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THE MYTH OF THE INFALLIBLE TECHNOCRAT:

POLICY-MAKING IN MEXICO UNDER THE SALINAS ADMINISTRATION

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The argument is often made that speedy and efficient implementation of macroeconomic stabilization and structural reform programs requires an insulated and sometimes authoritarian decision-making process. Mexico's President Carlos Salinas de Gortari (1988–1994) not only supported this argument but also believed that economic reform must be given priority over democratization. This article presents the case of Mexico as an example of the way in which autocratic policy-making weakens democratic institutions. It posits that in countries where a tradition of an efficient bureaucracy is not deeply rooted, the centralization of economic and political power in the hands of a small group of technocrats severely undermines governmental accountability and the process of democratic consolidation. Futhermore, it can sometimes lead to disastrous consequences. The article argues that while the democratic process may slow the momentum of economic reform, it provides citizens with the best possible means of reaching decisions and holding the government accountable for its actions.

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Introduction

It has often been argued that, in developing countries, an insulated and authoritarian decision-making process is necessary to deal effectively with economic crisis and implement macroeconomic stabilization and structural reform. A strong supporter of this school of thought in recent years was Carlos Salinas de Gortari, Mexico's president from 1988 to 1994. Under his leadership, the Mexican government embarked on an ambitious effort to transform the country's economic structure and accelerate its integration into the global economy. Claiming that the challenges of transitional adjustment pose special difficulties for a regime struggling with the twin goals of achieving economic and political reform, Salinas chose economic reform as his top priority but cared little to foster a democratic opening of Mexico's political system, which had been dominated by the *Partido Revolucionario Institucional* (PRI) since the 1920s. Cautioning, in his own words, that "countries [that attempt] . . . both economic and political reform at the same time, end up with no reform at all," Salinas believed that it was necessary to postpone substantive political democratization (Baer 1993, 64). In his view, once economic reforms were consolidated, democratization would inevitably follow.[1]

The case of Mexico illustrates the way in which an autocratic policy-making style weakens democratic institutions and often leads to unforeseen outcomes. In countries where the tradition of an efficient bureaucracy is not deeply rooted, the centralization of economic and political power in the hands of the executive and a small group of technocrats—who together possess almost complete control over the determination of public policy—severely undermines governmental accountability and democratic consolidation. Rule by insulated technocrats who are not accountable to the public for their actions may facilitate the implementation of economic reforms; however, it also undercuts the prospects for building a system of citizen participation with effective checks and balances. Often, the consequences of such policy-making can be disastrous. An analysis of the Mexican experience strongly suggests that the democratic deficit that Salinas and his close-knit group of advisers promoted with their authoritarian policy-making style contributed to the political and economic crises that shook the country in 1994 and 1995.

Economic Policy During the Salinas Administration

Once he assumed office in November 1988, President Salinas made economic recovery the focal point of his *sexenio*, or six-year term, leading to what Mexican scholar Jorge Chabat has described as the heightened economization of both domestic policy and international relations, especially regarding the United States (Chabat 1990, 1). Mindful of the failed experiment in the Soviet Union to promote *glasnost* before *perestroika*, which led eventually to a disintegration of the state, Salinas embraced a different reform strategy. For him, economic issues had to be resolved first, while substantive political reform could be addressed later, if at all. Fully subscribing to the neoliberal consensus that emerged in the 1980s, Salinas assumed that a transformation to a market economy would naturally lead to a strengthening of democracy. The underlying idea was that a liberalized economy would be a natural catalyst for democratic governance. In an interview in 1991, Salinas spelled out the basis of his approach, which came to be known as "Salinistroika":

> When you are introducing such a strong economic reform, you must make sure that you build the political consensus around it. If you are at the same time introducing additional drastic political reform, you may end up with no reform at all. And we want to have reform, not a disintegrated country. . . . The priority is economics (*New Perspectives Quarterly* 1991, 8).

In 1988, Salinas assembled a team of young, ambitious, foreign-trained technocrats who were soon considered "simply the most competent and innovative in the Americas" (Roett 1993, 5). According to scholar Barbara Geddes, presidential appointment strategies are crucial for a president to be able to maximize political power and influence, achieve program goals, and build a strong political machine of loyal supporters. Thus, she writes, "presidents seek certain kinds of appointments . . . [t]hey would like to staff their administrations with people who are both technically competent and loyal to them personally" (Geddes 1994, 143, 131–133). In Mexico, the political elite has traditionally constituted an extremely close-knit group. Many of the individuals who Salinas appointed to his cabinet and other high level positions had been close childhood or high school friends, and most shared similar educational and social backgrounds. Together, they implemented an aggressive, outward-oriented economic agenda that sought to profoundly and permanently transform Mexico's economic structure.

The primary goal for Salinas and his bureaucratic team was to accelerate and deepen Mexico's integration into the global economy. Within a few years, the restructuring efforts had produced impressive results. By 1991, Mexico's economy was considered one of the most open in the world. Foreign investment regulations had been significantly modified to allow, among other things, 100 percent foreign ownership in selected industries. The Mexican government also dropped numerous tariff barriers.

In addition, the role of the state in the economy was reduced, as state and consumer subsidies were either cut substantially or eliminated altogether, and a growing number of state enterprises, including banks and the national telephone company, were sold to private investors. At this time, the Mexican *ejido* system of land tenure, one of the most symbolic legacies of the Mexican Revolution enshrined in the Mexican Constitution, was reformed to allow ejido lands to be bought and sold.[2] During the Salinas sexenio, the number of state-owned enterprises fell from 618 to 210 (Purcell 1995, 3).

As a result of these ambitious reforms instituted during the first years of the Salinas administration, the Mexican government came to enjoy a positive image abroad. As foreign investors became increasingly enthusiastic about the prospects of getting involved in Mexico, foreign capital flooded the country. The widespread impression of foreign investors and other followers of the Mexican economic and political situation was that Mexico had succeeded in building an environment of confidence and stability that was favorable to investment.

President George Bush, who came to power at the same time as Salinas, welcomed the Salinas administration's attempts to transform Mexico's economy and manifested his strong support of the Salinas regime from the outset. During Bush's term, the two presidents met ten times, making impressive progress in accelerating the economic integration between Mexico and the United States. Numerous analysts have contended, in fact, that Mexico-U.S. relations "had never been better" (Purcell 1997, 142). After President Bill Clinton came into office in 1992, relations between the two countries remained friendly. The signing of the North American Free Trade Agreement (NAFTA) between Canada, the United States, and Mexico in November 1993 was perhaps the most important accomplishment of the Salinas administration. NAFTA embodied "the symbol of the neoliberal project in its entirety" (Arriaga 1994, 758).[3]

Within U.S. political circles, praise for Salinas and his economic project was ubiquitous. In an editorial in *The Washington Post* in January 1989, Henry Kissinger wrote:

> The United States and Latin America are both fortunate that the first governmental change in the massive transformations looming for the entire hemisphere has brought President Salinas into office in Mexico. No other Latin American leader shares to the same degree the U.S. preference for market economics, private capital and cooperative solutions. Moreover, Mexico under Salinas's predecessor President Miguel de la Madrid, has had

> the most sustained record of economic reform of any of the Latin American countries (Kissinger 1989).

In the opening statement to the plenary session of the U.S.-Mexico Binational Commission in Mexico City in August 1989, Secretary of State James Baker similarly praised the Mexican president and his team of technocrats:

> We admire and respect the many positive changes introduced by the Salinas administration— tariffs liberalized, investment restrictions lifted, freer markets, more private business, an increased opportunity for the people of Mexico, whatever their status or station in life, to determine their own economic future (United States Department of State 1989).

Lack of Democratic Representation and Autocratic Policy-Making

Much of the Salinas administration's success in implementing such vigorous economic reforms was related to the authoritarian nature of Mexico's political regime. More than 90 percent of all new laws formulated in Salinas's first year were introduced by the executive and merely rubber-stamped by Congress (Camp 1993, 261). If it were not for the extremely concentrated nature of political and economic power in Mexico under Salinas, it would have proved significantly more difficult for the President to impose reforms from above without consultation. [4]As Jorge Domínguez has noted, what made Salinas and the Mexican technocrats successful—bureaucratic insulation and centralized economic decision-making—also made it less likely that they would seek to promote a more democratic political system, because a deepening of democracy might lead to their losing the power and advantages which the system had provided them (Domínguez 1997, 40). Operating under the principle that economic liberalization had to be consolidated before the floodgates of political dissent could be unleashed, the Salinas administration sought to gain legitimacy by focusing on improving economic conditions and delivering high economic growth rates. Mainly concerned with ensuring the speedy stabilization and transformation of the Mexican economic system, the Salinas team paid little attention to the political and economic sustainability of the reforms over the long term. Vigorous presidentialism became a significant obstacle to the strengthening of democratic institutions through which citizens could channel their demands.

Under the Bush and Clinton administrations, the U.S. government enthusiastically supported Salinas's restructuring of the Mexican economy without showing a similar interest in promoting an equivalent political opening. Washington fully backed the Salinas administration's argument that economic reforms should be consolidated before a political opening is pursued (Arriaga 1994; Purcell 1997; and Castañeda 1990). At least for the White House, protecting U.S. interests in Mexico and preserving the country's stability were more salient concerns than promoting democratization. Particularly beginning in 1990, it appeared that both the United States and Mexico tacitly agreed to reinforce the aspects in the relationship that were of mutual interest to the two governments—mainly the consolidation of economic reforms in Mexico and the promotion of free trade—and to minimize those elements, including drugs and immigration, which gave rise to contradiction or conflict (Chabat 1990; Dillon 1996; Zebadua 1994; and Weintraub 1990).

While the U.S. administration and other prominent U.S. political actors hailed Mexico for the dramatic economic transformation underway, other national and international figures were critical of the government's lack of progress in democratizing the Mexican political system. At a forum of Latin American intellectuals convened by Octavio Paz in Mexico City in September 1990, for example, the Peruvian writer Mario Vargas Llosa called the Mexican regime "the perfect dictatorship:"

> The perfect dictatorship . . . is camouflaged so that it appears not to be a dictatorship. Yet, it has the characteristics of a dictatorship: the permanent rule of one party. Though the Mexican system concedes sufficient space for criticism, since that criticism confirms its democratic character, it uses all methods against any criticism that endangers its permanence (*New Perspectives Quarterly* 1991, 23–24).

During his administration, Salinas did make some gestures to project the image of himself as a modern leader committed to the democratization of the political system in Mexico.[5] In an attempt to restore the legitimacy of his administration after he assumed power in November 1988 under a cloud of unprecedented suspicion and illegitimacy, he stated in his inaugural speech that the days of one-party rule were over and that his government would undertake a process of meaningful political opening. But throughout his term, Salinas proved that his commitment to democracy was at most conditional and that he was not prepared to make consistent and serious attempts to promote free and fair elections. Between 1988 and 1993, fraud was prevalent in every election at the state and federal level. In many cases, as in Michoacán, a stronghold of the left-wing *Partido de la Revolución Democrática* (PRD), and the Estado de Mexico, a stronghold of the right-wing *Partido Acción Nacional* (PAN), levels of fraud and irregularities were "shocking in their extremity and brazenness" (Coppedge 1993, 131). In order to guarantee electoral success, the PRI political machine resorted to ballot stuffing, intimidation, co-optation, and the massive and systematic use of public resources to support PRI candidates.

While the Salinas administration cannot be held responsible for all these irregularities, it is evident that the president himself often condoned such actions, as reflected by his frequent visits to different states to show his support for PRI candidates running for office (Coppedge 1993, 131). Beyond electoral fraud "corruption . . . reached unparalleled proportions" under the Salinas administration (Castañeda 1996, 94). In a particularly infamous incident in February 1993, Salinas himself presided over a dinner at which 30 of Mexico's wealthiest businesspeople were each asked to contribute U.S. $25 million to the 1994 presidential election campaign efforts of the PRI (Castañeda 1993, 69). This dinner reflected the tight links that existed between the ruling party and the Mexican business elite. Many of the business people present at the dinner had profited immensely from Salinas's privatization program.[6]

In addition, Salinas also used a social program, *Programa Nacional de Solidaridad* (PRONASOL), which has been described as a "quintessential presidentialist program," to strengthen the electoral appeal of the PRI (Cornelius 1995, 60). Created by the president in 1988, PRONASOL was designed to channel funds to impoverished rural and urban communities that were particularly hard-hit by the dislocations associated with market-oriented policies. In an attempt to strengthen community-based organizing, and, in Salinas's words "eliminate all vestiges of paternalism, populism [and] clientilism," PRONASOL involved community members fully in all activities related to the program and required them to assume joint responsibility for financing and implementing PRONASOL projects (Cornelius, Craig and Fox 1994, 7).[7] However, although PRONASOL was a social program, it was also a program that served as an effective political tool to build support for the president and generate votes for the PRI. Through PRONASOL, Salinas made a conscious effort to create, in the words of Geddes, "a political organization with strong loyalties to [the president] personally" (Geddes 1994, 132). "PRINASOL," as the program came to be known, frequently dispensed funds on a selective basis, allocating resources not to the communities that needed them most, but rather to the communities where the opposition, especially the PRD, threatened the hegemony of the PRI. In 1992, for example, approximately 12 percent of the entire PRONASOL budget went to the relatively small state of Michoacán, where the PRD had strong electoral support (Ward 1994, 60). According to Peter Ward:

> there is . . . incontrovertible evidence to suggest that . . . [PRONASOL's] targeting is motivated by partisan political considerations, and that it has served the PRI well. . . . The PRONASOL logo carries the PRI's colors . . ., and subliminally at least it conflates government with the PRI with nationalist sentiment. Moreover, PRONASOL funding has been heavily targeted at PRD strongholds (Ward 1994, 60).

Further demonstrating the lack of democracy during the Salinas years is the fact that, in Mexico, unlike in the United States, there never was a full scale national debate on NAFTA (Poitras and Robinson 1994, 28). In the United States, congressional approval—which was finally secured in November 1993—was necessary to ensure the passage of NAFTA. In Mexico, the free trade agreement was a presidential project, orchestrated and controlled by Salinas and his close-knit team of economic advisors and was a *fait accompli* from the time it was originally conceived. The authoritarian nature of the Mexican political structure provided the President and the selected few technocrats in charge of economic policy with a remarkable degree of autonomy and insulation from political pressures. As a result, they showed little interest in discussing their agenda with groups outside their immediate circle, mainly because such discussion would only slow the progress of the reforms.

Embracing Mexico's tradition of presidentialism, Salinas managed free trade talks with the heads of state of Canada and the United States as an area of executive authority beyond the purview of public accountability. Luis Alvarez, a Mexican opposition leader from the PAN, complained, for example, that PAN members of Congress repeatedly requested information on certain aspects of the free trade negotiations from the Salinas administration, to no avail. He added that even PRI Congress members seemed to be kept in the dark about the negotiations (*New Perspectives Quarterly* 1991). Thus, regardless of the virtues or flaws of the NAFTA treaty per se, independent senator Adolfo Aguilar Zínser has emphasized that in Mexico the legitimacy of the negotiations remained in question, since these negotiations were the result of an authoritarian, insulated process (Aguilar Zínser 1997). No hearings were ever held. In fact, when the U.S. Congress began vigorous discussions to negotiate the environmental and labor side agreements, ratified in August 1993, the Mexican political leadership initially reacted negatively, arguing that the inclusion of such accords was contrary to Mexico's national interest. Several

Mexican environmental and human rights activists, unable to find an institutional forum in Mexico to voice their concerns over NAFTA, went to the United States to testify in the House of Representatives. As Sergio Aguayo has argued,

> Salinas [was] . . . convinced that economic reform and the NAFTA [were] . . . the best things for the country, but that it [was] . . . imprudent to submit them for the approval of the citizenry. . . . [This] means that the economic revolution has been carried out in an authoritarian fashion. This presidential authoritarianism . . . [was] justified with [the] . . . idea that . . . Mexican society and the opposition parties are not ready for democracy (Aguayo 1993, 125).

In Mexico, then, the approval of NAFTA was a non-issue from the start. According to Aguilar Zínser, the Mexican Senate took only two hours to ratify NAFTA, the time necessary to process all the paperwork (Aguilar Zínser 1997). Perhaps this is why, shortly before the U.S. Congress was due to vote on NAFTA, President Clinton allegedly told Salinas in a breakfast conversation at *Los Pinos*, the official residence of the Mexican president, that he wished he had a Congress like the one in Mexico, "so as not to have to go through the hassle of getting key legislation approved by only one vote of difference" (Hinojosa 1993, 37).

Infallible Technocrats?

Ironically, the very insulation of technocrats that U.S. policy makers and scholars like Stephen Haggard and Robert Kaufman hailed as one of the strengths of Mexico's dominant-party system—because of its ability to undertake "unpopular" reforms—may have had disastrous consequences for the country both politically and economically (Haggard and Kaufman 1995).[8] As scholar Adam Przeworski has argued, the erosion of a democratic system may be exacerbated not so much by economic factors but by the policy style decision-makers follow. When elites avoid political consultation and act unilaterally because they fear that plans for reform will be blocked, democratic institutions lose credibility and the population becomes more polarized. Admittedly, as Haggard and Kaufman have argued, populist and anti-democratic movements tend to grow when economic conditions are not favorable. However, it is also important to emphasize that in circumstances when individuals or groups perceive that they cannot properly channel their demands through democratic institutions because these institutions are not fully representative, polarization is even more likely to occur. On 1 January 1994—the same day NAFTA came into effect—the Zapatista rebels declared war on the Mexican state, resorting to arms essentially because all other channels of access to the state had been blocked. While they protested "500 years of economic exploitation," the core of their demands centered around democratic reforms to make the state more responsive and accountable. In a 6 January 1994 communiqué addressed to the Mexican people, Zapatista leader and spokesperson Subcomandante Marcos stated that:

> The serious conditions of poverty among our people have a common cause: the lack of liberty and democracy. We believe that respect for civil liberties and for the democratic will of the Mexican people are the necessary prerequisites to improve the social and economic conditions of the dispossessed in our country. For this reason, . . . we present our demand for political freedom and democracy. . . . Through our actions, . . . we announce our decision to resort to . . . armed struggle, the only path left open by governmental authorities, . . . to fight for our most fundamental rights (Luis Humberto González 1994, 5–6).

In December 1994, the Mexican peso crashed, triggering one of the most severe economic crises Mexico has experienced in its modern history. It had become clear earlier that year that pressures on the peso were increasing and that a devaluation might be necessary.[9] However, as Domínguez has pointed out, Salinas hesitated to devalue the currency before the end of his term because he was bidding to become the head of the World Trade Organization and because such bad news would be likely to affect the electoral fortunes of the PRI in the presidential elections of August 1994. Salinas wanted to preserve his image as Mexico's great modernizer at any cost. His policy team believed that announcing a devaluation would damage the president's image and would threaten the country's reputation for stability. As a result, Salinas and his team of technocrats decided that there would be no devaluation, despite numerous warnings from national and international actors (including the economist Rudiger Dornbusch and U.S. Treasury Secretary Robert Rubin, among others) that the peso was severely overvalued.

Thus, Alan Blinder's assertion that the U.S. government has become too political and that issues that require a long time horizon should be insulated from politics to guarantee that decisions are not made by short-sighted politicians does not hold for countries that lack an efficient and democratically controlled bureaucratic system (Blinder 1997). In Mexico, the insulated policy-making process did not provide a guarantee that politicians would not act on a whim—but it did effectively eliminate the possibility for a system of checks and balances. Regardless of whether one agrees with Blinder, it is clear that in a country like Mexico, trusting a few bureaucrats to determine the fate of a nation behind closed doors can be highly problematic. The Mexican experience provides a compelling illustration of Przeworski's hypothesis that "technocratic policy style weakens . . . nascent democratic institutions" (Przeworski 1990, 80). One of the reasons for this outcome is that in Mexico, the bureaucratic apparatus is mired in corruption. Bureaucrats build patronage networks and provide access to the government on a selective basis as means to cultivate political support and extract special favors. Such practices tend to lead to the personalization (or rather, privatization) of power.

Since the end of 1994, the large majority of the Mexican people have had to endure the catastrophic consequences of this type of short-sighted and secretive economic policy-making. "The economic ruin spread by the devaluation," Lucy Conger has written, "signaled the end of . . . [the] Salinas myth . . . [of] the infallible technocrat (Conger 1995, 104–105)." If Mexican technocrats had had the will or the initiative to consult and negotiate with other political and social actors, some of these mistakes could have been avoided.[10] At a minimum, a greater degree of accountability by elected and appointed governmental officials to the Mexican public could have prevented many of those holding important posts from taking (or failing to take) decisions based purely on self-interest and on the political and economic rewards they could draw from their positions. A broader participation of groups in the political system implies, of course, that some trade-offs have to be incurred. For one, the process of approving and implementing economic reforms would be slower and the proposed reforms could be diluted. These are, however, the normal trade-offs involved in upholding a democratic regime. As Domínguez has argued,

> [t]he lack of democratic procedures in Mexico to compel the executive to listen to criticism and to take it into account insulated top decision makers to an extent unprecedented elsewhere—and at a political and economic cost not found anywhere else on the continent. . . . The Salinas . . . project was greatly injured . . . by its "democratic deficit" (Domínguez 1997, 41).

Conclusion

The argument that insulated and authoritarian decision-making is a necessary condition to undertake the painful reforms prescribed by the neoliberal approach holds that, since ordinary people are not well-equipped to govern themselves, they need to be ruled by modern versions of Plato's "philosopher-kings": a self-selected group of insulated technocrats who not only possess superior, scientific knowledge to identify the public good but also the virtue to act to achieve that good (Dahl 1989, 65-79). However, this proposition is based on a dubious premise: that authoritarian leaders and their technocratic teams are infallible.

In their attempt to radically transform the Mexican economic structure as quickly as possible, Salinas and his team of economic advisors designed an ambitious program of economic reform that, in the short run, seemed to produce impressive results. However, the complete insulation of technocrats from public pressures severely undermined the prospects for building effective channels of governmental accountability and citizen participation. Seeking, "to beat the democratic process to the punch to escape its verdict," in a manner similar to that which Przeworski observed in Poland, technocrats in Mexico did much to undermine the country's emerging democratic institutions with their autocratic policy-making style" (Przeworski 1990, 134). Focusing mostly on the short-term, they seemed to have paid little, if any, attention to the sustainability of economic reforms over the long run.

As Haggard and Kaufman have warned, "there are obvious risks that . . . centralization [of power in the hands of] . . . presidents who [bypass] . . . normal legislative procedures...can degenerate into an autocratic style of decision-making that is inimical not only to democracy but also to economic policy . . ." (Haggard and Kaufman 1995, 335). The consequences of this autocratic policy-making style were disastrous for Mexico, both politically and economically. The emergence of the Zapatista movement in Chiapas in early 1994 must, in large part, be attributed to the lack of adequate mechanisms for democratic representation in the country. The economic crisis that swept Mexico after the massive devaluation in December 1994 is also an example that technocrats are not infallible and that they too can make serious mistakes when channels to promote diverging opinions are closed.

Notes

[1]Salinas subscribed to the neoliberal consensus which holds that, eventually, "all good things" go together.

[2]The ejido system is a traditional system of communal landholding which was institutionalized by the Mexican agrarian reform program of 1915. Until Article 27 of the Mexican Constitution of 1917 was revised during the Salinas administration, landless peasants were able to make land claims to the government. The government would grant ejidos; these plots of land would be held collectively and could not be bought

or sold. The 1992 reforms to this article allowed the privatization of ejidos.

[3]Among other things, the NAFTA 1) eliminated trade barriers to regional commerce; 2) increased investment opportunities for the United States in Mexico; 3) strengthened property rights; 4) offered new business opportunities for international firms; 5) granted "national treatment" to North American investors; and 6) reduced restrictions on the participation of foreign owners in Mexican industries.

[4]For instance, as of October 1989, more than 90 percent of all new laws were introduced by the executive and merely rubber-stamped by the Mexican Congress (Camp 1993, 261).

[5]During his first six months in office, Salinas ordered the arrest of three prominent figures in Mexico who were reputed to be extremely corrupt: Joaquín Hernández Galicia, known as "La Quina", the boss of the national petroleum workers union; Eduardo Legorreta, an important businessman and personal friend of Salinas; and Carlos Jonguitud, the long-time boss of the national teachers' association. Interestingly enough, the legality of most of these arrests was questionable.

[6]According to *Forbes,* there were 23 billionaires in Mexico in 1993, up from two in 1988. In fact, *Forbes* had never registered more than two billionaires in Mexico. Many of the new fortunes that were created were directly linked to the privatization of several state-owned enterprises.

[7]Under PRONASOL, the state would provide financial assistance but community members were responsible for complementing that effort by providing labor, additional material and/or funds.

[8]As they discuss Taiwan and Mexico to analyze the capacity of dominant party systems to initiate economic reform, Haggard and Kaufman argue that a "centralized, dominant party gives political elites the independence to initiate unpopular measures." They emphasize that there are two important checks on the predatory tendencies of the state: an independent private sector and the "delegation of decision-making authorities to technocrats or technocratic agencies that are at least somewhat insulated from . . . short-term demands." In the case of Mexico, they state that the delegation of decision-making authority was less complete than in Taiwan but that it "ran along parallel lines" (Haggard and Kaufman 1995, 268, 274–5).

[9]Mexico had adopted a policy to maintain an overvalued peso as part of its anti-inflationary program. Salinas earned an international reputation as one of Mexico's greatest leaders since the Revolution partly because he succeeded early on in bringing inflation down and stabilizing the economy. Between 1987 and 1991, for example, inflation fell from 159 percent to 23 percent, and it continued to decrease after that (Schulz and Williams, and Zebadua). However, with time it became increasingly difficult to sustain an overvalued peso for various reasons. By

1994, Mexico's current account deficit amounted to US $30 billion (about eight percent of the GDP), Mexico's highest ever. Mexico's foreign reserves were also steadily falling, especially after the political shocks of 1994, and by December 1994 had dropped to US $17 billion.

[10]Among other things, Salinas and his cabinet overlooked the fact that, in the last four years of their administration, the trade deficit averaged a whopping US $255 million a year. In addition, the Salinas decision not to devalue the peso led to a bleeding of the country's international reserves. While in March 1994 foreign reserves amounted to US $30 billion, by November of that same year, they dropped to US $17 billion. Clearly, maintaining the peso at an artificially high level proved to be an expensive exercise.

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