A Crisis of Timing, or a Timed Crisis?
The Politics of Pension Privatization in Mexico

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A flurry of analysis by scholars and politicians alike surrounded the genesis and development of the 1995 Nuevo Ley de Seguro Social (NLSS) in Mexico. Closely linked to an earlier 1992 reform, the Sistema de Ahorro para Retiro (SAR), the 1995 proposal represented the culmination of an ambitious policymaking effort that spanned two Presidential administrations. Whereas initial actuarial reports on the fiscal sustainability of Mexico’s pension system, or more precisely, the Mexican Social Security Institute, were first commissioned by President Carlos Salinas in 1989, the reform did not assume its final legislative form until 1995 under the leadership of President Ernesto Zedillo. The most highly publicized component of the Nuevo Ley was the transition from a defined benefit, pay-as-you-go system to a fully-funded system of pension administration for private sector employees, yet the law engendered fundamental transformations in the configuration of power relations within the Mexican bureaucracy—especially with respect to the relationship between the Secretaria de Hacienda and the Instituto Mexicano de Seguridad Social—and laid the Constitutional and paradigmatic groundwork for future changes in the provision of social welfare in Mexico, most notably the health care system. The repercussions of the new law were also felt in the financial sector of the Mexican economy, where recently privatized banks stood to gain access to a fresh new source of funds to administer.

There are a host of explanations for the timing and form of the Mexican law, and they vary widely, even among the policymakers most intimately involved with the reform at the highest levels of the decision-making process. But the domestic determinants of the reform are often overshadowed by the dominant narrative of the wave of second-generation pension reforms in Latin America, itself inextricably linked to the theme of neoliberal policy convergence in the post-World War II global economic order. Accordingly, in the early 1990s, the cold war image of communism rapidly spreading from the Southern Cone to the Mexican border with democratic regimes falling like dominoes was replaced by the unlikely image of the domino effect of neoliberal pension reform. In this account, the Chilean pension reform of 1981 serves as a mythical point of departure for the wave of pension reforms that swept across Latin America in the 1990s. “The first of the second-generation reforms was undertaken in Peru in 1993, Colombia and Argentina in 1994, Uruguay in 1996 and Mexico in 1995, Bolivia in 1997 and, most recently, El Salvador in 1998” (Quiisser 1998: 25). Despite significant differences in how the reforms are related to the broader domestic complex of political and bureaucratic relations, the salient aspect of all the reforms was seen to be the “greater role for funded, privately-managed pensions” (Quiisser 1998: 9). The metaphor of geographic progression and its associated discourse of essential ideological links between the Latin American reforms became a stock image in reports and policy briefs from international financial institutions ranging from the OECD to the World Bank. This discourse not only stoked the fears of policymakers familiar with the devastating economic effects of failing to jump on the neoliberal policy bandwagon, but also functioned to contextualize the need for pension reform in terms of an explicit time-line: the policy initiatives of distinct regimes responding to unique domestic and international circumstances were discursively synthesized into a seamless narrative of the self-evidence of fully-funded pension systems, with the Chilean reform as its primordial ideological genesis and raison d’etre.

Much is to be gained from considering the Nuevo Ley in relation to the broader regional trend, yet there are some risks, as well. For instance, against the dominant World Bank narrative of the structural necessity of pension reform, there is an equally powerful narrative of the political contingency of the Nuevo Ley in Mexico which has gone largely unexplored. This paper constitutes an attempt to understand the relationship between these two narratives by probing the deeper conditions of possibility for the interdependence, rather than presumed antithesis, of these two perspectives. By exploring the relationship between the political timeline of social security reform in Mexico and the discourse of inevitability of pension reform advanced by the World Bank, this paper unpacks the implicit dichotomy between the international and national components of the policymaking process. In the process, it seeks to interrogate how the paradigm of neoliberal economics unfolds in the domestic policymaking process by investigating the types of alliances it engenders and how neoliberal rhetoric is deployed politically. I argue that although there are crucial affinities among social security reforms in Latin America, the nature and timing of the NLSS in Mexico was contingent on several exogenous variables. This argument, in turn, is tied to a rejoinder to re-emphasize the importance not only of domestic political circumstances, but also of policymakers’ awareness of the idioms of policy convergence in political negotiations.

The Icons of a Transforming Economic Order: Neoliberalism, Technocrats, and Policy Convergence

The time-line of Latin American pension reforms seems like a case in point argument for the triumph of the homogenizing institutions of the post-World War II global economic order and the concomitant triumph of the neoliberal paradigm of economic reform. Though globalization did not become a staple in the academic vocabulary until the mid-1990s, its antecedents were present in academic discourse long before the term was canonized. Scholarship on Latin American politics started exploring the links between domestic political structures and broader global economic movements in the mid-1980s through the persona of the technocrat (Camp 1985). Latin Americanists were first introduced to technocrats through the illustrious Chicago Boys in Chile, a phenomenon which struck many as theoretically rich but regionally anomalous until the 1982 debt crisis plunged Latin American economies into deep recession and formally brought them to the negotiating table with the International Monetary fund and a host of other angry creditors. The almost instantaneous rise of technocrats to key posts in the bureaucracies of Mexico, Argentina, and Peru, however, suggested that perhaps the Chilean experience with the Chicago Boys was not simply a neoliberal dream. Instead, it seemed as though it was becoming a reality and the nations that did not have a cadre of technocrats in positions of power would be condemned to a permanent slumber in the global economic order. The simultaneity of the rise of technocrats and the debt crisis lent powerful credibility to the notion that transnational neoliberal paradigms were forcibly supplanting domestic political structures (Biersteker 1992, Maxfield 1990).
The typological distinction between technocrats and politicians occupied center stage in analyses of Mexican politics in the 1990s, though authors such as Camp (1977) had picked up on the gradual transformation of educational credentials of political elites in Mexico as early as the 1970s. Indeed, the nature of policymaking in Mexico was not immune from the traumatic economic and political episodes of the 1990s, and the distinction between technocrats and politicians helped analysts ascertain what precisely had changed in terms of national policymaking (Centeno 1994). Yet with the current interest in structural autonomy, there is a danger that the heuristic value of the technocrat/politician distinction will be eroded if it is absorbed into the broader oppositions that have come to characterize recent scholarship on globalization and state sovereignty. Despite several notable exceptions (Sassen 2000), the current emphasis on the future of state sovereignty in the era of globalization has galvanized a deeper distinction between the national and international aspects of policymaking. That is, by positing a fundamental opposition between the forces of the global economic order and the integrity and scope of national sovereignty, this scholarship threatens to render technocrats mere mouthpieces of the discourse of neoliberal economics and unquestioned handmaidens of international financial institutions and international investors, and politicians as stalwart guardians of the domestic policymaking realm. By overdetermining the links between neoliberalism, technocrats, and international financial institutions, on the one hand, and politicians and national political coalitions on the other, this representation of the policymaking process renders policy convergence a foregone conclusion, thereby eclipsing the nuanced process by which neoliberal programs are domesticated and the constantly shifting alliances through which they are supported and resisted.

In the case of pension reform in Mexico, I will be the first to admit that the links between the World Bank and the Nuevo Ley de Seguro Social seem too direct, too potent, to doubt. And even if we were to doubt those, the very basic fact that Latin American countries do experience pressure to jump on the policy bandwagon or succumb to the wrath of fickle international investors cannot be eschewed. But there are also a handful of reasons to remain skeptical of an overly deterministic view of policy change in Latin America. Though the Nuevo Ley de Seguro Social seems to fulfill the prophecy of the World Bank’s admonition that pay-as-you-go-systems were on the brink of financial collapse, social security reform was just one among many policy proposals on the table, and in fact was adopted as the centerpiece of the Zedillo administration largely because of the credibility gap that Zedillo faced after the devastating peso collapse of 1994. Furthermore, though the World Bank portrays the Nuevo Ley as a pension reform, many central figures in the process are quick to explain that the pension reform was secondary to a more sweeping reconfiguration of relations within the Mexican bureaucracy. Without a doubt, neoliberalism influenced the range of policy options and the timing of the reform process; however, the question becomes how do we define neoliberalism, and is it as politically constraining as some analysts have suggested (Babb 2002)? How can we account for the duality of interpretations of the reform process, e.g., the dominant narrative advanced by the World Bank and a dissonant narrative within the Mexican bureaucracy? Is it possible that the discourses and narratives, especially emanating from the World Bank and other IFIs, in part tend to represent a uniformity that might belie political diversity? And finally, how do we make room in the existing theoretical frameworks for the voice of national policymakers? What I am proposing is not an entropic world in which transnational institutions and investors hold no sway; rather, I am questioning the precise nature of this sway and how it is connected to local political processes. In the arena of proactive policy measures—as opposed to emergency structural adjustment programs, which I agree have a much more homogenizing effect—I contend that the national government occupies the position of mediator, trying to create a policy agenda that will satisfy internal and external demands, and the way in which we view this process has fundamental ramifications for how we model the policymaking dynamic and the relationship between the multiple levels—local, national, and international—through which it unfolds. Thus, I am making two claims about the nature of the policymaking process: first, that domestic structures still play a vital role in the active mediation of the paradigm of neoliberalism, and second, that competing narratives of the reform process—in this case, the discourse of inevitability vs. the discourse of contingency—can be seen as part of a broader struggle over the power to represent authority in the geopolitical realm.

I propose that the anthropological literature on authoritative knowledge offers an alternative vantage point from which to view the relationship between the national and international contexts of policymaking. Underlying this perspective is the proposition that knowledge claims are embedded in the struggle to establish a hegemonic narrative of social relations. “[Authoritative] knowledge is a major feature of the contemporary culture of government and development. But it would be a mistake to imagine that there is only one form of authoritative knowledge. There are competing and convergent forms” (Moore 2001: 162). Accordingly, instead of looking at the process of policymaking in Mexico as an epic struggle between technocrats as representatives of the structures of the international economic order and politicians as the conservative guardians of an insular, organic political order, we can think of the dialogue between technocrats, politicians, political constituencies, and representatives of the World Bank and other international financial institutions as a deeper struggle for the claim to policy authorship that depends, in turn, on appropriating the material and symbolic resources of the other groups. That is, struggles over power engage the material and representational realms, and the ways in which the World Bank or other international financial institutions attempt to author the definitive interpretation of the nature of the reform processes and the salient features of the policies is itself bound up in the attempt to represent the authority of those institutions. For the World Bank, this struggle involves attempting to influence governments to adopt specific policy initiatives—an endeavor that is facilitated by the leverage that the World Bank holds in the structure of the global economic order—while nonetheless maintaining the appearance of autonomy from the government. For technocrats, there is a parallel struggle to enact legislation that responds to what they perceive as the needs of the local political realm—their interpretation of which may indeed run counter to both the World Bank and politicians’ perspectives—while marshaling the political and material resources of the World Bank and domestic constituents yet maintaining the appearance of ideological autonomy from each at different stages in the policymaking process.

In the case of pension reform, this approach allows us to view both narratives of pension reform—the discourse of inevitability advanced by the World Bank and the discourse of political contingency espoused by technocrats—as interwoven strands of a deeper set of negotiations over how neoliberalism is to be domesticated in Mexico. Pierre Bourdieu (1977) warns that one of the
inherent risks of an objectivist perspective is portraying social situations as if they were inevitable, that is, of focusing only on outcomes and suppressing the dynamics that punctuated the social process itself. Applying this vision to the policymaking process, we might say that while the policy convergence perspective points out significant changes in the dynamics of policymaking in the contemporary period and directs the critical eye toward unmistakable similarities in economic policy agendas in geographically and politically diverse countries, it carries with it the danger of suppressing key moments in the policymaking process in which convergence was significantly challenged—the moments of uncertainty, of exogenous variables and their potential effects on the political agenda, and, most importantly in the case of Mexico, the very deliberate negotiations with various social actors over a lengthy time horizon. Concomitantly, though the relationship between the World Bank and technocrats smacks of willful ideological alliance, at many times they are sitting at opposite sides of the negotiating table in the service of broader agendas of interest that override any personal ideological affinities. Mexican government officials did want technical support from the World Bank to study other social security reforms in the world and to fund its transition plan, but these interests alone do not imply the conclusion that technocrats worked in constant alliance with World Bank officials. The theoretical gains of focusing on the struggle for authoritative knowledge of the Mexican social security reform are twofold. First, it underscores the fact that interactions between various parties to the Nuevo Ley de Seguro Social are embedded in structural and contingent events. Second, it introduces a layer of self-awareness to policymaking actors by suggesting that World Bank representatives and domestic policymakers are keenly aware of how their actions are being interpreted and represented and that there are high political stakes attached to how these representations are deployed.

A Brief Digression on Methodology

Given that a project of this nature is an unlikely undertaking by an anthropologist, a brief digression on methodology is in order. When I began my field research in Mexico City in 1999, I took a giant leap of faith that the economic policymaking process was more complicated than a pure typological approach could capture. Well-versed in the scholarly literature on the distinction between technocrats and politicians, I nonetheless could not reconcile this perspective with my personal experience with technocrats in training, that is, while they were still working on their Ph.D.s. The economic benefits of working in the Mexican government notwithstanding, the future technocrats (not all, but some) exhibited a strong conviction that they could have a measurable impact on the material well-being of the economically disenfranchised population in Mexico. And though they were impressed with the analytical training they received in graduate school, they were not convinced that neoliberal economics was a one-way street; though they did have a fundamental faith in the private sector, they had an equally strong sense that neoliberal models could be fitted to suit Mexicans’ vision of how they wanted to insert themselves into the contemporary global order and on what terms. Theirs was a cautious trust in neoliberalism, not blind adherence. It was with this conviction that I set out to explore in the course of 10 months of participant observation field work in Mexico City.

Participant observation is a slightly misleading description of my work in Mexico, since my research was undertaken long after the ink on the NLSS had dried. Watching the policy unfold was impossible, so my task became reconstructing the reform process through a series of interviews with government officials in which I explored each officials’ perception of the key events in the NLSS timeline, the key actors in the reform process, and the distribution of material and symbolic resources in the political field. An essential component of the methodological strategy was multiple interviews with the same officials through which I was able to elicit insights on the interview data I had collected from other officials, thereby recreating the dialogues that were at play during the negotiations.

Of central importance in my interpretation were not points of convergence in individual accounts, but rather, the astounding range of divergence of viewpoints in relation to some of the seemingly straightforward (from my perspective) aspects of the reform process. It was striking to me how little agreement there was. In analyzing points of divergence, my critical eye was attuned to each informant’s position within the hierarchy of the bureaucracy as well as the elaborate range of informal networks through which policies are negotiated. Though I was unable to personally observe how these networks were deployed during the NLSS negotiations, I was able to observe them in relation to contemporary policy initiatives and ascertain their importance through the individual accounts.

The purpose of an ethnographic approach to policymaking is to adduce the practice of policymakers, to determine how the less quantifiable aspects of the political process come to play in the elaboration of a policy proposal. Ultimately, it aims to outline the discursive conditions of possibility for the convergence and divergence of individual recollections of the process. What becomes critical in the Mexican case is the fleeting and difficult to pin down informal networks that characterize much of the political context. Furthermore, though the structure of bureaucratic power relations is explicit on paper, there is additional protean characteristic of these relations in that there is a constant ebb and flow in credibility, resources, and political capital within and between different Ministries, an outcome of factors ranging from the Presidential administration to exogenous events that put certain Ministries in the spotlight.

Early Attempts at Reform: Technocrats in Action

The contemporary minimalism of the conference room belies its location: it could just as easily be the deliberate decorating scheme of an elite international corporation in Mexico City, or the forced austerity of a university strapped for funds yet hoping to project an image of cosmopolitanism. Everything in the room is adequate, perhaps even elegant, but nothing is extravagant. A stark, rectangular conference table dominates the room, encompassing most of the functional space. Twelve perfectly matched and well-maintained conference chairs are positioned equidistantly from one another around the table. Marker boards adorn two walls in the room; the other two walls are fairly nondescript and innocuous.
On this particular day, each of the chairs is occupied, and the occupants’ attention is focused on a slew of paper charts randomly taped on the walls around the room, in stark contrast to the otherwise orderly setting. Bright rays of sunlight stream into the room, lighting up what, if it were not for the infamous pollution-choked air in Mexico City, would be a crystalline sky. From the windows of the eighth floor conference room, the occupants have a bird’s eye view of one of the central commercial arteries in Mexico City, Avenida Insurgentes Sur—home to several of the SubMinistry of Hacienda’s headquarters and located approximately four miles southwest of the Zocalo and the National Palace.

The room is filled to capacity with men dressed in three piece suits, ardentely debating over the contents of the charts pinned to the walls. Each chart contains the name of a different country, and lots of illegible scrawl. Only the voices in the background hint as to the significance of the charts:

“Recognition bonds are not an option here in Mexico. If we change the system, we are going to have to think carefully about Article 123 of the Constitution. That is, assuming we get the go-ahead from the unions.”

“But one of the real benefits of moving to a fully-funded system is the potential effect on the savings rate, and we’re not going to see real changes until everyone switches over.”

“But look, raising the national savings rate is just one of our concerns. If you look at Italy, Hungary, Germany and Switzerland, nearly 30% of each worker’s wages supports a pensioner. We don’t have that type of dependency ratio now, but we are moving in that direction. Right now we’re at 16:1; but depending on the demographic figures, the rate of convergence to 2:1 could be quite fast. The unions are not going to be thrilled about seeing payroll taxes increase to pay the difference, and we will end up further crippling small business owners if we pass the tax to them. We have to make up for this difference somehow.”

“And it is clear that IMSS doesn’t have the money to pay out these pensions forever in the absence of substantial change. God knows where the money went—I don’t even want to think about it, but the fact is that we’re the ones who will be holding the bag when IMSS can no longer fulfill its obligations.”

The participants in the discussion are clearly not dilettantes in economics; almost all of them hold Ph.Ds in Economics from prestigious universities in the United States, and those that do not have taken a rigorous five-year Licenciado program at the Instituto Tecnológico Autonoma de Mexico, an elite private college in Mexico City with a reputation for its demanding economics program. The scene gives the appearance of an academic workshop in economics, but in fact, we are looking in on a meeting of the staff of the Ministry of Finance Coordinator’s Office in mid-1991. Although the room was drenched in sunshine when the meeting started, the sun will have long since set before the meeting adjourns. Further, there will be many more meetings of this sort before any substantial recommendations will be put forth. The Coordinator’s Office occupies an unusual position in the structure of the Ministry of Finance. Although the Ministry is divided into three Sub-Ministries (Income, Expenditure, and Budget), the Coordinator’s Office operates alongside these branches and technically is not subsumed under any of the three Sub-Ministries. The mandate of the Coordinator and his team of technocrats is “to receive directives from above about the types of policies we should research and to help write a diagnostic.” The office devises two or three different potential solutions, and passes these on to the higher-ups. Political hierarchy ultimately determines the political feasibility of the different proposals. If a proposal is deemed infeasible for whatever reason, it gets sent back for amendments or a complete overhaul. Many of the proposals we write get tabled; others are followed up on” (personal interview, July 1997). In a political structure in which hierarchy is so patently manifest, the Coordinator’s Office holds a uniquely ambiguous position. Indeed, several technocrats described to me that the political power of the Coordinator’s Office “depends largely on the Coordinator himself and how he uses the position” (personal interview, 2/15/00). A proactive Coordinator with political savvy may find himself able to actively pursue specific policies and pull the appropriate strings to make sure his team’s efforts are brought to fruition; an impassive Coordinator will have a harder time pushing initiatives through. The Coordinator’s Office is most closely akin to a think tank within the Ministry of Finance.

The mid-1991 meeting occurred under the tenure of Alejandro Reinoso, Coordinator from 1991-1993 (during the Salinas administration), and was an outgrowth of the first actuarial studies of IMSS 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” (personal interview, 1/28/00). 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).

Though this figure is colossal, it is important to remember that many pay-as-you-go systems in countries around the world—the U.S. is no exception—run virtual deficits, in the sense that surplus funds collected when the dependency ratio is favorable are often used for other purposes (so called “trust fund raiding”) or to mask other areas of the budget deficit. Of the pressing economic problems in Mexico, it might be argued that the pending financial shortfall of the Social Security system was less urgent, especially given the fact that although employees and employers customarily resist increases in payroll taxes, previous shortfalls had been corrected by doing just that—raising the payroll tax (Bertranou 1995). As the General Director of Finances at IMSS explained, “Social security was having problems with funding and coverage—that was a more important issue than the pension issue. We could
have gone 10 to 20 more years without a big pension reform. Unless there was a crisis, the deficit would not have been too large.

Every year, we have a huge growth in the labor force, which means that we could have saved the system with marginal measures, like they do in the U.S.” (personal interview 2/4/00). Furthermore, pensions did not hold much political cache in the eyes of beneficiaries, nor were they the central function of the Mexican Social Security Institute. Much of IMSS budget is allocated to the clinics that it operates around the country, which are patronized by covered and non-covered patients alike, by far IMSS’ most visible operation.

Reinoso’s team at the Coordinator’s Office worked assiduously on several different proposals for Social Security reform in conjunction with their counterparts at the Banco de Mexico. Their work, however, followed closely on the heels of the announcement in 1989 that NAFTA negotiations were going to begin, an announcement that generated caution and skepticism among the leaders of the major labor unions. While according to the dominant neoliberal models of comparative advantage, Mexican workers (in Mexico) stood to gain higher wages, their general acquiescence would nevertheless come only at a price. In recounting the early dialogue between the government and labor union leaders, the General Director of Finance at IMSS intimated that despite general support for NAFTA, one of the unions’ conditions was that there be no changes in labor regulations. A sweeping reform not simply of the provision of retirement pensions, but of the entire bureaucratic structure of the Mexican Social Security Institute—what many bureaucrats suggested to me was actually the more vexing issue for the parties involved, including IMSS—would require changes to Article 123 of the Mexican Constitution, a tricky political maneuver given the particular historic moment. Alas, the unions would prevail, at least initially, but it is a triumph that if not actively concealed, was at the very least not openly revealed. Of the nearly 25 bureaucrats who worked at IMSS or the Ministry of Finance/Banco de Mexico at different stages of the reform process, only one mentioned the existence of informal negotiations with unions before the opening of official negotiations in 1995: “There were attempts by the government in 1991-92 to set up the Chilean system in entirety—the SAR—but the unions said no and the government had to back up. They never made it public, so you don’t hear about that.”

Officials at the Ministry of Finance at the time were largely tightened-lipped about what proposals, if any, were floated by the unions in the early 1990s. But they were consistent on the fact that the SAR (Sistema de Ahorro para Retiro) was a politically designed effort to force future reform. Fraught with bureaucratic snafus, the SAR was instituted in 1992 for IMSS and ISSSTE (the government worker’s union—the NLSS, in contrast, applied only to IMSS) and acted basically as a mandatory saving device funded by an additional 5% payroll tax paid completely by the employer. The difficulties with the reform are too numerous to list and are secondary to the purpose of this paper; what is important to note is that bureaucratic opinions sharply diverged on the role of the SAR in an overall time-line for reform, and similarly, its connections to World Bank proposals—the time line of which is itself ambiguous and contested. For several of the highest level officials at IMSS, the SAR was a half proposal, salvaged from the government’s failure to convince the unions to accept a full proposal and carelessly passed through the legislative pipeline because technocrats working together on the Project on the Stabilization of Pensions, in the words of the same official at IMSS, “merely wanted to copy the Chilean system,” a desire he further claimed stemmed from the fact that “The World Bank people and many analysts had their eyes on Chile. The ideas the Mexican government had was to translate the Chilean law to Mexico—they wanted to copy the whole thing” (personal interview, 2/4/00).

His claim drew vehement denial on both counts from members of Reinoso’s team and two of the so-called three Musketeers, the group that took up the NLSS initiative in the Zedillo administration. One of the Musketeers, a Ph.D. graduate from the University of Chicago, explained that while the World Bank provided the funds for study missions to Chile and other countries so that Mexican officials could evaluate other pension systems and speak directly with their counterparts in others countries, that was the full extent of the World Bank’s involvement. However, he claimed “Ministry of Finance officials were not particularly impressed with the Chilean reform and saw many ways in which it could be improved upon.”

What is interesting to note is how the perceived involvement of the World Bank as well as the similarity/dissimilarity of the NLSS to the Chilean reform are deployed in the definition and negotiation of political coalitions in the reform process. The hegemony of the World Bank’s timeline of inevitability had generated a counter-discourse within the Mexican government of those who, though they bore the credentials of technocrats, nevertheless espoused the view that the NLSS was organically conceived as a response to Mexico’s unique social and economic conditions. Divisions within the bureaucracy were articulated through the claim of ideological proximity to the World Bank, which became a central anchor in the fortification of bureaucratic alliances. What would ultimately bring these various factions into agreement, I argue, is not the pressure of outside agencies to adopt the reform, but rather, the 1994 peso collapse, which made the switch ideologically desirable to a host of political factions and, paradoxically, economically unnecessary from the standpoint of fiscal sustainability.

The 1994 Peso Collapse: A New Dimension of Timing

By mid-1993, the momentum of social security reform had diminished, as attention turned to the 1994 election. In addition, the shortcomings of the intermediate program, the SAR, had become grossly apparent and technocrats’ energies were focused on the Reestructuracion de SAR, completed in 1994. Though the program was not completely sidelined, it was temporarily moved to the back burner. The future of the initiative would be left in the hands of the next Presidents’ team of advisors. But a lot would happen in 1994 to significantly alter the character of the subsequent administration. The events hardly need repeating—the Zapatista uprising on January 1, 1994, the assassination of PRI Presidential candidate Luis Donaldo Colosio in what many suspect was an inside job, and last, but by no means least, the cataclysmic peso devaluation in December. Just as the Mexican peso collapse of 1994 robbed Mexicans of the precious little economic progress that had been made in the twilight years of the Salinas administration, it robbed Ernesto Zedillo of what little political credibility he had upon assuming the Presidency on December 1, 1994. As in many other countries, the first several months of an incoming political administration are key, and though Mexico is an
exception in that the tradition of the dedazo imposes a structural continuity between presidential administrations, the high tide of support for Salinas upon his exit from office would have served to augment Zedillo’s political capital, thereby putting him in a more favorable bargaining position vis-à-vis the labor unions and other pivotal factions. Occurring less than a month into the new administration, the peso crisis derailed whatever transition plans and policy initiatives that Zedillo had up his sleeve. Instead of riding the crest of Salinas’ popularity, Zedillo was consigned to pick up the pieces left by the outgoing administration. According to a close advisor, Zedillo had several important policy initiatives he wanted to take on, including privatization of the electricity sector and perhaps even the privatization of PEMEX—tasks that would require political capital far in excess of what Zedillo had in the earliest days of 1995 when such reforms might have been pushed forward. Those ambitions would have to be put on hold, for the economic collapse necessitated immediate attention. Much of 1995 was spent trying to convert the short-term loans that were issued immediately after the collapse to long-term loans with lower interest rates.

But the economic and ideological repercussions of the 1994 peso collapse cast a new political light on social security reform. During the initial talks with government officials in 1991-2, labor leaders voiced their concern that the real goal of any attempted privatization scheme for pensions was to give business to the newly re-privatized banking sector in order to deepen nascent and underdeveloped financial markets. In Mexico, distrust of bankers runs deeper than distrust of the government (and the Fobaproa debacle certainly does little to allay that distrust), and labor unions felt that they were in a better bargaining position with the government than they would be with the private banking sector and therefore remained ideologically committed to maintaining the status quo vis-à-vis pension administration. Yet the peso devaluation sparked a nationalistic response to Mexico’s vulnerability to fickle capital flows. Though foreign investment alone cannot bear the full blame for the peso collapse, an argument can certainly be made that it exacerbated the severity of the collapse. In the words of an advisor to CONASAR, the regulatory agency for the privatized system, “1995 was just after the crisis, and public opinion was looking for a scapegoat for the crisis. One of the main reasons for the crisis was the low rate of domestic savings, and the reform was supposed to raise domestic savings. From a political economy point of view, I would say that it was an opportunity for Zedillo to undertake a big policy” (personal interview, 12/10/99).

In early 1995, unions were receptive to social security reform in a way that they had not been in 1992, and the Zedillo administration had a greater incentive to focus its energies on this particular piece of legislation, for it killed two birds with one stone: it allayed the shared concern of Mexican citizens and international investors about Mexico’s vulnerability to rapid capital movements. Ironically, however, though the effect on domestic savings became the rallying point for domestic interest groups, the net effect of pension privatization schemes on capital savings (as opposed to financial savings) remains inconclusive. According to a World Bank economist, “The savings rate in Chile did increase, but due to other factors, such as the increase in public savings. But there is not much on the empirical side to validate that claim, and, in my opinion, there is nothing on the theoretical side to say that savings rates increase” (personal interview, 5/16/00). Thus, the economic logic served as a rallying point to bring union leaders and their constituents on board despite the lack of conclusive empirical evidence demonstrating the connection between the domestic savings rate and pension privatization.

In an even greater irony, the economic fallout from the peso collapse actually extended the fiscal viability of the IMSS. Original assessments of the sustainability of the IMSS conducted in 1991-92 estimated that the system would go bankrupt as early as 1997. As one of the three Musketeers proudly proclaimed, “We saved the system from collapse” (personal interview. 7/14/97). Yet the economic consequences of the peso collapse were such that they actually increased the IMSS’ viability by almost 20 years. This is due to the fact that the IMSS was paying pensions in inflated pesos, which meant that the real value of its obligations had decreased. The Director of Financial Planning at IMSS indicated that “the December 1994 crash actually extended the viability of the current system until approximately 2008” (personal interview, 7/4/97). Very little political or scholarly attention, however, has been devoted to this phenomenon. The rhetoric of the economic conditions generated by the 1994 collapse were used to justify a far-reaching bureaucratic reform of the IMSS, yet the image that caught the attention of the World Bank and international investors was the pension component of the plan.

Conclusion

What we see in the case of the Nuevo Ley de Seguro Social in Mexico is a decoupling of neoliberal rhetoric from actual macroeconomic conditions. Though the timeline of pension reform in Latin America makes the NLSS appear to be an essential fait accompli, there were a number of opportune and somewhat paradoxical political and economic events that occurred in order to generate the political support necessary to pass the initiative. Ultimately, though we can state that the Mexican reform has a neoliberal character, the goal of the paper is to question what exactly such a statement says about the policy itself and the way that neoliberalism is negotiated domestically. Certainly, we can agree that the neoliberal program implies an emphasis on the private sector, but it seems that there are important distinctions to be made in terms of how the private sector is integrated into economic reform, especially given the fact that as formal institutions are bypassed by informal markets around the world, economic thought is attempting to develop new frameworks for dealing with the structure of markets and their failings.

The argument about neoliberalism and the importance of investigating the circumstances under which neoliberal programs are adopted entails a parallel argument about how we think about the influence of the World Bank and other international financial institutions. The ideological and material arsenal of the Washington consensus as embodied in these transnational institutions and conglomerates is formidable, and to underestimate it would be naïve. Yet at the same time, to overlook the ways in which domestic political actors and transnational institutions are engaged in struggles over the representation of authoritative knowledge eclipses an important aspect of the policymaking process.
In this paper, I have attempted to show that policy convergence is a tightly packed metaphor for neoliberal unity and the hegemony of state and supra-state institutions that must be understood in a political context. We must recognize the political expediencies embedded in the notion of policy convergence and carefully construct our conceptualizations of the dynamic mechanisms and processes that link the world’s economies together with a keen eye towards this realization. What theoretical purchase does policy convergence enable, and what theoretical purchase might be gained by understanding the idea of policy convergence as itself a term in the political struggle over economic futures? Globalization and its associated metaphors of convergence have proved convenient and eminently potent images through which to express local grievances, and this paper attempts to open the door to viewing technocratic policies as ambiguously positioned between convergence and divergence.


