

**Crafting Transparency Covertly: The Politics of Authority in the Mexican
Pension Reform of 1995**

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Introduction

Since the rise of the technocrats in the early 1980s, policymaking in Mexico has tended to be represented in the scholarly literature as an epic struggle between stalwart politicians and reform-minded economists. The characterizations of these two groups abound with polar oppositions: young vs. old, neoliberal vs. conservative, academic vs. experienced, open-minded vs. xenophobic (Camp 1996). It has been argued that these contrasts are not limited to personalities, but rather, to the very culture of policymaking in Mexico (Centeno 1994). Due to their lack of experience in the political sector, technocrats are largely regarded as ignorant of the well-established practices of policymaking in the Mexican system, whereas due to their lack of economic expertise, politicians are portrayed as powerless in the face of economic ideology. This paper challenges the traditional interpretation of policymaking in Mexico in the post-1982 era as a head-on collision between neoliberal economic ideas and deeply entrenched political interests by arguing that economic ideas are, in a Bakhtinian sense, generative of multiple ways of knowing the economy and the polity. Rather than bulldozing the political field, I argue that economic ideas enable technocrats and politicians to co-construct multiple, overlapping narratives of policy problems and their solutions.

This paper will explore this contention by investigating how the themes of corruption and transparency inhered in the genesis and elaboration of the 1995 pension reform in Mexico. International financial institutions and investors have advocated transparency of government operations in developing countries as a way of attracting foreign investment by lowering a country's investment risk premium. The idea behind transparency is that corruption can be curtailed, or eliminated entirely, if government agencies must account for their use of funds to a

vigilant public composed of citizens, investors, and developed countries. The monitoring of funds and actions takes a very specific form: it is not a full surveillance of the activities of government officials, but rather, an indirect means of fostering self-surveillance through accountability.

The theme of transparency, however, runs counter to the traditional negotiating tactics of the former ruling party, the PRI, and advances a view of corruption that eclipses the cultural complexities of corruption in Mexico. A close examination of the pension reform process indicates that transparency was not unilaterally legislated by the Ministry of Finance (despite its ideological and personal proximity to the President at the time), but rather, crafted through the negotiation of multiple narratives of the reform and its justification. That is, in order to maneuver the reform through the existent political structure, technocrats had to play by political rules while simultaneously trying to change those rules. Thus, this paper makes a subtle argument about the forces of change and continuity within the Mexican government by showing how economic ideas and their articulation in the political sphere are invoked in the construction of multiple narratives of the relationship between the state and society and the polity and the economy.

Conceptual Framework

The growing literature on the ethnography of the state attests to the heightened interest in the state as a site of anthropological inquiry. Anthropologists have historically bypassed national politics in favor of studies of how power and authority are articulated at the local level. In this vein of research, the workings and actions of the national government were not significant in their own right, but rather, only as they affected the daily life of the community. However, as

anthropologists began to challenge the insularity of local communities from broader social, political, and economic forces (see Appadurai 1995, Smith 1995), the state emerged as a promising intellectual fulcrum, not because it bridged the gap between the local and the global, but because it was fundamentally implicated in it. The importance attributed to transnationalism prompted scholars to question how the legitimate authority of the state is anchored and maintained in the face of both localizing and globalizing impetuses and the processes by which that authority is inscribed on the body politic (Nelson 1999). With respect to the former, the literature has sought to distill the discourses through which the state ideologically aligns itself with a mythical vision of the nation, thereby establishing the nation and the state as interchangeable and eminently natural entities (Coronil 1998, Pemberton 1994). Studies of the latter have addressed the ways in which the state constructs its citizens through apparatuses such as statistics (Hacking 1995), and, in turn, the terms upon which contests over the state's hegemony are based (Urla 1993). Heavily influenced by Foucault's conception of power as diffuse and capillary (1980), both approaches treat the state as a locus of apparatuses and discourses that controls its citizens by coordinating the processes that constitute them as citizens. A distinguishing characteristic of this vein of scholarship is that it engages the state from all angles: it considers the state in relation to the global hierarchy of the development discourse (Ferguson 1994); in relation to the daily lives of its subjects (Joseph and Nugent 1994, Gupta 1995); and as an entity subject to the centripetal force of transnational movements and the decentralizing impulses of local and regional movements for autonomy (Handler 1988). Despite the panoply of representations, the state is never quite there—it is instantiated at the local level as a bureaucratic artifact that lacks any true substance. We see how the idea of the state functions abstractly, but are left without an understanding of how the material relations within

the state shape and are shaped by discursive processes occurring at the local, regional, national, and transnational levels, nor how the state's numerous iterations are interrelated. This paper attempts to erect a theoretical framework for understanding the simultaneity of state forms by considering the bureaucratic interactions within the state as integrally connected to its discursive construction and projection.

In the Mexican case, there has been a tendency to rely on Presidentialism as the chief explanatory variable of policy outcomes without probing how bureaucratic struggles within the state frame the President's actions. The extreme centralization of political power in the hands of the President and his closest allies is well-documented in the scholarly literature (Zaid 1987) and is a very real consideration in political negotiations. It is, nevertheless, important to remember that Presidentialism is tempered in an ad hoc manner by the corporatist structure of the state, divisions within the PRI and, more recently, an emerging multi-party system. Though the President exercises enormous discretion in setting and guiding the political agenda, his decisions are influenced by previous promises and compromises. An associate of Antonio Ortiz Mena, Minister of Finance under President Diaz Ordaz, recounted to me that when Ortiz Mena was trying to push through a sweeping tax reform in 1970, "the tax reform was competing with a labor reform and Diaz-Ordaz said to Ortiz-Mena, 'Mr. Secretary, I have to choose between the labor law and the tax reform, and I am going to postpone the tax reform.'" The bureaucratic organization has changed substantially since the Diaz Ordaz administration; however, the point here is that President's power is framed by other political considerations and is not unbounded. The success of a specific administration in previous negotiations may increase the President's relative political heft, but it will not obviate negotiation entirely.

Similarly, the importance of negotiation in the political sphere forces us to reconsider the concept of rhetoric. The traditional approach to rhetoric entails studying the style of presentation as a veneer to a specific utterance, be it political, academic, personal, etc. The implication is that residing in the utterance is a true, essential meaning that can be recast in different contexts. This approach to rhetoric assumes an unequal power relationship between the two parties based on different levels of knowledge. For example, I can only recast an utterance if I believe that I know the real truth and my interlocutor does not. This view resonates powerfully with the scholarship on Presidentialism because each implies that intent is tethered to a specific person or group of people at all times. What I discovered in my research on the pension reform was not, as the postmodernists might claim, that intentionality and power had disappeared entirely, but rather, that the distinction between rhetoric and “what really happened” was a matter of perspective. Quite simply, no single actor was in the know at all times and moments. The field is further jumbled by the fact that power relations were not static within the bureaucracy or between bureaucrats—positions of authority shifted and changed in relation to other events in the government and in the international realm. It is entirely possible to tell a coherent story of the pension reform, and, in fact, I have numerous coherent accounts of the process by officials intimately involved in it, yet taken together, they do not form an internally consistent, holistic account of the reform. In order to account for these myriad accounts, this paper adopts a Bakhtinian (1981) view of economic theory and of policymaking itself as multivocal. Accordingly, negotiations and interpretations of ideas and actions are incorporated into the ideas themselves so that each subsequent utterance is “freighted” with the meaning accumulated in other contexts (Bakhtin 1981). The consequence of this framework for policymaking is that economic ideas are not limited to textbook definitions, but rather, are the agglomeration of

meanings that they have taken on in various contexts, ranging from World Bank discourses on the state of the Mexican economy, political promises to citizens about economic goals, and negotiations with international creditors. It is through this multivocality of economic ideas that multiple interpretations can be attached to the pension reform.

In a similar vein, although we can observe the various ways in which economic logic was deployed in political negotiations, I argue that we cannot draw an absolute distinction between economic and political rhetoric. Deidre McCloskey and her colleagues have been at the forefront of a recent hermeneutic turn in economics that encourages economists to consider the rhetorical structure of economic science (Nelson 1987, McCloskey 1985). This insightful scholarship has unearthed the narrative techniques and metaphors embedded in the structure of economic reasoning. Using the example of economic ideas in practice, I propose to further problematize this understanding of economics by demonstrating that economic science contains the seeds for multiple, contradictory narratives and that the schematized configuration of power relations between officials and government agencies does not always provide an easy answer to which narrative is correct. What appears as an economic rationale from one perspective can easily be seen as a political expedient from another.

In order to understand the transnational discourse of transparency, it is necessary to explore the deep-seated assumptions that establish a seemingly natural correspondence between the structure of government in developing countries and their propensity to corruption. Despite its centrality in discussions of politics in Mexico and other developing countries, corruption has received little theoretical attention. Implicit in the existing models of corruption is a uniquely Western view of the appropriate relationship between the state and society and between government officials and citizens (Gupta 1995). Though the idea of the state in Western society

has complex and wide-ranging historical antecedents, in its most recent incarnation in the fields of political science and economics, it has been subjected to the principles of rational choice theory. Viewing the relationship between the state and society as a form of economic contract, these scholars have concluded that corruption in the narrowest sense of embezzlement is the consequence of weakly enforced or poorly defined property rights (property in this case being public funds). For instance, it has been argued that low salaries for civil servants act as an incentive to engage in illicit activity because the payoff from doing so exceeds the gains of serving with integrity, even after adjusting for risk (Tanzi 2000). Though these models have cleverly expanded the analytical swathe of utility-maximization to the realm of institutions, the view of the state upon which they are based resonates powerfully with the evolutionary rumblings of the Weberian view of rational government, thereby perpetuating a hierarchical scheme that regards as intrinsically backwards those systems that do not function according to a certain logic. Consequently, corruption becomes the result of a flaw in the organizational structure of the state that can be easily remedied with transparency and accountability in government operations.

Ironically, the economic framework based on a rationalistic view of the relationship between state and society absolves as well as implicates. Just as orderly functioning is posited to be the natural outgrowth of a system of governance predicated on rationality, corruption and discretionary authority are viewed as natural products of a system where rationality has not held the same exalted position. The morality of irrationality is at once neutralized and resignified: according to the transnational discourses of transparency and accountability as espoused by international financial institutions such as the IMF and the World Bank, eliminating corruption and inefficiency in government administration need not entail a radical shift in the values held by

public servants, but rather, straightforward changes in structure of incentives and visibility of transactions. Similar to the metaphor of seeing that characterizes modern science (Rorty 1979), the logic of transparency rests on the premise that seeing is knowing: Transparency of government operations does not change the character of government officials; rather, it is presumed to make their transgressions immediately visible to an audience that includes not only the body politic, but also foreign investors and international financial institutions. It entails lifting a veil of secrecy that had shrouded government transactions and laying them bare for the world to see.

At the same time it defers the issue of individual and/or institutional culpability for past episodes of corruption, the scientific character of the discourse of transparency re-creates ongoing corruption in the government as a sin of omission. It posits that the condition of rational governance is easily implemented by incorporating reporting practices into the routine of public administration. Consequently, it implies that efficiency and openness of government operations are deliberate choices, not irremediable states. As a result, those governments that do not comply with international norms of reporting and openness of operations are guilty of an even greater sin: they have deliberately chosen to continue to work behind a veil of secrecy that makes them guilty by virtue of its very existence. If transparency of operations can eliminate corruption with surgical precision, then opaque operations imply an unwillingness to combat corruption. The moral discourse of corruption is transformed into an amoral discourse of transparency, which, in turn, implies a moral choice. Thus, the backwardness of developing countries stems not from an inability to achieve the model of the rational state, but a deliberate choice not to.

The simplistic value judgments inflected in the transnational discourse of corruption contrast sharply with the multiple discourses of corruption in Mexico. Indeed, even speaking of a national discourse of corruption is problematic given the complex relationship between the constitution of a national political sphere and local political rituals (Lomnitz 2000). Corruption has assumed many forms in the collective psyche, and as Morris (2000) points out, considerable effort has been devoted to establishing an historical continuity between forms of corruption at the local, regional, and national levels in order to project the national space backward in history. The casting of the Mexican government as historically corrupt has the effect of co-implicating citizens and government officials in a cycle of corruption. By virtue of the illegitimacy of the state, citizens develop apathy towards it and view it as an instrument by which to meet their own needs. The disillusionment of the citizens tacitly legitimizes the actions of government officials. In no way do I intend to imply that Mexican citizens are responsible for corruption or that it is a socially functional phenomenon in Mexico. Rather, I am arguing that the discourse of corruption is enmeshed in cultural modes of articulation between the state and society that do not neatly correspond to the categories set forth in rational choice frameworks.

The 1995 pension reform offers an opportunity to observe the conjunctures and disjunctures between the transnational discourse of transparency and local discourses of corruption and how these conjunctures and disjunctures created a space for the construction of multiple, overlapping narratives of the reform process. The reform proposed by the Ministry of Finance (Secretaria de Hacienda) recast what the economic team considered to be an institutionalized form of corruption or, at the very least, an abuse of the powers of the Instituto Mexicano de Seguridad Social (IMSS) for the benefit of the ruling party, into the inevitable

consequence of demographic trends while simultaneously establishing the conditions of possibility for transparency in the government.

The Antecedents of the Reform Process

Our story begins not in Mexico, but in Chile, where the first of a series of pension reforms in Latin America was undertaken in 1981. The Chilean reform has become a benchmark for the reforms that have followed, and it has been watched closely by not only by international financial agencies such as the World Bank and the OECD, but also by developing countries in Eastern Europe and Southeast Asia that are themselves confronting the issue of an expanding elderly population. The Chilean reform was yet another instantiation of the dramatic transformation in economic policy and subsequent revisions in the nature of the relationship between the state and its citizens that occurred under the Pinochet regime. At the time of the reform, Jose Pinera, the Minister of Labor, called social security “the biggest of all of the state monopolies in Chile . . . and a source of enormous injustices, of aberrant discriminations, and an especially scandalous waste in a country like Chile with so many poor people.” (Pinera 1991: 11). The logic of the reform was always polyvalent, even as it was presented to General Pinochet himself: it wove together the diverse themes of ending dependency on the state, eliminating the inequities created by the system, raising the employment rate, and increasing the amount of the average pension. The macroeconomic benefit of injecting the capital market with retirement savings did not figure prominently in the public discourse of the reform, but rather, obliquely as the rationale for the higher yields that would be obtained from the privatized system.

Nevertheless, as the world eagerly awaited the results of the first reform of its kind, the macroeconomic benefits took center stage. All eyes were on the extent to which the reform had

facilitated the development of capital markets and how it had affected both the average annual return on pension investments and the national savings rate. Although a vigorous debate still rages about the effects of pension privatization on the national savings rate, the initial results with respect to capital markets and annual yields were impressive: “in 1994, the accumulated funds for retirement in Chile rose to more than \$22 billion dollars, or 43% of Gross National Product” (Lacey 1996: 685).

The Chilean reform established a discursive correspondence between social security funds, which had traditionally been regarded as the exclusive province of the state, and the development of the instruments necessary for an efficient financial market. This correspondence was not only picked up by international development agencies such as the World Bank, which had begun to urge developing countries to consider pension privatization as a frontispiece for neoliberal reform, but also by employers’ organizations in Mexico. The World Bank took prompt notice of the positive effects of the Chilean reform, and by the mid- to late-1980s, it had urged Mexico and other countries plagued by underdeveloped capital markets and macroeconomic instability to consider similar reforms. The Chilean reform also caught the attention of Mexican business, especially the influential group, AMCB (Asociacion Mexicana de Casas de Bolsa). After the bank nationalization in September of 1982, the professional banking class was absorbed by Casas de Bolsa, or brokerage houses. They rapidly developed ties with “the owners and directors of the most dynamic exporting firms, such as producers of cement, beer, steel, glass, and televisions . . . [and have emerged] as the most dynamic and economically powerful sector in Mexico” (Valdes-Ugalde 1994: 234). Consequently, they “hold key decision-making positions in the major business organizations, including CMHN, AMIS, and AMCB” (Valdes-Ugalde 1994: 234). Eager for new sources of investment capital, several of these groups

had lobbied the government to parlay its privatization drive into social security: In 1989 the Asociacion Mexicana de Casas de Bolsa (AMCB) tried to convince the government “to make obligatory the creation of complementary retirement savings accounts by all employers and to make itself the owner of a profitable, expanding market” (Bertranou 1995: 7), and COPARMEX submitted a similar proposal in 1990.

Officials in the Ministry of Finance received these proposals with keen interest. A major goal of the Salinas administration was to restore confidence in the Mexican economy, especially for domestic and foreign investors, and much of *sexenio* was spent building a viable financial sector. Once the external debt renegotiations were completed in June 1989, the administration’s attention shifted to redoubling the *desincorporacion* process initiated under the de la Madrid administration. Numerous state monopolies were transferred to the private sector, and, much to the satisfaction of the powerful brokerage elite, legislation to reprivatize the banking sector was approved in 1990. In order for the newly privatized banking sector to flourish, it needed fresh capital as well as an active banking population. Numerous factors, such as rampant inflation, widespread poverty, and mistrust of bankers, had kept much of the economically active population disenfranchised from the formal banking sector. Although domestic and international investors were the most critical constituency, the government was looking for ways to incorporate the large informal sector of the economy into the formal sector. Moving from a pay-as-you-go, defined benefit system to a fully capitalized pension system would place retirement funds in the hands of the private banking sector and, at the same time, induce formal participation in the banking sector.¹

¹ In the final version of the reform, the funds were to be placed in AFORES, or Administradores de Fondos de Retiro, which are technically distinct from banks, though they can be affiliated with banks. The effect on domestic financial markets, however, is the same.

It does not come as a complete surprise, then, that the first actuarial studies of IMSS were undertaken in early 1990 “when the Ministry of Finance and the Central Bank established the Project on the Stabilization of Pensions headed by Alejandro Reinoso of the SHCP and Agustin Carstens of the Central Bank” (Madrid 1999: 143). According to one of the members of Reinoso’s team, “The financial part of Hacienda detects problems from the expenditure perspective that have important public policy implications, and they had had an eye on pensions for some time, because they represented a hole in public finance.” As part of the federal government, IMSS was required to submit an annual Informe detailing the state of its accounts, but officials at Hacienda were skeptical of IMSS’ accounting practices, and the Project’s findings fanned the flames of their skepticism. The Project found that IMSS had a deficit equal to approximately 80% of Mexico’s GDP in 1990 (Sales-Sarrapy et al. 1997). In a pay-as-you-go, defined benefit system, the tax revenues collected from current employees are used to pay the pensions of current retirees. IMSS should have accumulated a sizeable reserve fund in the pension part of its operations because during the second half of the 20th century, the demographic situation in Mexico was such that the ratio of currently employees to pensioners, otherwise known as the dependency ratio, was 20:1 (Bertranou 1995). The ratio dropped to 7:1 by the late 1980s and was projected to fall to 4:1 by 2050 (Ham-Chande and Salas-Lizaur 2000). The results of the actuarial studies vary according to the macroeconomic and demographic assumptions that are used: one official at IMSS confided to me that under certain estimates, IMSS was expected to go bankrupt as early as 1997, but official documents report a slightly longer fiscal trajectory.

IMSS’ precarious financial situation, however, was a bit more complicated than the demographic figures suggest and owes as much to the specific nature of the IMSS bureaucracy

as it does to the declining dependency ratios. Established in 1943 under the Avila Camacho administration, IMSS was designed to provide private sector employees and their families with medical care and old-age, disability, and survivors' pensions (IVCM, or Invalidez, Vejez, Cesantía de Edad Avanzada y Muerte). Based on a tripartite arrangement between the government, employers, and employees, the agency soon became symbolic of the state's commitment to the well-being of its workers, an institutional embodiment of the promises outlined in Article 123 of the Mexican constitution. The symbol of IMSS, an eagle cradling a nursing mother in its wing, visually represents this relationship and serves as a powerful reminder of the paternalistic role of the state.

The team discovered that IMSS had been using pension reserves to cross-subsidize deficits in the health and maternity branches (Enfermedades y Maternidad, or EM) and to expand its medical infrastructure (Martinez 1996). IMSS has a vast network of medical clinics across the country, and insured as well as uninsured patients seek medical treatment at these facilities. Although the extension of medical services to the uninsured has chagrined those in charge of the national budget, the lack of an alternative safety net for disenfranchised populations has been a persuasive argument in defense of this practice. Channeling money from one branch of IMSS to another is not expressly prohibited, and, as several officials at IMSS pointed out, it complies with IMSS' mandate to advance the welfare of the Mexican people. In effect, it could be argued that the reserve funds were invested in government bonds that were then used to finance infrastructural development in other branches of IMSS.

Nevertheless, this finding immediately raised eyebrows at Hacienda and Banco de Mexico. The construction of new hospitals was a noble endeavor, but the team members remained suspicious about how the funds had been used. An official at the Subsecretaria of

Egresos (under Hacienda) explained that “The funds were being used to build buildings, baseball diamonds, auditoriums, theaters, vacation centers for IMSS personnel, social centers where baking classes are offered. Places where women go to chat in the afternoon over coffee.” He implied that IMSS funds had been used as a way to generate and reward support for the then dominant party, the PRI. This use of funds, though never formally alleged, had been an underlying concern at Hacienda for years, and it violated the neoliberal framework in several respects. First, these loose accounting practices threatened to derail the government’s attempts to balance the budget, thereby sending a message to the world that Mexico still had skeletons in its closet. Second, questionable accounting opened the door for personal abuse of funds by IMSS officials. Although allegations of corruption rarely entered the official public discourse (and are difficult to substantiate when the missing funds were applied to such diverse ends), several officials at Hacienda and at IMSS confirmed that there was always a deep concern that considerable funds had been embezzled outright and used to grant “privileged benefits to certain groups of workers due to union or political pressure” (Ham-Chande and Salas-Lizaur 2000). A former government official turned academic who was not directly involved in the reform process was less abashed in his criticism of IMSS: “IMSS has traditionally been a source of funding that has not been transparent. The funds have been frequent victims of embezzlement.”

At the same time, the team identified a reciprocal drain on funds in the form of tax evasion by employers and employees. The Social Security law declared that an individual was eligible to receive a pension from IMSS only if he or she was working at the time of retirement and had fulfilled the required vesting period of 10 years. The pension itself would be based on the salary that was drawn during the last 5 years of employment. This situation prompted the underreporting of income during the vesting period until the last five years of employment. In

addition, workers could participate in the informal sectors for most of their working years and enter the formal sector 10 years before retirement and receive the same pension that they would have received had they paid into the system during the entire working career. The situation was beneficial to the employee and the employer because it exempted them both from the payroll tax without compromising the future value of the pension. Precise figures as to the extent that this evasion contributed to the deficit at IMSS are not available, but original members of the team report widespread instances of salaries jumping by large percentages in the last five years of an employee's career.

What the team discovered, then, was not the unilateral pilfering of funds by IMSS officials (although individual episodes of embezzlement are still suspected), but rather, a mutual abuse of the system by IMSS administrators and beneficiaries that blurs the line between individual and institutional culpability and between misuse and abuse of funds. The simultaneity of forms of corruption links the state and citizens together in a discursive symbiosis that recreates at the micro-level the macro-level politics of the corporatist state. IMSS administrators are guilty of shady accounting practices, yet they are exonerated by the mandate of their organization to maintain the well-being of the population; employees and employers are guilty of evading payroll taxes, yet they are vindicated by the government's failure to adequately provide for its citizens and its historical abuse of funds. The history of the state and its organization becomes an alibi and a justification for both types of behavior. The situation becomes even more complicated when one considers the sordid history of the banking sector in Mexico, which had been on the brink of financial collapse several times before the recent Fobaproa crisis. To many Mexicans, private banks are less trustworthy than the government, for the simple reason that the banks are not implicated in a broader relationship with their clients.

The task for the reformers could not be a process of pulling back the curtain to reveal the historically discrete, individual episodes of corruption that had occurred in the government because the cultural notion of corruption and its historical articulation in the corporatist state had discursively blurred the lines between misuse and abuse of funds. The new framework would not only have to re-narrativize the relationship between the state and society, but it would have to do so by working through the existing cultural-political complex.

Well aware of the political topography, the team did not immediately report its results to the public or to IMSS. As one official explained, “the problem implies the solution. You can’t present the problem until you know what the solution should be.” With its calculations in hand, the team intensified its study of recent pension reforms in other countries, and by the end of 1990, it had prepared a framework for pension reform that recommended the creation of a complementary pension system administered by the private sector and the gradual transfer of all IMSS contributions to the Sistema de Ahorro para el Retiro, or SAR (Bertranou 1995). The precise details of the new system and how it would be administered were more carefully investigated from 1991-93, when Hacienda officials traveled to other countries to speak personally with government officials and to evaluate policy options. Despite the significance of the proposed reform for IMSS, “IMSS was not officially brought into the mix until 1993.” A modified version of the SAR had been implemented in 1992, but the more holistic reform of the structure of Social Security in Mexico had been postponed. A member of the team at Hacienda reported that “by 1993, a draft of the full-blown reform was ready. It was presented to IMSS and the Ministry of Labor. The document was circulated only in the government—it was not given to the unions or to the private sector. I remember very clearly that the document had two sections: the first section outlined how the reform should be done, and second section detailed

the political constraints and pockets of opposition. It was never a naïve initiative. From the beginning there was a consciousness about the restrictions and what would have to be done for the reform to be viable.”

For its part, IMSS had apparently launched its own investigation of the pension system. An official who worked at an independent think tank called CEDES, or Centro de Desarrollo Estrategico, recalled that “At the end of 1992, beginning of 1993, the Centro de Desarrollo Estrategico was created to study the problem. It was created by IMSS and financed by IMSS, but it was an independent think tank. It was an idea of Borrego’s. He became General Director of IMSS and realized that the organization was in financial trouble, and he knew that people were talking about it. But not everyone at IMSS was in favor of a sweeping reform. The entire actuarial area of IMSS, the only thing they wanted to do was to raise taxes.” CEDES contained its own team of economists who studied the microeconomic implications of the current assignation of pension benefits. In contrast to the actuarial and macroeconomic reports produced by the team at Hacienda, CEDES research emphasized the principles of equity and distributional justice in the assignation of pension benefits. From its perspective, the ways that IMSS had awarded pensions in the past had distorted individual incentives and led to numerous forms of discrimination against certain populations. Of particular concern were the discriminatory effects that the current structure of social security vesting requirements had on women and people who moved in and out of the formal sector. The broader issue of the organization of the IMSS bureaucracy itself was not a major consideration of these reports, nor were the ramifications for the capital market of moving from a PAYGO to a full-capitalized system.

In many respects, the differing foci of the two sets of reports echo central ideological cleavages between IMSS and Hacienda, but it would be a mistake to portray the reform process

as a battle between the rationalizing force of the technocrats ensconced in the Ministry of Finance and the Banco de Mexico against the old-style politicians at IMSS. Though technocrats were brandishing the saber of rationality at the antiquated bureaucratic machinery of IMSS, their tactic of excluding IMSS from the initial stages of the reform replicated a traditional political strategy in Mexico. Similarly, when Genaro Borrego, Director General of IMSS, realized that his agency was under the scrutiny of the reformers at Hacienda, he promptly hired Gabriel Martinez, an economist trained at the University of Chicago, to head up the Financial Division of IMSS (Coordinacion de Finanzas). An esteemed labor economist, Martinez was able to speak the same language as the economists at Hacienda and counter their macroeconomic logic with other economic considerations. If the reform had simply been a matter of exposing the evils that had occurred at IMSS, then Hacienda members could have left IMSS out entirely, but they did not. Even though they had prepared what they felt to be the essence of the reform process by 1993, considerable effort was spent working with IMSS officials and responding to their concerns about the reform proposal in order to, in the words of one official at IMSS, “bring IMSS on board.” Despite the proximity of the Hacienda team to the President, the reform could not be passed without IMSS’ endorsement. The IMSS union would have been unwilling to accept the proposal if it appeared as though it had been developed without IMSS’ involvement, and Hacienda needed IMSS to use its links to the unions to generate support for the initiative. The unions were suspicious of Hacienda’s reforms, and it was unlikely that they would accept Hacienda’s allegations about the financial situation of IMSS. As recently as March 2000, opposition deputies were accusing officials at IMSS and Hacienda of lying to the public about the state of IMSS’ finances. A unified front, with IMSS validating the reform scheme, was

necessary to convince unions that the reform was not simply another step in the privatization campaign.

The differences between Hacienda's version and the CEDES reports were addressed in meetings between officials at the two agencies, meetings that at times turned acrimonious. IMSS was critical of Hacienda on the topic of its microeconomic analysis. As one official explained, "IMSS was basing its analysis on all sorts of flawed assumptions about the life expectancy of workers, their contribution rates, and the extent of IMSS' obligations. When it was pointed out to Hacienda that they had not used the conditional life expectancy in their figures, it apparently hit them right in the face. They were shocked." Furthermore, though IMSS was financially enfeebled, it took the opportunity to extract certain benefits from the process. A mid-level official at IMSS claimed that

"You have to do something for IMSS if you want it to play along. IMSS is difficult to move around because it had too much political power. . . . [in the negotiations], IMSS got the federal government to assume financial responsibility for all pension liabilities.

Hacienda took over the problem of how to pay for the pay-as-you-go commitments. The government now pays more for health, so IMSS is getting a financial benefit, which they did in order to get IMSS into the scheme. The government knew that the pension system was going to collapse . . . and a lower payroll tax and a raised contribution from the federal government meant more money for IMSS. The people at Hacienda got to look like big reformers, even though they assumed a lot of debt."

Bringing the Narratives Together

By the time the reform was presented to Congress in December 1995, years of intense, inter-institutional negotiations were presented in the form of a single, coherent policy. In the *diagnostico* that was presented to Congress by the President, no mention at all is made of allegations of the abuse and/or misuse of funds by IMSS. In its original studies, the team at Hacienda and Banco de Mexico detected reciprocal forms of abuse of the system by IMSS and its beneficiaries, yet in the *diagnostico*, the complex cultural discourses on corruption that these reciprocal forms of abuse represent are deconstructed and recast as two distinct forms of rational economic behavior. What officials at Hacienda generally regarded as the abuse of funds by IMSS was reformulated as the inevitable consequence of demographic trends and IMSS' attempt to fulfill its institutional mandate to provide for the well-being of its beneficiaries by expanding its network of medical facilities. The undercurrent of corruption was therefore reworked into a legitimate discourse on the state of IMSS. Similarly, the various types of abuses of the system by beneficiaries and employers in the form of tax evasion and deceptive practices were redefined as the result of faulty incentive structure. The blame was deflected from IMSS and from the citizens themselves to the impersonal force of economic incentives. In this way, the metaphor of the symbiotic relationship between IMSS, employers, and beneficiaries is replaced with a new model of the appropriate relationship between the state and its beneficiaries.

In summary, the reform was not simply about IMSS' impending financial collapse (in fact, there are numerous officials who claim that the collapse was not as imminent as the *diagnostico* and certain forecasts predict). It was also critically concerned with instilling new types of institutional and individual dispositions. As mentioned previously, transparency implies a metaphor of seeing, and the assumption in economic reasoning is that if transactions are

viewed by all, then they cannot be hidden. According to the version of the story that Hacienda presented, funds at IMSS were not safe because they were not well-documented, and funds would be safer in the private sector which is accountable to its clients. But banks do not have a spotless reputation in Mexico, and bankers are often regarded as just as corrupt as politicians. The assumption that private markets will produce efficient outcomes runs counter to the experience of many Mexicans, which has been that though corrupt, the government is a reliable and, by virtue of the corporatist structure, pliable patron. For the benefits of the pension reform to be fully realized, individuals had to be incorporated into the official repertoires of economic management and develop a specific mentality about the proper expectations of the private sector and the government in a market economy. The program was designed, through transparency, to teach economic subjects that in the end they would receive greater benefits if they participated in the private sector and to teach government officials that their actions would be detected.² Thus, the deeper institutional transformation that the reform was attempting to effect was the gradual unpacking of the corporatist state structure.

Conclusion

I have presented several levels of argument in relation to the pension reform. The first is that the distinction between technocrat and politician is not absolute because forms of economic and political authority are developed simultaneously. The second is that economic ideas generate multiple ways of understanding the local context. The two claims are linked by the centrality of bureaucratic negotiations in the policymaking process; economic theory receives its

² It has long been debated in the political scientific literature what the precise relationship between economic liberalization and political democracy is. In this paper I do not intend to assert that the path is straightforward, but rather, to show how the discourse of economic transparency is deployed to discursively create this natural connection.

power of expression through struggles between bureaucrats and how it tells a story of those struggles. In other words, there are several simultaneous plotlines, and it is the simultaneity of these plotlines that makes reform possible. In the case of the pension reform, corruption as modeled in rational choice theory served as an account for intricate cultural forms in the Mexican context as well as the means to reformulate them. Economic theory creates a new narrative for corruption in Mexico, and by recasting past forms of abuse in terms of new definitions, it revises the relationship between state and society without completely eliminating existing discourses on corruption circulating in the public sphere. The structure of the negotiations themselves rely on the existing framework for the politics of inclusion and exclusion upon which the corporatist state is built, and in many cases did not follow the model of transparency they were designed to embrace. Economic ideas and their articulation in the political sphere are, in the end, the seeds of change and continuity.

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