled revelry: there are no rules of respect or limits on the exercise of the right to drink.

— Luis Carlos Ugalde

Few things offend 21st-century Mexican society as much as corruption and impunity. These two elements have led to social calls to “do something” to stop these vices. There are so many appeals for action that it is valid to question whether tackling these challenges could transform Mexican society.

Impunity has many faces. It can be observed in corruption, abuse, criminality, bureaucratic excesses, extortion, unproductivity, and disregard for the law or unwillingness to comply with it. The different shapes and faces of impunity are a product of the system, which enhances them because they are its essence. They are symptoms of a series of arrangements that were functional for some time because they obviated the imperfections generated by the political structure that emerged from the

Revolution. As Mexico's current hopes for success have more to do with the institutions' functionality, as well as the country's economic growth and well-being of the population, the system ceased to be as useful as it once had been. What used to solve problems is now what sparks them.

The question raised throughout this text is straightforward: how are we going to change the status quo? If what we have today is dysfunctional but the political system is entrenched in such a way that it is impossible for it to change (or is not compelled to do so), then the real question is how such a system can actually change. Corruption and impunity have become large burdens crippling the functioning of the Mexican economy and, perhaps more important, they have altered social perceptions in such a way that nothing will function properly unless these phenomena are addressed. But how can we do so?

For some, the solution consists of exposing the issue in a systematic manner, perhaps with the goal of creating social pressure that eventually will lead to a societal explosion, a sort of popular outcry that will make it impossible to avoid the issue. For this purpose, advocates of this approach tend to show cases of alleged corruption without ever providing evidence, which tends to discredit both the inquisitor and the defendant. For others who take a more technical approach, the solution lies in modifying the laws and incentives that enable spaces for corruption and impunity. Several experts, especially economists, have tried to propose changes in the incentives that cause public officers to engage in corruption or pretend not to see that it is there; they attempt to achieve this shift not through judicial processes but by removing the causes of corruption itself. Others propose mechanisms that alter the ancestral mindset that attempts to solve issues outside of the formal channels, regardless of the reasons why these official channels do not work in the first place. Concerning this matter, there are endless campaigns that advocate not engaging in corruption, which are aimed at generating goodwill more than at addressing the animal instincts that

characterize the human race. Beyond the various programs and proposals for change and their strategies, all of these efforts indicate that the source of change in the future will have to come from organized society. Complaints and opprobrium have a limit: they delegitimize, but they do not change a thing.

Impunity and corruption have acquired cosmic dimensions within the public imagination. Because of this, it may be possible to convert these social ills into the catalyst that forces a total transformation. Nonetheless, before reaching any conclusions, it is important to understand the phenomenon. This chapter will focus on the phenomena of corruption and impunity from various perspectives, contrasting differences that allow them to be understood in an integral way. For practical purposes, I use the terms *corruption*, *impunity*, *extortion*, and the like not as synonyms—for they are not—but as different expressions of a same phenomenon. In the end, the crucial matter is not to focus on these distortions of the normal functions of a society, but on how their causes may be attacked or, perhaps more adequately, if their causes can be attacked.

SEVERAL EXPRESSIONS OF IMPUNITY

The corruption problem is real, although it is hard to grasp because it has countless layers. It is not only the government, drug traffickers, political parties, or abusive vendors. It is a phenomenon that encompasses all society and affects everyone in different ways. Some react with rational emotions, others take inflexible stances, but everyone adapts somehow.

Argentines use the term “Creole cunning” (*viveza criolla*) to refer to the “opportunistic predation: the promptness to gain the maximum profit at any opportunity, without skimping on resources or the consequences or the harm inflicted upon others.”¹⁶ This is no different from cutting corners or obtaining something by buying off an inspector, a restaurant manager, or a police officer. They are ways in which the population adapts to the current rules

of the game. The “cunning” individual who gains an advantage by employing these tactics does not calculate how this affects society or the functioning of the economy; his or her main concern is to solve the problem at hand or capitalize from the status quo. Of course, this way of being entails costs and has consequences, but these are only seen as part of a collective problem instead of individual actions. For decades, this philosophy worked quite well because it was completely compatible with the post-Revolution political system. As the functioning of society and the economy started to depend on factors such as the quality of products, the price of services, or the productivity of production processes, the old way of functioning stopped being compatible with these factors. Perhaps therein lies a large part of the explanation for Mexico’s current economic backwardness.

Corruption is not new; what is a novelty is the fact that it has become so extraordinarily dysfunctional. In any sector in a traditional rural or industrial economy, bribery was a way of solving problems. The inherent distance of the rural life and the work discipline of the industrial floor favored the controls exercised by the political system without any major consequences. In the knowledge economy, the added value is found in intellectual work, from computer use to information analysis. Even in the countryside or the factories, today (almost) everything is all about information. What used to be functional is not anymore, and this is equally true for the most successful businessman or the humblest of farmers.

In my youth, I worked for two summers in the office of a developer that sold plots on credit for people with very low incomes. The contract established monthly payments and any person who did not pay on time risked losing their plot. I reviewed the cases of individuals who showed up to pay after several months of delay. It was shocking to see how they would take out rolled-up bills, a product of the small savings they had accumulated over time. Most cases had a solution and were immediately settled. What was more striking to me is that at least one in every three

individuals who were able to solve their problems wanted to give me a bit of money as a show of gratitude. They were people who were used to navigating in the turbulent waters of a bureaucracy devoted to abusing the population instead of complying with their most basic responsibilities.

Corruption has plenty of faces and derivatives. A lot them entail the interaction between public and private actors but others are exclusively public or private. White-collar crime, when an employee steals things from his office, is not very different from evading taxes. The use of privileged information on public work projects has been a traditional way in which public officers enriched themselves throughout history and does not involve private actors, but is not essentially different from the appointment of building contractors that overcharge for their services and allocate the “surplus” among the public officers responsible for it.

How do you tackle this problem? There are two ways. One derives from the belief that authorities will respond to any case of corruption or, in other words, the fear of having the alleged or potential crime made public. The other has to do with the incentives that involve the public officer (or his or her private-sector equivalent): in the absence of accountability, corruption is a cheap and effective way of avoiding conflicts. However, when there is effective accountability, no one dares to incur the costs of corruption. The incentives to be corrupt and the threat of authority make corruption possible or impossible.

Some 20 years ago, when the first cases of express kidnapping started to happen, I went to the drivers’ licensing office to request a change of address so that mine would not appear on the license itself. With a copy of the property papers from a friend’s office, I went to request the change. I explained my reasons, and the answer I got was: “It will cost one hundred pesos.” As I did not fully understand what the registrar meant, I asked what I was being charged for. The answer was impressive: “The service of changing an item in the registry costs one hundred pesos, regardless of what is changed.” I sarcastically asked if that included

a name change. “It’s one hundred pesos for every change.”

The traffic policeman is perhaps the most frequent “inter-phase” between the authorities and the citizenry. When someone runs a stop sign or makes a wrong turn, the issue is clear and transparent; there is no room for interpretation. However, the biggest contrast between the driving licenses in Mexico (at least in Mexico City) and the rest of the world is that in the former, no driver knows the rules. First, the rules are changed frequently; there is no recently elected local government that will not issue new rules, doing away with the previous code. But in Mexico City, something else happened: in order to reduce or eliminate the corruption found in the issuance of driver’s licenses, the solution of our beloved bureaucrats was to remove tests for driving skills, knowledge of the rules, or eyesight. Perhaps doing so might have decreased corruption in the administrative process, but I wonder if it is not more corrupt to enable people who do not know how to drive to roam the streets. Thus, it is unavoidable that a policeman will take advantage of an unwary and ignorant driver. Perhaps that is why the code changes often. In the state of Mexico, policemen frequently will stop vehicles that have Mexico City license plates, regardless of whether the driver has breached the law. The threat of taking away the driving license or the license plate is enough to make the strongest person tremble.

The point is that there are no clear, known, and enforced rules, a key element of the rule of law. Corruption is a product of all the government structure created and conceived to control the citizenry. When the federal government had unchecked powers, the worst and most absurd excesses of corruption were controlled. Nowadays, every policeman, inspector, or public officer sees his or her post as a way of gaining wealth. The difference between before and now does not lie in the strength of institutions, but in the fact that in the past, the authorities had the power to impose order on everyone, including on the police—but today, everyone is an independent agent. No one should be surprised to see a

stagnant economy and a citizenry that despises its government. The problem is not the state, but the system.

NOTHING AND NO ONE IS BEYOND THE THRESHOLD

Impunity is everywhere. There is not a minute in which a citizen will feel certain that his or her rights will be protected and his or her safety will be defended. Small businessmen live under the pressure of inspectors and bureaucrats; there's no difference between those who rob their businesses or waste their time with repetitive, absurd, or unnecessary paperwork. Judges are unpredictable: they can pardon or punish without any explanation and they frequently conspire with bureaucrats, public officers, or other interested parties. The everyday citizen lives under the harassment of authorities and a bureaucracy that have never acknowledged, not even by chance, that their jobs are paid for by the taxpayers and that they are there to serve them. Impunity is rampant and that is without taking into account the general context which, we all know, is not legal and does not pretend to be.

Impunity is not a new phenomenon in Mexican society, but it has become the constant factor found everywhere and at least partially explains the conduct of many Mexicans, from those who leave the country to seek better opportunities to those who steal everything that they can because there is no future in sight. Impunity produces abnormal and antisocial behavior, a true anomie, demeanors that soon become natural, logical, and (within that

Impunity produces abnormal and antisocial behavior, a true anomie, demeanors that soon become natural, logical, and (within that perversity) legitimate.

perversity) legitimate. The association that many politicians have with poverty and criminality is a perfect example of how this world of perversion and impunity can distort reality to advance a political cause.

Although impunity has a long history, it used to be a rare phenomenon. Of course, bribing existed, but alongside it there were mechanisms (political, not legal) to control excesses. A similar thing occurred with crime rates which were literally managed by “the system” built after the Mexican Revolution. The system never managed (nor pretended) to be based in legality or in accordance with the citizenry’s demands, but did have as its objective to organize society and the productive processes to make development possible. It was undemocratic and did not always respond to the population’s demands, but it fulfilled the goal of setting a limit to excesses and managing impunity.

The decay of the old PRI system, which began at the end of the sixties and accelerated year after year, opened a Pandora’s box. On one hand, the government, which used authoritarian control mechanisms at a moment’s provocation (as was illustrated with the 1968 protests), became the main supporter of illegal causes. From the 1970s onwards, much of what had previously been institutional within the PRI moved on to the world of the illegal. In the past, the most important organizations of the system were those that were integrated into the party’s factions, such as the National Peasants Confederation, the National Confederation of Popular Organizations, and the Confederation of Mexican Workers. Afterward, the PRI, and urban life in particular, started to be characterized by organizations that were illegal in both origin and reality: land poachers, unauthorized taxis, unlicensed street vendors, and violent groups. The system, which managed to implicitly acknowledge the population’s perception on its lack of legitimacy, ceased to manage the impunity that had contributed to development for so many years and ended up becoming the greatest champion of illegality, impunity, and corruption.

The PRI's defeat in 2000 ended up destroying what little was left of the old institutional structure. Even though that change was not a novelty, it was indeed dramatic. Although the institutional structure had experienced a constant and systematic decay throughout three decades, the presidential institution still held much of its power, a lot of it from the relationship—marriage might be a better word—of the PRI and the presidency. These characteristics provided the presidency with powers and instruments unimaginable in any democracy.

The arrival of a new political party into power in 2000 changed the country forever but not necessarily in a good way. Certainly not because of the fact that this party, the PAN, had always made tackling corruption its central mission. Although the old system had experienced a systematic decay, nothing was made to build and develop institutions that would exercise the most essential government functions, starting with public security. The government that was inaugurated in December 2000 did not have the old powers, largely because of the “divorce” of the PRI and the presidency, but moreover it had no experience in exercising government functions and did not acknowledge how critical the moment was for the future of Mexican government. More important, its succession to the presidency implied the separation of the presidency and the party devoted to control. The effect of these three factors was the migration of power away from the presidency, and a radical change in the country's power structure.

Suddenly, the formerly almighty Mexican presidency gave away its powers, without realizing it, to the actors that were able to take them. The electoral reform of 1996 granted political parties the exclusive monopoly of power and thus, political parties strengthen their position. Congress became the main counterweight for the presidential power, and governors became masters of their states, inspiring the famous saying that Mexico went from monarchy to feudalism. If that migration of power was limited to the legally established powers, the situation could

have been uneven, but not something more serious. Unfortunately, power was not transferred to those entities alone, but also migrated to drug traffickers, criminals, guerrilla fighters, corporate unions, and all kinds of particular interests and groups, many of them illegal.

Impunity became the country's new reality. In the absence of the old presidential system, the mechanisms that had allowed a pacific coexistence and an insufficient but functional development vanished. That system turned out to be unsustainable in a growing and thriving society, but it had worked for decades until it died from starvation and lack of vision; starvation for the gradual loss of its sources of support; and lack of vision because it was not able to build new institutional structures for a society in economic, political and social transition. The result of this clash of interest and blindness caused today's pathetic reality. Even worse, it created plenty of vicious cycles that make it very hard to stop the spiral of everyday corruption and impunity.

DOES CORRUPTION MATTER?

Corruption was a matter of profound reflection when the Founding Fathers of the United States discussed the elements that should be incorporated into their new constitution. Alexander Hamilton argued if the constitutional model inherited from the British were purged, then "provided it could be stripped of its corruption and give to its popular branch equality of representation . . . it would become an impracticable government; as it stands at present, with all its supposed defects, it is the most perfect government which ever existed!"¹⁷ For Hamilton, corruption was an unavoidable cost of public life. In the end, Hamilton's vision lost and the integral system of checks and balances postulated by James Madison emerged as the victor.

Two hundred and thirty years later, the public arguments in Mexico are almost the same. There is a notion that, first, this has always been the way things have been and therefore they

will continue to be so, and second, because corruption enables things to function, its cost is minor. Although there are figures that suggest an incremental cost (over 1 percent of the country's annual GDP), it is evident that corruption has mutated and that what may have been valid in the past may not necessarily be valid now.

Beyond the specific characteristics of the phenomenon and how it has changed, what should worry us all is not the fact that a public officer may enrich himself once he has reached power—this is a common occurrence—but the fact that corruption has become generalized, permeating through all political parties and the whole of society. It used to be a factor that mitigated conflicts or sped up the implementation of projects, especially public works (a traditional source of corruption), but at present it has metastasized in a way that may end up paralyzing not just the government but the entire country as well.

In a brilliant 2015 essay, Luis Carlos Ugalde describes the nature and dimensions of this phenomenon, showcasing the way in which the pyramidal corruption from the age of the authoritarian presidential era has been “democratizing” by having incorporated all levels of government, parties, and political powers. What used to be a concentrated instrument for political cohesion has become a mechanism of political control in the hands of a growing number of actors. Even worse yet, the omnipresence of corruption in government led to widespread scorn from society, a scorn that has evolved into hatred.¹⁸ The democratization of corruption has created an effect that, combined with impunity, has spread to other sectors of society. Previously, corruption had occurred because privileged information was available within the government (for example, building a land plot knowing that a highway would be built there), public expenditures could be used for private affairs, or opportunity was available in the interaction between public and private actors (for example, government purchases). Today, corruption is a frequent phenomenon in transactions between private actors (for example, purchasing adver-

tisements) and has become entrenched in the definition of the rules of conduct (for example, hospitals requiring unnecessary laboratory studies to make treatments more expensive).

Rationalizing corruption as an ancestral and cultural vice might create and nurture political clientele. The political parties themselves have incorporated increasingly extreme and absurd regulations for campaign finances, and which they immediately break: a figure suggests that the average campaign costs 20 times more than what is allowed by the law. Far from being an exclusively monetary phenomenon, corruption has altered Mexico's lexicon, rhetoric, and overall activity. It might appear as a mere semantic change, but what it really implies is that corruption has ceased to be seen as a "necessary evil" and has become the only way of handling public life. This "small" step implies that there are no limits, and anything goes. Every trace of community, organized society or realm of the law disappears and becomes unattainable. History shows that this is the best breeding ground for messianic, populist, and authoritarian leaders.

Most of the proposals for solving the problem merely tackle the symptoms. The legislation on transparency was diluted by the exemptions, some more logical than others, crafted by plenty of government entities. But the discussion of the dynamics that characterized this process is revealing on its own: all efforts were concentrated in improving transparency and prosecuting violations rather than eliminating the causes of the phenomenon. The chosen name of the proposed instrument to tackle the problem—"national anticorruption system"—reveals much about its limitations.

The problem of all proposals that have been presented to tackle corruption is that they do not dare to acknowledge the root cause, the reason why corruption has been "democratized." The problem is not about corruption, violence, criminality, or drugs, but with the lack of a professional system of government that

has rules with which it must comply and can enforce. Mexico went from an authoritarian patrimonialism of controlled corruption to a patrimonial disaster in which corruption metastasized. Nothing will change without a modern system of government, with a professional and apolitical bureaucracy anchored in the realm of legality. As long as this does not occur, the decay will remain and the economy will reveal mediocre results. Reforms are necessary, but without government or law, nothing will change.

CORRUPTION AND GROWTH

It is rare to find a discussion about the causes of the poor economic performance without corruption as an explanatory factor, even more if the discussion takes place abroad. The implicit assumption is that corruption inhibits the development of markets and discourages investment, therefore hindering growth. Although this assumption could prove to be true in some cases, the argument is old and overused. Examples, especially in Asia, clearly contradict it: countries that grow at high speed despite the prevalence of corruption. What is the actual problem?

In his final, posthumously published book *Power and Prosperity*, Mancur Olson asked what is worse: a tyrannical and authoritarian government, or the frequent assault of a band of guerilla fighters and thieves. Olson argues that, throughout history, it has been better for human societies to live under the stranglehold of an authoritarian and despotic government than to be subject of frequent abuse from a bunch of thieves. Although both kinds of government can be abusive and predatory, it is convenient for a tyrannical government to have the best possible economic performance, since this performance includes a constant flow of taxes. This does not occur with thieves that arrive, steal everything that they can, destroy everything that they see, and then flee. In other words, a despot (a sedentary thief) keeps taxes low enough to foster continuous economic growth and may enhance incentives to strengthen investment and increase the growth of productivity, all with the aim of attaining revenue. Whereas

thieves or guerilla fighters will assault whoever they want and destroy everything in sight, the despot has an interest sustained in medium-term economic development.¹⁹ Is it the same case with corruption?

Jagdish Bhagwati continues with this argument and offers a much simpler and convincing explanation: "A crucial difference between the two countries [China and India] is the type of corruption they have. India's is classic 'rent-seeking', where people jostle to grab a cut of existing wealth. The Chinese have what I call profit-sharing corruption: the Communist party puts a straw into the milkshake so they have an interest in having the milkshake grow larger."²⁰ This deepening of Olson's argument explains much of what differentiates Mexico from the countries that grow at a faster pace: not corruption itself, but the type of corruption, because it kills the goose that lays the golden eggs. Rent-seeking behavior, not corruption, is the problem.

The important point about Bhagwati's argument is that rent-seeking is not exclusive to a specific sector, group, or activity. He refers to rent-seeking in a way that indicates that it does not matter whether it involves a businessman controlling a sector of the economy or a bureaucrat "buying" goods for Pemex that are never actually delivered so that both the bureaucrat and the business split the payment. Corruption, defined as the erosion of the existing wealth, requires an explanation for what is hindering development: predatory unions, controlling businessmen, heinous bureaucrats, thieving politicians, public officers who buy land plots where public works will be built. In each of these cases, the rent-seeker's interest is to have a piece of the wealth, which makes economic growth an unattainable goal.

Indeed, not everything in the country is corrupt. Some sectors have quite competitive and exemplary public officers. Many companies are flawless but face an environment of corrupt practices in which their competitors and public workers abuse their positions. Likewise, there are also blue-collar workers who go to great lengths to increase productivity because the viability of

their job depends on it. The problem is that much of the government-society relation and of several political decisions—from privatizations to inflation, state monopolies, and the protection of public and private companies—have created a country of rent-seekers, of sectors and groups that prey on and live off existing wealth and do not foster the creation of more wealth. Therein lies the heart of the problem.

Of course, corruption has to end, but ending it is easier said than done. The cynical solution would be for the government to modify the nature of corruption so that, without affecting powerful groups, its dynamic would be changed. It would try to imitate China rather than India, all under the idea of “if you cannot beat them, join them.” Regardless of the feasibility and ethics of such a course of action, the real solution lies in eliminating the factors and incentives that favor the type of corruption Mexico experiences. Some may propose to do so via punishments, such as by creating new instruments and mechanisms to tackle it (in other words, more controlling bureaucracy), but the logical thing to do would be to incorporate competitive mechanisms in, for example, public sector bidding contracts, the tenders of new television networks, and other spaces where rent-seeking corruption is burgeoning.

EXPOSING CORRUPTION OR TACKLING IT?

The dilemma is as follows: exposing the corruption and impunity, or tackling them. This is not wordplay but a political standpoint. In a hypothetical scenario, it would be possible to differentiate between those who propose or emphasize one type of action over the other according to their perception of what is possible. Those that are sure of the prevailing decay tend to be activists, and prefer public scandals as a way of creating a breeding ground to tackle the core issue. Yet those who know the belly of the beast know very well that there are endless mechanisms, all of them perfectly established and renowned that make corruption possible. The former are political activists; the latter tend to

be auditors, managers, and pragmatic politicians. The decision on how to face this issue is deeply political and entails real consequences in everyday life of both society as well as politics.

Let us start with the obvious: in Mexico, everything seems designed for corruption to flourish. The institutional rules are defined in such ambiguous and discretionary manners that it is always possible for a given politician to unmercifully punish a perfectly legitimate and adequate action when it is convenient. Corruption is thus not a product of chance but comes from an implicit design that makes it possible and everlasting. If it is to be eliminated, the rules that enable it ought to be modified. Yet if the goal is political, corruption will not end: as the examples in this chapter suggest, it will simply continue to mutate.

Regarding corruption, the relevant question is not moral but practical. If one assumes that there are equal numbers of honest and dishonest individuals, then the key is not the people but the environment and institutions that limit their acts. If this was not the case, we would have to accept that the morals of an individual determine the corruption possibilities in an activity or public post and we would immediately fall into the lack of definition to which many PRI members refer when they say “do not give me anything; just put me where everything is.” It is obvious that the issue is not about morality, but opportunity. The question is what creates the opportunity of corruption.

Corruption flourishes under two evident conditions: darkness and discretionary powers. When there is no transparency and clarity on the governance processes within a specific state or region, its public officers have plenty of opportunities to take advantage of the situation. If decision spaces that are not subject to public scrutiny exist, they provide an opportunity for dishonest public officers to use the circumstances to their benefit or that of their cronies. A similar thing occurs when the legislation or regulations ruling the functioning of a public company or a government entity grants workers discretionary powers so vast that they enable all kinds of interpretations when making a decision. When

authorities have the power to approve or reject a petition, permit, or acquisition without a scrupulous analysis or procedure and without having to provide any kind of explanation, then the possibilities for corruption are endless. In addition, these possibilities increased when there are no sanctions for violating the regulations—including, for example, the lack of transparency, even if transparency is enshrined by law.

The point is that corruption does not emerge from a vacuum. The rules that regulate the decision-making process are the ones that create or prevent the existence of opportunities for corruption. If this is blatantly obvious, then the way to end corruption is to ensure that the rules of the game, whether in the judicial framework or the way in which decisions are made, make arbitrariness impossible. The rules must provide the authorities with necessary discretionary powers, but not ones that are so ample that they will entail a substantial change in regulations.

There are four ways in which it would be possible, at least in principle, to break the vicious cycle of corruption and impunity in Mexico. The first is by ending the incipient democracy that the country has been experiencing. This is precisely what Russian president Vladimir Putin did: in 2005 (and again in 2013, reversing an earlier attempt at reform), he ended the direct election of governors and returned to the old system of centralized appointments; later, he cornered the Russian Parliament, limited the opposition, and took control of the internal processes. By recentralizing power, the Russian president built new institutions, strengthened the police forces, and obtained widespread popular support. Although the current Russia is nothing like the old communist system, the democratic system of the 1990s quickly vanished—and importantly, there was popular support for these actions.

A second avenue for tackling the problem is by modifying the power structure that lives off the ambiguity inherent to all of the political system, an ambiguity that favors ample discretionary powers bordering on complete arbitrariness. If Mexicans truly wanted to end corruption and impunity, this would be the best alternative.

A third idea for breaking the vicious cycle is to change the power apparatus, ceding (in altruistic fashion) its sources of power and financing. As this will not occur, the question is whether society can force a change within the power structure. That was my proposal in *A Mexican Utopia*, where I argued (while knowing that it would not happen) that the president should lead this change. In fact, in the following book *The Problem of Power*, I analyzed why this was an impossible task: given the structure of interests and privileges within Mexico today, the notion of attempting a transformation “from within” was quite naïve.

A fourth line of action, subscribed to by a large group of activists, is often based on publicly displaying the issues rather than analyzing them. Its goal is not to change, amend, correct, or solve the problems, but change the system altogether. Indeed, a growing number of organizations are dedicated to constructing institutional solutions in aspects such as transparency and accountability. These organizations nonetheless are the exception: only a thin line separates institutions that base their work in a serious analysis and propose solutions from those that are led by activists who advocate exposing and fighting cases that they consider (without analyzing them), to be examples of corruption. Generally, activists base their activities in the abuse of information, and they follow precooked political agendas in their protests and publications. Some of those who follow this line of action have a clear goal; others think that public scandal is an acceptable way to carry out the necessary changes. In any case, the problem of this strategy is that it is based on the principle that it is not possible to change or improve the current system but that it is necessary to eliminate it. Consciously or not, such a position is more about political movements than about projects dedicated to tackling current problems within available institutional frameworks.

These four alternatives ask the obvious question of whether the necessary change can come from Mexican society. The evidence suggests that, for whichever reason, Mexican society appears to

be severely limited in its ability to lead transformative processes. Some polls commissioned by the National Electoral Institute²¹ even suggest that Mexican society is particularly passive—although nothing prevents this passivity from changing, especially with a growing perception of freedom and a more visible appearance of corruption. Rather, activists have become more important owing to the lack of a society that is willing and capable of organizing and acting on its own. Herein lies the key disquisition on whether society can make its own rights in an era of competition and democratization. It is not a trivial dilemma.

The Mexican political system was built to pacify the country and to reward the winners of the Revolution. The system that emerged from it achieved both goals but had the effect of being frozen in time, preventing its natural evolution in pace with the growth and development of the Mexican society and economy. Corruption, impunity, informality, and other problems mentioned in this chapter are symptoms of a political and legal system specifically designed to favor certain sectors of society, to pick winners (and, unavoidably, losers). Thus, it became a structural obstacle to the existence of strong, independent, and permanent institutions. In the heart of the arbitrariness that makes corruption and impunity possible, and functionally needed, lies a power structure that benefits from it and sees no reason to alter the established order.

Mexican society has concluded that corruption and impunity are the two great evils that cause violence, unproductivity and discomfort. There is no doubt that these phenomena have changed Mexican society and have granted it a sense of militancy and restlessness that previously did not exist. The question is whether these elements could become a catalyst to transform society and turn into a real factor for political change in Mexico. The subsequent pages will deal with this topic in detail.



XIII

The Sources of Change: For Whom?

C. P. Snow asked Mao Zedong what was needed to govern. “A popular army, enough food, and the people’s trust in their rulers”, replied Mao. “If you could only have one of these, which one would you choose?” asked Snow. “I can give up the army. People can tighten their belts for a while. But it is impossible to govern without their trust.”

Mexico could change for at least three reasons. First, as mentioned previously, because of external pressure; second, because of an internal decision that will entail reforms and adjustments to start a transformation process; and third, as a product of a significant crisis, perhaps as a consequence of a rebellion against the current state of paralysis, something that would force Mexican society to start “from scratch”. There is also a fourth possibility: society might force the wielders of power to focus on a more ambitious and profound transformation than anyone had ever dreamed or envisioned.

As Leonardo Curzio has written: “I suppose that the natural disposition of *homo sapiens* is to always look for the angle that would enable us to make a better use of our knowledge. This is why beekeepers always end up talking about bees and why medical social workers always end up talking about vaccination campaigns.”²² As any diagnosis of the problems in the country is restricted to the opinion of functional experts, the proposed solutions will always be utilitarian. If politicians were to analyze the problem, their conclusions would focus on solving the issues they face on a daily basis. It is obvious that there needs to be a solution for these and other problems, but the key absent participant is the everyday citizen who, through taxes, finances all politicians but rarely has any impact or influence on their decisions.

In chapter 9, which dealt with the nature of the challenge that Mexico faces, I argued that there were plenty of initiatives for change in Mexican politics, but all of them deal with mechanisms for redistributing power among those who already have it. This chapter continues that discussion: Will it be possible to reform this power in order to serve society?

Democracy was supposed to transform the country. As so many other assurances that were part of the reforms of the past 50 years, the promise of democracy changed the political system but did not solve the core issue. It is obvious that a single reform cannot be the sole source of change, but dozens of reforms in the past decades have addressed some problems but have not included the skills, intelligence, or willingness to face the factors that prevent Mexico from awaking from its slumber. In that sense, a good part of the reforms ended up being mere patches, if not outright illusions.

The disillusionment was so great that even the word “democracy” has been trivialized within the political discourse. When everything, even productivity, is described as “democratic,” the only solution ends up being at best superfluous, if not in-

significant. A lot of the people who despised the old presidential system and tried to fight it are now scorning democracy. Previously, one individual had too much power; nowadays, he does not have enough. In its most fundamental meaning, as Karl Popper argued, democracy exists to protect the citizen from the abuses of the ruler;²³ in Mexico's public discussion, democracy is an instrument to pick rulers and then not meddle with their decisions. What is the most appropriate balance? Might it be possible that within this faulty approach lies part of the reason for why the country does not advance, even after so many changes and reforms?

It is evident that there are two issues that no one would contest as essential problems: the government's inefficacy and the poor quality of public services. Although these two topics are linked, they frequently end up mixed or are seen in terms of causality. The government does not work, and provides poor services, because it is badly organized. Indeed there is some truth in this relationship, but it is important to understand the causes to explain why an error in diagnosis will always lead to a bad outcome.

Since at least 1963, with the emergence of the first "party deputies," Mexico has gone through multiple political and electoral reforms that have achieved only partial results. Some reforms transformed the system for the better—as in 1996, when an exemplary electoral system was created—but the

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country remains stagnant. The reforms, sometimes endlessly and absurdly, tackled problems among politicians, but none has tried to listen to citizens and respond to their worries and needs. The ongoing discussions on implementing a coalition government or a two-round election, for instance, are issues that relate to redistributing power among those who already wield it. As Albert Einstein once said, it is not possible to expect different results by doing the same thing over and over again. What makes politicians think that a new patch will do anything more than paper over the country's political problems?

The need for reform is undisputable, but for whom or what is the reform intended? Dozens of political and electoral reforms, in addition to hundreds of economic, fiscal, and social reforms, have not managed to increase citizens' trust in rulers, to create well-paved roads, or to ensure that all can enjoy physical security and legal certainty.

When one wonders why the economy is not growing at a higher pace, for the general population the answer is obvious. In fact, it is so obvious that the politicians do not want to see it: there is no trust in the government's functioning. The system of government is designed to extract rents from the citizenry, feed the philanthropic ogre, and preserve the privileges of groups within the political system and its surroundings. Meanwhile, the population is uncertain about its physical integrity, the security of its property, and its risk of being abused by the government. Even paying taxes is a burdensome and complex task.

The old political system, created by Plutarco Elías Calles, was conceived to concentrate power and institutionalize conflicts in the post-Revolution era. The current problems are a product of the success of that framework, given that they stem from the growth of the population, its geographical dispersion, and Mexico's economic, political, and social diversity. Although

the implemented reforms have changed many things, the old system remains—like the dinosaur from Augusto Monterroso’s famous short story—but with a huge difference. It used to work and satisfy the minimum needs of the people, but it does not do so any longer.

A possible explanation for this paradox is that the old system responded to the problems of that earlier time, and ceased to do so because the problems

changed but the system remained the same. Today, the Mexican political system does not respond to the country’s development needs; essentially, these needs have nothing to do with what the politicians care about. While politicians continue to search for patches for what does not work, the country needs to find solutions that will make the government work. Of course, it is imperative to reform the political system in ways that ensure that the government will work, but such reforms must stem from the rationale that they must address the people’s problems and make their lives easier. In other words, there need to be new and different government functions, not one more reform that fails to address what matters.

What Mexico needs is a political system for the 21st century, not a continuation, however institutionalized, of the administration of Porfirio Díaz (1876–1910). This means ending privileges, implementing transparency and accountability, and responding to the citizenry. If reforms are not based on this premise, then nothing will change.

The problem with this solution is that it would cause a revolution within the country's political system. The most ambitious proposals seek to return to what seemed to work before: recentralizing power. This option vanished when the economy was liberalized back in the 1980s, and it is impossible to recreate that old system. What Mexico needs is a political system for the 21st century, not a continuation, however institutionalized, of the administration of Porfirio Díaz (1876–1910). This means ending privileges, implementing transparency and accountability, and responding to the citizenry. If reforms are not based on this premise, then nothing will change.

No one can deny that Mexico has experienced profound changes in its political and economic structure in recent years, and that the results are evident in both the benefits and the backwardness that these changes have caused. Mexican society today is freer and richer than that of the past, but is not safer or equipped to face 21st-century problems. In fact, a lot of the old problems have been exacerbated while nothing has been done to tackle the new one. This conundrum does not imply that politicians are dozing; rather, it illustrates the nature of the problem that exists when politicians are focused solely on themselves and issues of power. What Mexican society and economy require are politicians who are focused on creating conditions for society to prosper—yet most of the time, the criteria to achieve the latter contradicts with the former. Efforts to solve the problems that politicians themselves face frequently end up making citizens' lives more complicated and uncertain.

The key lies in trust. In the past, politicians understood that, in order to prosper, the government had to create an environment of trust that would encourage the population and that would make it believe in the future. Only this philosophy explains the famous photograph of the former director of the Bank of Mexico, Rodrigo Gómez, posing for the cameras inside the institution's

vault with a background of countless gold bars. A photo is worth a thousand words: the government could be trusted. NAFTA was conceived with the same rationale as the photograph, namely to provide certainty to the investor. That internal logic disappeared as the presidential authority began to falter and the struggles for power started to take place outside of all institutional frameworks. There was nothing wrong with these struggles, but the fundamental purpose of the government was lost. Without trust, the country will never prosper, and politicians have shown a keen inability to generate the trust that they once enjoyed. The unavoidable conclusion is that if politicians are structurally blinded and unable to respond to citizens, then reforms of the power structure to create a foundation for development will not come from them.



Businessmen hold balloons forming the word that reads 'Corruption' during a protest by members of the Mexican Employers' Confederation (COPARMEX) to demand senators to approve the original proposal of the National Anticorruption System, at the Angel of Independence monument in Mexico City, Mexico, June 16, 2016

Photo Courtesy: alamy.com



Who Will It Be? Will Society Be Able To?

“People, your government has returned to you!”

- Václav Havel, President of Czechoslovakia, 1990
- Tomáš Masaryk, President of Czechoslovakia, 1918
- And Mexico, when?

Mexican society has become increasingly engaged in the past decades. There have been all kinds of civil organizations, legal complaints, and political manifestos, and an increase in restlessness. There are organizations that propose solutions, others evaluate the government; some others exhibit corruption, others try to tackle criminality. Some of these entities are a product of specific circumstances and events—a kidnapping, a murder, the construction of a new airport—while others are responding to more general concerns such as productivity, efficiency in public expenditure, or better public policies. All of these organizations propose solutions, disseminate their ideas, and criticize the current state of events. Some seek an immediate impact, others want a long-term effect; many are not visible, while others are customary protagonists. There is a bit of everything in the public sphere.

Angel of Independence

Photo Courtesy: alamy.com

What many of these organizations also share is an animus, rather than a strategy. They tackle symptoms and consequences instead of causes, or are a mere vehicle for the prominence of a single individual. None of the aforementioned concerns discredit their existence or the causes they advocate, but when assessing the feasibility of a major social transformation through the power of civil organizations, it is essential to perform a cool-headed analysis of the nature of these institutions and, above all, their real capabilities. Great ideas and attempts are of little value if they have a small impact, at least for the goal that is presented here. At the same time, as the next chapter will discuss in greater detail, the accumulation and interconnection of experiences and efforts can be radically transformative.

If one reads what French scholar Alexis de Tocqueville wrote about American society in the mid-19th century, his observations are not very different from what is seen in Mexico today. What made American democracy rich and dynamic, de Tocqueville wrote, was the existence and plethora of independent organizations advocating the most diverse causes. At the time, these organizations had similar problems as those mentioned above in the Mexican organizations from the 21st century. The American example has been imitated throughout the world, but its impact has been very different in each instance: every society has its own characteristics, and not all of them respond in the same manner.

The context in which current Mexican civil organizations work could hardly be any more different from the panorama described by Tocqueville. To begin with, the American environment from the 19th century was infinitely more suitable for the plethora of organizations than Mexico's today. In Mexico, the post-Revolution system was conceived to concentrate and centralize power, preventing the development of society in order to control it, whereas in the United States democracy was an inherent component of its birth, and civic participation was encouraged, if not demanded. Yet the circumstances of the 19th century have

nothing to do with those of the 21st century, considering the mechanisms that enable the free flow and discussion of ideas in instantaneous and accessible ways and open up opportunities that were unthinkable in 20th-century Mexico. In that regard, the number of Mexican organizations is perhaps less important than the fact that they are now capable of disseminating their ideas, comments, and criticisms like never before. De Tocqueville would be impressed.

At the same time, it cannot be disregarded that the function of the civil organizations is as important, if not more, than their presence in social networks. For instance, an organization devoted to environmental issues with a membership of millions is obviously more influential than one with a great presence in the media but that lacks citizens willing to support and fight for its agenda. Context

matters as well: what de Tocqueville observed was a society in which the organization of people was not only accepted and seen as legitimate, but which the whole government and social apparatus regarded as an essential component for the country's success. Mexico has some tolerance for civic organizations, but the political apparatus and frequently even society itself perceive such organizations as an obstacle.

The inexorable and necessary question is whether 21st-century Mexican society and all of its civil organizations may start to transform the country. An analysis of this question must observe the environment in which these organizations operate, the history that precedes them, the structure and objectives of the

Mexico has some tolerance for civic organizations, but the political apparatus and frequently even society itself perceive such organizations as an obstacle.

entities themselves, and their capability to implement profound political change. In my previous book, I concluded that the current political system was incapable of reforming itself to solve the country's problems; now, the question is whether Mexican society is capable of doing so and, if so, what the driving force might be.

THE MEXICAN CONTEXT

The vector crossing through all of political and social life in the country is the PRI. As seen in chapter 6, the party's historical impact is and has been infinitely superior to what one could imagine because it was so successful in creating a full way of thinking and relating, to the point where non-PRI members—and anti-PRI politicians—behaved in accordance with those guidelines. The example of the two PAN federal administrations is evocative: their immediate instinct was to act and self-limit themselves as if they were PRI members.

The examples that Nacho Lozano and María Scherer present in their book *The PRI Member That We All Have Inside* illustrate the nature and depth of this phenomenon. As Nacho Lozano states, the PRI is “something that explains us all . . . it is the sun within the solar system!” PRI dinosaurs “have a long life, ferocity, provoke terror, are in danger of extinction, but still remain; they have sharp teeth and a very long tail. They can be green, red or yellow. They eat the others. They always leave footprints. They are hypnotizing. . . . They are also fictional beings and it is all a mask.” Roberto Gil Zuarth adds, “With the Pact for Mexico, we saw the small PRI members in all their glory, the furious anti-PRI activists who want to be close to the president and take a picture with him, who require lavish events, who want to be rewarded for their contributions to the country and who want to be at the front row of the National Palace.” According to Soledad Loaeza, what defines the PRI is “the search for unanimity” and “intolerance to opposition,” because Mexican presidents “are terrified

of dissidence” and are always afraid of conflict. In the words of Jorge Castañeda, “The damned PRI members love rituals because we Mexicans love it too. . . . They come up with laws to please the public eye, society and the de facto powers but we all know they will not be enforced.” And as Marcelo Ebrard states, “The obsession, the touchstone of the PRI culture, is obedience to the boss.”

The PRI is a lot of things, but two aspects are particularly relevant to the argument of this book. First, the PRI became a way of being for politicians, as Lozano and Scherer’s book argues. Politicians acted according to these rules, believed in the system, and expected that, as the old saying goes, “the Revolution would bring them justice”—meaning that it would get them a public sector job. But the other side of the PRI, also mentioned earlier, is no less important: it became a hegemonic ideology that made possible the control of Mexican society.

When referring to India, Tolstoy observed a behavior that could apply to all Mexican society, a point that a previously mentioned KGB member was talking about when he described the PRI’s Mexico in the 1970s: “The numbers make it evident that it was not the English who enslaved the Indians but the Indians who enslaved themselves.”²⁴ The PRI made a slave out of Mexicans in an absolutely simple way: they believed in the system, or had learned to believe in it, knowing that they could prosper within it. There are no doubts, as observed by Joel Ortega Juárez, that “the corporatist structure helped the State to hinder the society from organizing on its own. People do not understand the possibility of building instruments for it to participate in daily issues and in general.”²⁵

Mexican society has changed over time, and a big part of it has been freed from the PRI’s stranglehold, especially the younger individuals who are further from the political center of the country. Nevertheless, this phenomenon can be observed anywhere and, in fact, has had the benefit of people self-limiting themselves, preferring the status quo that they perceive as

legitimate. Everyone is afraid of instability—a fear that historically has been instilled by the PRI system—which ensures that only a few, or none, will defy the government. Furthermore, it is also important to acknowledge that Mexican society is extraordinarily diverse and scattered and, more specifically, that it would not be possible to extrapolate what happens in Mexico City or other important urban areas to what occurs in the rest of the country. The clearest example, although many might find it excessive, is same-sex marriages, which have become a normal occurrence in Mexico City but are completely unacceptable in the majority of the country. It is not my intention to exaggerate with this example or derive unwarranted conclusions, but it does illustrate how the capability for social organizing varies widely across the country, while the means of wielding political control over many organizations remains high in many states, including Mexico City.

Any assessment of the citizenry's possibilities to become a factor for change in Mexican society must be based on an understanding of its potential. Historical limitations are evident. At the same time, there are extraordinary examples of communities that have taken the lead, especially against violence and criminality, to safeguard their communities and transform them into territories where criminal gangs have had their access completely blocked. For Mexican society to become a protagonist of change, it will need two things: first, a catalyzing element that will accumulate and add experiences, efforts, and big as well as small fights; second, it will need to build a capacity to unite and aggregate different actors and accept diversity in an exercise of tolerance that has not been typical in Mexican history.

There are many examples that suggest great opportunities for the future. Several case studies stand out due to their importance, and in many cases, because they are local. In Cherán, a town in the state of Michoacán, women who were fed up with having armed lumberjacks taking their source of employment, as well as killing and kidnapping their children and husbands, organized and eradicated these criminal groups. For three years, they

observed how the groups arrived with their vans, chopped down the trees, and took the logs, their source of livelihood. When they began to approach the wellspring that watered the forest, the women decided to act. First, they tried talking with the lumberjacks, but because there was no response they organized and rose up. They blocked access to the forest, created warning systems, and little by little they drove off the criminal groups. The lesson was clear: when people organize, not even organized crime can defeat them.

In Santiago Ixcuintla, the story is different but the result is the same. In this municipality of the state of Nayarit, there has not been a single case of kidnapping in more than six years. Robberies also have decreased. The story, as told in the newscast of Denise Maerker,²⁶ is even more interesting than that of Cherán because in this case, the population organized and forced the police to respond and protect them. They created a cooperation mechanism to sound an alert about potential criminal acts and immediately inform the police, and the police learned to respond immediately. Not only did the Santiago Ixcuintla police respond, but they started cooperating with other local police forces, drastically decreasing crime rates in the region. This is an example which proves that a population that is organized and willing to trust in their authorities, as well as make them accountable, translates into good results for all.

In Monterrey, Sister Consuelo Morales, member of the civic organization CADHAC (Ciudadanos en Apoyo a los Derechos Humanos; Citizens in Support of Human Rights), worked with poor families and elaborated a research protocol that she then took to the Nuevo León attorney general's office. In brief, families designed a model to improve the work of the prosecutors, and they succeeded in having it implemented and made the attorney general's office function better, at least temporarily. In Veracruz and Morelos (Tetelcingo), the families of disappeared individuals have organized as groups and have been taking courses on forensics—women became experts on DNA samples and labora-

tories—as well as in the search of mass graves. In some cases, authorities have joined their efforts, showing opportunities for collaboration when communities act.

In Ciudad Juárez, as reported by Nancy Hernández Martínez,²⁷ civil organizations established a dialogue with local and federal authorities regarding the murders of women in the city. The process was successful and led to concrete action from the federal government that aimed to decrease the number of killings. Civil organizations emerged as relevant and capable actors, able to not only start a dialogue but also to create proposals for action, with victims joining the cause and achieving satisfactory agreements for both sides. The experience showed that civil society had a capability for organization, action, and learning, but above all that it is possible not only to dialogue but to act with the local and federal government to achieve crucial goals for the citizenry.

Countless experiences of action, dialogue, and conflict among grassroots organizations, especially those dealing with victims of human rights violations—an excessively frequent event in

the past decades—showcase important examples of capability and willingness to act in order to solve and build solutions, rather than opting for vindictive initiatives. Perhaps there is not a more important source of organization in society than the one resulting from those who have contact within the judicial apparatus. In those encounters, the population almost unanimously finds a barrier to their desires for

Years of violence and criminality have forced the population to stop waiting for the government to respond, and to organize themselves in order to address their common needs.

restitution and an absolute denial of justice. Countless victims of violence have ended up organizing to protect themselves

from the judicial authorities, whom they perceive as unwilling to address and respond to their complaints. This has led to the creation of organizations that mobilize the population and raise awareness about the ineffectiveness of the judiciary and the abuse suffered by the citizenry. A similar thing has happened with movements for searching missing individuals throughout the country. One surprising aspect of these organizing processes is that, in most cases, they are provoked by government entities that do not appear to be addressing the population's concerns. This lack of government support creates a perverse effect: first, there is the crime and later on, the shock, horror, and abuse of finding a judiciary that may even be an accomplice to crimes or, in the best possible scenario, has no incentive whatsoever to help the victims.

There are thousands of similar stories throughout the country. Years of violence and criminality have forced the population to stop waiting for the government to respond, and to organize themselves in order to address their common needs. In contrast with the civil organizations mentioned at the beginning of this chapter, these examples are not intellectual or the product of an analysis behind a desk: these are real people who respond to the challenges create by the status quo and for whom their only option is to act or face the consequences.

IS IT A FEASIBLE WAY?

It is one thing to defend the direct interests of a person, family, or community. It is quite another to change the rules of the game at a national level, something with a much larger scope. A possibility, which these examples demonstrate, is the acknowledgment that change will not happen in major waves or decisions with a national impact, as in the case of government-backed reforms, but rather as a result of the accumulation of hundreds or thousands of actions at a community level that alter the relation between rulers and the population. As the citizenry changes the rules of the game in their everyday lives, political relations might

end up being transformed as well. This is a slow but safe and unstoppable road.

The phenomenon has another important dimension: frequently, especially when dealing with questions of security, popular decisions and actions tend to be seen as retrograde and ideologically repulsive by many organizations that, from a distance, aim to implement major social changes. The case of the “self-defense” groups in Michoacán is telling. For many communities, these groups have been their saviors; for others, such actions are a road to hell with potentially no return. In Cherán, popular opinion reached a point in which reality had become unbearable and the people chose to act on their own; this case was the opposite of the self-defense groups, whose history is less praiseworthy at the very least.

Some politicians, intellectuals, and activists²⁸ adopt an equally controversial position: they propose the creation of mechanisms such as the “Economic and Social Councils” with the purpose of “empowering” the population to turn it into a transformative factor. Although I understand the goal and merits of the “empowering,” the concept seems to contain a large amount of arrogance, especially in the light of the aforementioned examples of communities organizing on their own. The issue is not about manipulating the population or pretending to teach it how to be powerful, but finding a way to link the diverse movements that already exist throughout the country in order to create a catalyst that might shift the process into a driving force that will multiply the effect at a regional, state, and even national levels. My point is that the notion of “empowering” is elitist.

Where groups, associations, and politicians can make a big difference is in helping to create conditions to expand and disseminate the achievements of organized communities out to larger populations, therefore constituting new “realities at ground level” which then become examples that force local governments and politicians to be accountable for their actions, resources, and objectives. This can happen bottom-up or top down; in many cas-

es, this collaboration between communities or associations and the authorities will create opportunities for change; in other cases, it will involve independent initiatives, some of which will put society against the interest of the authorities. In all instances, the key factor for a nationwide change would be the existence of catalyzing elements that will link the different cases and efforts.

These thoughts leave me with one question: can this path lead to a true national transformation? Instinct says that this road leads toward local structural changes, but these are very small and scattered cases to make an effective difference nationwide. I admire the efforts that communities make to solve their problems, especially considering the absence of the government, and yet I do not see how these examples may transform the country in a reasonable timeframe. In fact, a municipal president or a governor might well do everything they can in order to disarm these kind of initiatives; from their point of view, such efforts are nothing but a headache because they impose new responsibilities upon them, demand their accountability, and require them to act for the good of the community rather than their own well-being. Still, if these experiences cease to be isolated cases, the potential for change can become irrepressible.

If one follows this rationale, the long-term question will be how to evolve toward a society that is more egalitarian with values of fairness, fair play, transparency, and effective political competition. It is not a simple question to answer, but Mexican democracy's long-term future may be riding on it.



Violence as a Social Awakening

If I want a crown I must go hunt it for myself.

— Rudyard Kipling

In a 1970 book entitled *Exit, Voice, and Loyalty*, Albert Hirschman analyzed the ways in which society can express their discontent with a company, institution, or government. He argued that people can vote with their feet (exit) or can protest where they are (voice). A person or group may abandon their place of origin, express their protest by retiring (breaking a relationship), or stay to “fight,” employing their voices to demand a change, require an answer, or file a grievance. Many migrants are voting with their feet, while those who have chosen to protest—as illustrated by the cases in Cherán and Santiago Ixcuintla—are attempting to solve the problem. The exit and voice are, in reality, the fusion of the economic and political actions.

The greater the availability of opportunities to exit and ease with which these can be grabbed, as illustrated by the migration phenomenon, the lesser the incentive to solve the problems of those who choose migrate. Generally speaking, with the exception of authoritarian regimes, it tends to be easy to exit; however, many people do not choose this option for reasons of

*Santa Fe Bridge crossing Rio Grande River between Ciudad Juarez,
Mexico and El Paso, Texas USA*
Photo Courtesy: alamy.com

what Hirshman termed loyalty. What makes a person try to solve a specific problem or advocate a cause is that he or she has a specific loyalty to a community, a family, a country, their brand, or a specific person. Those who stay to fight are willing to fight for their place.

In the construct of the Mexican discussion about society's capability to organize and become the protagonist who will transform the country, it seems obvious that for decades, phenomena such as migration made not-governing an easier task for Mexico's leaders. Rather than addressing critical issues or complying with the normal functions of a government, Mexican leaders focused on self-promotion. Because the migration option lowered the pressure to address obstacles that prevented Mexico from creating domestic wealth and employment opportunities, the political incentives of encouraging migration were unmistakable: ease migration, reduce the costs of remittances, and enjoy not having to work. The picture becomes even more interesting when one remembers that, in Mexico, local and state leaders do not collect taxes or feel pressure to respond to the population because their revenue comes from a higher, outside power: the federal government. Because of the option to "exit," the increasingly poor quality of the government and overall economic performance, and the absence of "loyalty," no one has an incentive to protest. To protest, one chooses to leave.

But not everyone has a chance to leave and not everyone wants to abandon their community. Migrants choose to leave for economic reasons and keep a link with their families and communities through remittances. In contrast, the communities that have been harassed by organized crime have the option of complying with outside demands or responding to them. Those that have responded to them have shown that it is possible to change the equation. In addition, if the option to migrate diminishes—whether because of changes in the demographic pyramid, a lack of employment opportunities abroad, or the political decision to close the border—the Mexican population will undoubtedly

organize independently. I have no doubt that this subtle change entails a major potential transformation, even it takes decades, of the country's political structure and government.

What could accelerate this process of change? First, the examples mentioned in the previous chapter—simple vignettes—show a society that is less passive and more decided to defend what is theirs than observers frequently perceive. Alone or accompanied by several authorities, local communities are changing the political reality at its core. Although it is evident that these cases are too small and isolated to create a systemic change, nothing is preventing multiple cases in the country from being linked until a true national movement emerges. Some cases can spread to others, creating a snowball effect: each community observes what is happening in their neighborhood and one group can embolden another. Once reality becomes unbearable, all that is re-

quired is an excuse to act, and everything can change. Although it is hard to foresee a major national movement, such potential momentum is the type of thing that, once it has begun, can be impossible to stop. Seen from this perspective, the sudden rise of gasoline prices at the beginning of January 2017 is suggestive: had there been

a leadership capable of catalyzing the sudden burst of popular anger, whatever its source, popular mobilization might have acquired extraordinary dimensions. The key factor is always the existence of leadership capable of galvanizing the population to turn a given issue into a true popular movement.

Second, the inefficiency of the government is staggering and increasing, especially but not exclusively, with regard to secu-

The key factor is always the existence of leadership capable of galvanizing the population to turn a given issue into a true popular movement.

rity. The fractures of the ancient control structures are evident and the government's ability to maintain control decreases by the minute. Countless civil organizations have grown and have emerged precisely by exposing the government's incompetence and demanding actions to tackle it. Many of these civil organizations are keener on protesting than on mobilization; nevertheless, this growing network of organizations, especially trade-related ones (such as labor unions, chambers of commerce, and professional associations), could with great ease transform themselves into true catalysts of change in Mexican society. In particular, their nationwide presence and their capability for mobilization might become essential catalyzing factors of the anger that the country is experiencing in all sectors of society, transcending the political parties. They could also become effective counterweights in the face of dysfunctional or excessively active governments.

Third, nothing prevents local, community, regional, or even national leaderships from building links between communities and social organizations, coordinating incipient movements for protecting the population and advancing their interests. Not all movements or organizations are ideologically or politically pure, but a lot of them have grown because several politicians or party leaderships have made them their own. Yet nothing prevents them from becoming independent if there are spaces for collaboration between communities and/or movements, regardless of the politicians.

To defend a principle, one must frequently accept and lead processes that are barely tolerable but are essential to enforce a general precept. For example, those who advocate for freedom of expression frequently have to defend cases of pornography or graphic violence as legitimate forms of free expression, whether or not the defenders agree with the case, under the general principle of freedom. The same thing happens with the organization of the citizenry: a businessman might think that showing solidarity for the parents of the murdered students of Ayotzinapa

is unpleasant, and a rural community might find hard to stomach a defense of the rights of a governor accused of corruption, but both are necessary principles for coexistence in a civilized country. One of the characteristics of Mexican democracy is that it remains extraordinarily fragmented, and only the political parties have developed organizational capabilities. However, to the extent that diverse organizations, both grassroots and from civil society, start to link with each other, the potential for transformation can be unstoppable.

And that is the point: for Mexican society and the nation to be transformed, the country's way of being will have to change. Instead of the historical and PRI-like government rationale of

promoting fragmentation in order to prevent communities from linking with one another, society will have to step up and make these connections. Instead of intolerance, Mexican society will have to become capable of engaging in dialogue and listening to its counterparts. Tolerance will have to become the foundation of Mexican society, and alliances—sometimes with dissimilar actors, sometimes with government authorities—will have to be the new normal. Civil society cannot change the country if that same civil society does not reinvent itself first.

How can society achieve these goals? My impression is that, little by little, new

the potential outcome of linking local, community, and social movements with major unions and business organizations could be enormous, because the combination that may end up creating those catalyzing factors that will transform the country. Everything starts by establishing factors of trust among each of these actors.

leaderships will emerge, capable of developing cohesive foundations for broader coalitions that, gradually, could overcome suspicions—*sospechosismo*, in Mexican Spanish jargon—that are an inherent component of the traditional political system, with its efforts to hinder cooperation and create distrust. In essence, the undisputable fact is that everything in the country conspires against anything that might lead to the creation of regional or national movements. Under PRI rule, all incentives were designed so that any emerging leadership could be isolated or coopted, and nothing has changed in this regard. Thus, the potential outcome of linking local, community, and social movements with major unions and business organizations could be enormous, because the combination that may end up creating those catalyzing factors that will transform the country. Everything starts by establishing factors of trust among each of these actors.

There are no prescriptions for the development of movements from within society, nor is there any organization or community that is capable of facing all the problems and challenges in Mexico today. However, it seems obvious that little actions in different sectors could end up creating true opportunities that, with time and example, may acquire the effect of a snowball that grows uncontrollably. Each case is a social laboratory that may end up becoming the foundation of new citizen-based institutions.

Organizations dedicated to analyzing options, promoting institutional development, and defending projects or objectives should continue reforming as much as they can; they could make a lot of progress in setting the foundations for dialogue, tolerance, and cooperation. There will be advances and setbacks—two steps forward, one step back, as Lenin would have said—but the growing number of examples for change could end up producing extraordinarily transcending results, especially to the extent that these organizations manage to overcome the ideological and political blinders that frequently separate them. Many of the institutions described by de Tocqueville were created by inputs and actions undertaken by social organizations.

Above all, the country requires a coalition to fight against the paralysis of the status quo. I do not dare to describe a coalition of this nature in Manichean terms (good against bad), but I do see it as a contrast between those who do not have a particular political interest and those who wield the power and have not been able to (or have not wanted to) alter the status quo. As Alejandro Martí, leader of the civil organization México SOS, once stated: if they cannot handle it, let others take charge.

In the end, the development of grassroots leaderships, perhaps in cooperation with social organizations committed to Mexico's transformation and institutional change, will help create the catalyzing element the country so badly needs. There are no recipes or simple solutions, but a unifying narrative capable of creating objective and emotional conditions shared by different organizations could build empathy and offer an opportunity to transform the country. If something can be said without a doubt, it is that Mexico is in a position to come together, incorporating new people and organizations into a cause. After years of suffering from organized crime, violence, and lack of services, the conditions for an overwhelming social response might be in the offing.

There are many potentially catalyzing elements, both practical and intellectual. On the practical side, there are countless organizations that could develop strategies to create links among communities and organizations, all to solve communal and local problems. On the intellectual side, the key might be to develop a narrative capable of creating those links. Mexican society has not been keen to discuss obvious but nonexistent concepts, such as progress and hope, in current official discourse. Without a doubt, politicians shamelessly exploit these words, but only in a rhetorical sense. For a community that successfully eradicated organized crime from its territory, the idea of progress can be very different to that expressed by a demagogue whose only ambition is to get into power. Civil organizations with vast intellectual capabilities could easily articulate such principles. There are plenty of opportunities for them to do so.

The key lies in the difference between a grassroots movement and political demagoguery. Politicians create fetishes; communities face problems of survival. Mexican politicians have proven unwilling to address the core issues of Mexicans, and so the question is whether society will grow or whether demagoguery will triumph. To the extent that society assumes its role, the government will have to respond—the hope is that it will do by solving problems rather than evading them or, more traditionally, using physical, emotional, or monetary repression to coopt those who are seeking change. There will be two parallel challenges: society’s efforts to advance its objectives, and political parties’ (and politicians in general) ability to satisfy the population before the gap becomes a source of social conflict.

At the beginning of 2015, within the context of tough negotiations between the EU and the Greek government, EU negotiator Jeroen Dijsselbloem bluntly summarized the dilemma: “Trust comes on foot, and leaves on horseback.” Such is the relationship between the Mexican government—the many administrations of the past decades—and the citizenry. Governments and politicians understand how critical trust is for the country’s development, but the evidence, measured in results, is not benign. If society does not take charge, nobody else will.

In the end, the fate of the country will depend on the strength of the links that the diverse social organizations—not only the grassroots, but also the more analytical and intellectual ones—manage to establish between each other. Much of this strength will depend less on their origins and more on their ability to build bridges and create a foundation of mutual and permanent trust. Undoubtedly, effective leaderships and catalyzing mediums will be needed but, ultimately, everything will depend on society’s capability and willingness to transcend the sources of division and fragmentation that are an inherent and integral part of Mexico’s political history. Trust, as Mexicans have known for a long time, is the core of the country’s progress and transformation.

Politicians did it well for some time during the 20th century, but later ended up being completely incompetent in that essential endeavor they used to carry out so well. It is time for society to step up and do its part.

People don't storm the Bastille because history proceeds by zigzags. History proceeds by zigzags because when people have had enough, they storm the Bastille.

— Alexander Herzen

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