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**MEXICO'S ECONOMIC CRISIS:  
CHALLENGES AND OPPORTUNITIES**

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# THE MEXICAN ECONOMIC DEBACLE AND THE LABOR MOVEMENT: A NEW ERA OR MORE OF THE SAME?

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## Introduction

No one who has followed Mexico's current economic crisis can doubt the seriousness of its impact on that country's twenty-one million workers. The most dramatic symptoms of the crisis by now are well known — hyper-inflation (98% in 1982), a sharp decline in real wages, especially since the beginning of 1982 (the minimum daily wage in 1983, earned by 67% of the working population, is now 455 pesos [U.S. \$3]), an increase in layoffs, and cuts in the "social wage." Another less dramatic but equally important development is the erosion (since December 1982) of organized labor's political base, signaled both by the victory of the technocrats in the de la Madrid cabinet and by the reduction in the presence of the labor sector in the Chamber of Deputies and in the management of key state organs.

The first half of this paper discusses characteristics of the contemporary Mexican labor movement which may influence the future course of labor-state relations.

The second half analyzes how the economic crisis has affected, and will continue to affect, both relations between organized labor and the state, and the stability of the Mexican model of development.

Among the mass organizations that give the Mexican state its peculiar strength, none is more important than the constellation of worker organizations centered on the Congress of Labor, an umbrella organization encompassing the major labor confederations.<sup>1</sup> Just over 5.3 million workers are members of labor unions, a figure that represented 26 percent of the economically active population (EAP) in 1982. Since a large percentage of the EAP is made up of peasants and rural workers who are not

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1. Arnaldo Córdova, *La política de masas y el futuro de la izquierda en México* (México, D.F., 1979).

entitled to join labor unions, the level of unionization in Mexico is exceptionally high and helps explain the overall importance of the labor sector in the political system.<sup>2</sup>

Thus far, this author has been struck by the limited and uneven response of both rank-and-file workers and the union leadership to the sudden and seriously damaging effects of the economic debacle. This should not come as a complete surprise; there is no mechanical correspondence between economic and political crisis. The impact on the labor movement of the economic disaster will be determined by a multitude of factors, including the reactions of a labor union leadership that is no longer homogeneous; the varying degrees of combativeness shown by a highly stratified work force, parts of which have suffered more severely than others from the economic downturn; the balance of forces within the de la Madrid regime; and whether state policy consolidates or erodes non-wage benefits.

### **Labor Struggles, 1971-1977: An Ambiguous Legacy**

Labor insurgency, a literal translation of the Spanish term *insurgencia obrera*, conjures up images of coordinated insurrection and extraconstitutional action. This would be a false characterization of the wave of union struggles that commenced in 1971 and that, over a period of just five years, succeeded in extending the boundaries of trade union democracy and autonomy in national industrial unions as well as in hundreds of plant unions throughout Mexico. Despite the inadequacy of the literal translation, for lack of a better choice this paper will use "labor insurgency" to refer to the *insurgencia obrera*. Many of the conquests of this labor insurgency will be difficult to revoke, but the history of these years is also a history of the enormous resilience of the "official" labor union leadership and an illustration of the difficulties facing independent unions in their attempt to translate their victories into a program which would threaten the

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2. There is considerable variation in the figures on the size of the unionized population. For a representative selection of sources, see Francisco Zapata, "Afilación y organización sindical en México," in *Tres estudios sobre el movimiento obrero en México* (México, D.F., 1979); Juan Felipe Leal and José Woldenberg, "El sindicalismo mexicano: aspectos organizativos," *Cuadernos Políticos* 7 (Jan.-Mar. 1976); Raúl Trejo, "El movimiento obrero: situación y perspectivas," in Pablo González Casanova and Enrique Florescano, eds., *México hoy* (México, D.F., 1979), p. 123; Manuel Camacho, *La clase obrera en la historia de México: el futuro inmediato* (México, D.F., 1980), chap. 6; Jeffrey Bortz, "Problemas de la medición de la afiliación sindical," *A: Revista de la División de Ciencias Sociales y Humanidades de la Universidad Autónoma Metropolitana, Azcapotzalco* (Sept.-Dec. 1980), pp. 29-66.

existing pattern of relations between the state and the labor bureaucracy.

The labor insurgency began in 1971 with worker actions in a number of plants that manufacture automobile parts, including Spicer and Automex. This was followed by the reactivation of an oppositionist current in the railroad workers' union (STFRM) and, most importantly, by the surfacing of a democratic movement in the electrical workers' union. The Democratic Tendency, as this latter movement was called, was led by former PRI senator Rafael Galván, and over the next five years it became the major focal point of the independent workers' movement. The democratization of an important part of the mining and metal workers' union (SNTMMSRM), section 67, located at the Fundidora de Monterrey, occurred in 1972; and within a few years other sections of this powerful national union, in Monclova (section 147), Las Truchas (section 271), Real del Monte, Pachuca etc., established a considerable margin of autonomy and democracy within the framework of the national union.

The pattern established in these early years was maintained throughout the mid-1970s and affected unions of workers in automobile manufacturing, aviation, telecommunications, transport, metal working, and higher education. The characteristic feature of the insurgency, which distinguished it from earlier bouts of worker militancy, was that it transcended the purely economic (*gremialista*) concerns of the union movement by raising demands of a broad political nature. These included calls for an end to the corruption and violence of the officially-sanctioned, so-called *charro* union leadership, the assertion of rank-and-file rights in union elections, a push for greater employee control over the work process, and a struggle to increase individual unions' margin of maneuver *vis-à-vis* national organizations such as the Confederation of Mexican Workers (CTM), the Regional Confederation of Workers and Peasants (CROC), and the Regional Confederation of Mexican Workers (CROM).

While the development of the insurgency did not follow a simple pattern, the movement towards labor union autonomy and democracy did exhibit some of the following general characteristics. (1) The movement was often centered on strategically important national industrial unions employing workers with substantial skills and technical qualifications. This was true not only of sections of the mining and metal workers' union and that of the electrical workers (SUTERM), but also of the telephone workers' union (STRRRM), where a corrupt leadership was replaced in a major battle in the spring and summer of 1976.<sup>3</sup>

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3. The most detailed examination of the telephone workers' struggle is *Tres huelgas de telefonistas: hacia un sindicalismo democrático* (México, D.F., 1979).

Struggles within national federations also affected key groups of state employees. For example, for three years the country's largest union, the National Educational Workers' Union (SNTE), with nearly 750,000 teacher members, has been the scene of a protracted and bitter struggle between its official leadership, a faction calling itself the Revolutionary Vanguard, and rank-and-file movements.

(2) Independent unionism has been able to exploit the official labor union sector's growing inability to organize new areas of the work force and those with a nil or irregular prior history of union activity. This is the case with the highly-skilled and well-paid nuclear industry workers of SUTIN, with the rapidly growing network of unions of university teachers and employees, in particular at the National Autonomous University of Mexico (UNAM) and at state universities in the states of Puebla, Sinaloa, Guerrero and Oaxaca, and with workers of the Mexico City Metro, bank workers, etc.

(3) The labor insurgency seems to have been a product of the incorporation into the work force of a newer, younger generation of wage earners, relatively free of the rural heritage which characterized a large part of the labor force of earlier decades.

To see the upsurge in independent unionism as a homogeneous phenomenon and to ignore the unevenness and contradictions would be a mistake. Unevenness and contradiction are inherent in the fragmented and differentiated Mexican working class itself and underlie the lack of a common perspective on larger political issues among the independents. At no stage has there been a united front of independent unions, some of which are grouped in loose federations (like the Independent Labor Organization, or UOI, and the Authentic Labor Front, or FAT), others of which retain a staunch independence.

The Democratic Tendency faction of the electrical workers' union (SUTERM) acted for a while as an inspiration and umbrella group for many of the independents, but its ability to continue in this role was severely limited by the decisive defeat of its leadership within SUTERM during 1976.<sup>4</sup> Those sections of the national industrial unions that had managed to wrest a degree of autonomy from their national leaderships were, of course, committed to working within the existing framework of their unions, although at times they demonstrated solidarity with other foci of the insurgency. The UOI, by far the largest of the independent

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4. Following this defeat, the legacy of the Democratic Tendency was kept alive by the Movimiento Socialista Revolucionario (MSR). The Movement for Popular Action (MAP), which is now part of the New United Socialist Party, the PSUM, also draws heavily on the experience and ideology of the Democratic Tendency.

union groupings, explicitly rejected moves towards unification of the independent sector and all attempts at joint action with other unions. At its peak, the UOI claimed a membership of over 250,000 workers, including unions at Volkswagen, Nissan, Dina, Aeroméxico, Hoechst, Sidera, Euzkadi, and Singer Mexicana. It has maintained a virulently anticommunist rhetoric, combined with a denunciation of all forms of party political action and a rejection of the involvement of political parties in labor union activities.<sup>5</sup>

At the level of ideology, too, the insurgency incorporated a variety of often conflicting currents. Christian democratic ideas motivated the FAT; a militantly antipolitical economism was preached by the UOI; the Democratic Tendency faction and those groups which sympathized with its aims identified themselves with the anti-imperialist and nationalist rhetoric of the Mexican Revolution in what was called the current of "Revolutionary Nationalism." As for the Marxist left, it was clearly a minority current with scattered pockets of influence among metal workers, railwaymen and miners. Its only substantial presence was among opposition groups within the teachers' union and in the unions of university workers where the former Mexican Communist Party (PCM) and independent Marxist factions have disputed the leadership of the movement since the mid-1970s. Yet even in institutions of higher education, the influence of socialist currents has been under threat because of an increase in the taint of political corruption and opportunism which has surrounded the hegemony of the left at UNAM, UAP (Puebla), and the UAS (Sinaloa).<sup>6</sup>

Lastly, the most telling indication of the limits to the power of the independent labor activists is the failure of the much-touted political reform of 1976-7 to tackle reform of the relationship between the state and mass organizations. Just as the official union movement had been successful in halting the timid efforts at reform of the union movement foreshadowed by Luis Echeverría in 1971, so it was able to ensure that the political reform limited itself strictly to electoral and party organization issues.<sup>7</sup>

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5. On the UOI, see Javier Aguilar García, *La política sindical en México: industria de automóvil* (México, D.F., 1982). In the last two years the UOI has lost a number of its most important affiliates in the automobile and aviation industries.

6. Symptomatic of these tensions are the serious splits in the PCM (now PSUM) leadership at the Universidad Autónoma de Puebla which occurred in 1981-2 over the selection of a candidate for the rectorship.

7. In spite of the limited scope of the political reform, the official labor leadership exhibited great anxiety over the potential destabilizing effects of the legislation, and in particular over the danger posed by closer links between the leftist parties and the labor union movement.

This is not to suggest that the movement for labor union democracy and autonomy is fatally flawed. "Lack of unity" and "programmatic diversity" are inevitable consequences of the deep and broad roots which the labor insurgency has sunk within the organized labor movement. A movement that has been able with some success to tap the energies of a larger, more self-confident, but increasingly fragmented work force could hardly be expected to develop a unified package of strategic and ideological prescriptions.<sup>8</sup> The limited progress in coordinating the activities of the independents can also be explained by union fears of reviving the now largely discredited notion of a parallel organization of independent unions in direct competition with the CTM and other federations of the Congress of Labor.

### **The Durability of Officially-Sanctioned Unionism**

It would be a mistake to focus only on the weaknesses and ambiguities of the independents and their leaders as an explanation for the failure of the insurgency to smash the official movement. The enormous political and material resources of the official labor movement and the continuing high level of flexibility of its leadership must be the central focus of any examination of developments in the labor sector over the last decade, as well as of any attempt to look into the future of organized labor and state-labor relations. The following section of this paper is devoted to an examination of some of the characteristics of what Mexican social scientists increasingly prefer to call the *dirigencia sindical*, or official union leadership, in place of the colorful but misleading designation of *charrismo sindical*.

Until the early 1970s the literature on labor-state relations in Mexico was characterized by a crude interpretation that emphasized the role of violence, corruption, and manipulation. The official unions were viewed accordingly as a simple conveyor belt for the transmission of government directives to one of the key pillars of the regime. As a framework for comprehending the totality of labor-state relations and the surprising resilience of the official movement, this perspective is severely flawed. There is, of course, no shortage of evidence pointing to the systematic employment of violence and corruption in defusing challenges to labor orthodoxy. The struggles of Pascual industry

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8. Independent unions frequently attempt to create forums for discussion and joint action. In January 1982, for example, representatives from more than sixty independent unions attended the First Gathering of Union Solidarity in Mexico City. From this meeting there emerged a new body, COSINA, which was to coordinate the work of the independent sector. See *Así Es* 3 (Feb. 12-19, 1982), p. 9.



workers in Mexico City during May-November 1982, to take just one recent example, demonstrate how important force and political coercion still are in labor relations. In this case, an attempt to change the leadership of the union at two plants owned by Pascual, a soft drink manufacturer, met with a reign of intimidation, bribery, beatings, and at least one fatal shooting.

But the widespread use of violence, intimidation, and manipulation in the labor sector serves to divert attention from an examination of the roots of the legitimacy enjoyed by the official union movement. Consent is as important as violence in explaining the durability of the official union leadership. Before passing on to a discussion of the sources of this legitimacy, one warning about over-generalization on this question is in order. No one schema explains how mechanisms of control work in the union movement. The successes and failures of the union bureaucracy can often only be grasped if we take as our unit of analysis the individual union, company, or enterprise.<sup>9</sup>

Let us begin first with the material basis of this legitimacy. After a sharp fall in real wages during the 1940s and early 'fifties, the union bureaucracy was able to maintain a steady rhythm of real wage increases during the period from the mid-1950s until 1974. After this date, the upwards momentum diminished and real wages have fallen quite sharply since 1976. Even bearing in mind that this extremely crude sketch understates major differences in the sectoral and regional experience of the organized working-class movement, it would seem reasonable to assume that the union leadership was able to consolidate its position during the period until the late 1970s partially on the basis of its supposed success in safeguarding at least one of the vital interests of its membership.<sup>10</sup> But an exclusive concern with the wage component of workers' remuneration is misleading.

What counts in Mexico is the social wage, i.e., money wages plus the package of non-wage benefits (*prestaciones*). These include such state-originated services as subsidized or free health insurance; subsidized food, transport, clothing, and housing; and union- and employer-administered benefits in other areas. The proportion of the population covered by many benefits has increased dramatically over the last decade; the

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9. Samuel León, "La burocracia sindical mexicana," *Trimestre Político* 1:4 (Apr.-June 1976), pp. 48-59; José Woldenberg, "Notas sobre la burocracia sindical en México," A: *Revista de la División de Ciencias Sociales y Humanidades de la Universidad Autónoma Metropolitana, Azcapotzalco* 1:1 (Sept.-Dec. 1980), pp. 16-28.

10. This is not to suggest that this self-image is an accurate one, ignoring, as it does, the impact of the state's strategy and the policies of employers.

number of people covered by the social security organizations IMSS and ISSTE in 1982, to take one example, was 40 million, compared with 22.2 million in 1976 and 12.2 million in 1970. The state-run CONASUPO stores have expanded, and there are many unions that provide their members with some kind of subsidized retail facility.

Unions with a particularly strong bargaining base have often obliged employers to provide these facilities as part of labor contracts. Public transport tariffs, too, have been maintained at very modest levels, and in some cases, notably in the Federal District in 1981, this has involved government takeovers of privately owned bus networks. Not only the coverage but the range of benefits offered the work force has grown substantially since 1970. During the Echeverría administration, for example, a series of new non-wage benefits was introduced, including INFONAVIT, FONACOT and the Banco Obrero.

Non-wage benefits are highly unevenly distributed among the work force and many of these benefits fail to rise above the status of feeble palliatives. But their increased number and coverage have provided an important supplement to the wage income of large sectors of the organized labor movement. More importantly, they are a continuing reminder that membership in the official union movement does bring tangible rewards beyond the framework of regular wage bargaining. Furthermore, the expanding network of benefits greatly enhances the official leadership's coercive resources, especially in those cases where benefits are directly administered by the union movement.

The most notorious case of union manipulation of this kind is exhibited in union distribution of cheap housing under the INFONAVIT program. In certain extreme cases, the best known being the oil workers' union (SNTPRM), a veritable "parallel society," with its own economic and administrative resources in the hands of the union, serves as a powerful mechanism of control over both workers and management. The example of the PEMEX union is also a reminder of union control over the hiring of labor since, in this case as in others (the automobile industry is one), union leadership controls access to the permanent work force (*obreros con plaza*) by creating an artificially large pool of workers on temporary labor contracts (known as *eventuales* or *transitorios*).<sup>11</sup>

In addition to these relatively recent developments, the official union leadership also draws legitimacy from an earlier "golden age" of unionism in the 1930s. The negative imagery of corruption cannot completely efface the memory of the great

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11. Antonio Juárez, *Las corporaciones transnacionales y los trabajadores mexicanos* (México, D.F., 1979), pp. 241-243.

labor battles waged during the classic period of revolutionary nationalism, the Cárdenas administration. The events of this period have continued to enhance the prestige of the aging leadership of the CTM and its sister confederations long after the heroic phase of union construction and unification has passed.

In one very important sense, then, the geriatric status of figures like Fidel Velázquez, who has headed the CTM as its Secretary General since 1949, is a valuable asset for the official unions. It symbolizes the presence of a unique, unbroken line of revolutionary continuity and authenticity, forged in a battle against the over-mighty leaders of big business, and it contrasts with the ever-changing upstarts of what Mexicans call the "political class," who have only experienced the postwar era of "class peace." Unfortunately, the aura of authority gained in battle surrounds an ever-smaller group of union leaders. This partly explains the concern expressed by many leaders over the issue of succession to the secretaryship of the CTM.

While the prestige and authority of the older figures in the labor union bureaucracy are factors of declining importance, the overall flexibility of the official union leadership and its negotiating ability had been increasing until the late 1970s. Indeed, some authorities would argue that the very existence of the labor insurgency paradoxically strengthened and revitalized elements of the official bureaucracy and forced the government to recognize its still considerable weight.<sup>12</sup> Individual unions, union federations, and the Congress of Labor are not as homogeneous and monolithic as some of the more polemical literature would suggest. The relative autonomy enjoyed by local sections in certain national industrial unions has already been noted. But at the inter-federation level, too, there is considerable diversity of leadership style and policy. This is one of the reasons why no unified national labor federation yet exists in Mexico, in spite of frequent calls for the creation of such a body.

The Congress of Labor (CT), established in 1966 as a forum for discussion with no executive powers, is frequently the scene of conflict among its affiliates. Disputes between union confederations like the CTM, CROM, and CROC are often centered on struggles over rights to exclusive control of labor contracts in particular enterprises. A recent example is the 1980 strike of automobile workers at General Motors, where the CROC's monopoly was challenged by the management's attempt to negotiate a plant contract with the CTM at a newly opened factory in Coahuila. An even more recent labor conflict, the already cited dispute at Pascual Industries, also centered around

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12. Manuel Camacho, *La clase obrera en la historia de México*, p. 70.

a contest for exclusive contract control between the CTM and the CROC.<sup>13</sup>

The smallest of the labor confederations in the Congress of Labor, the Revolutionary Labor Confederation (COR), also has the longest history of disputation with the giant CTM. In 1978 COR, along with the Mexican Electricians' Union (SME), argued that the independent unions should be invited to the National Proletarian Assembly organized by the CT for July of that year. The very existence of the SME, the oldest of the electrical workers' unions, demonstrates that the democratic and autonomous current within Mexican unionism long has been represented, if on a minority basis, within the Congress of Labor itself. There are a number of unions, including SUTIN (which joined in 1979) and the SME, which are independent of the large confederations.<sup>14</sup> In one important case, that of the telephone workers, a bitter and protracted struggle to throw off the tutelage of the CTM was resolved in the rebels' favor without the new leadership's breaking with the Congress of Labor. In the light of these developments, the Congress of Labor's decision in February 1983 to invite the independents to join its ranks is not so surprising.

The eagerness of certain independent unions to maintain close ties with the mainstream labor movement is partly a tactical decision. But their determination not to isolate themselves from the giant official sector is also strengthened by an awareness of the enormous weight of repression that the Mexican state can unleash against union dissidence beyond the limits of its tolerance. This combination of dissident "flexibility" and state violence assures that on occasion cooptation will limit the effectiveness of challenges to officially-sanctioned union leadership. The nationwide rebellion of rank-and-file teachers against the leadership of the teachers' union (SNTE) is one notable example.<sup>15</sup> Although this bitter struggle between the state as employer and a strategically located segment of the work force is not yet over, the leadership of the dissidents in certain states has been demobilized by the offer of prestigious positions on state committees of the national union.

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13. For data on the case of the Pascual workers, see *Insurgencia Popular* 78 (July 1982) and *Semanario del P.M.T.* (Nov. 2-8, Nov. 30-Dec. 6, and Dec. 21-27, 1982).

14. For a discussion of SUTIN's entry into the Congress of Labor, see the interview with Arturo Whaley, secretary-general of the union, in *Solidaridad* (Dec. 1980), p. 6.

15. Luis Hernández, ed., *Las luchas magisteriales, 1979-1981*, 2 vols. (México, D.F., 1981).

## Destabilizing Developments

Thus far, the emphasis of this paper has been on the strength and flexibility of the contemporary Mexican labor movement. Yet most observers agree that this flexibility and strength have been seriously eroded during the last five or so years. In the second half of this paper, therefore, our attention shifts to an examination of those factors which have subverted and destabilized the labor-state compact during this period. The background to the argument which follows is provided by the Mexican economic debacle of 1982 and the accompanying interruption, indeed reversal, of the cycle of economic growth and employment generation. A warning is in order at this point: information on the impact of the current economic crisis on wages, unemployment, prices, etc., is still scanty and subject to substantial margins of error, and only the roughest kinds of trends can be sketched out.

### *Decline in living standards*

The steady growth in real wages which was a feature of the mid-1950s, 1960s, and early 1970s stopped around 1974. Real and sharp falls have been registered only since the beginning of the López Portillo stabilization program of 1977-1978, with its accompanying package of price rises and limits on wage increases. Since the beginning of 1982, however, real wages have declined at an alarmingly rapid rate. Based on fluctuations in the minimum wage as a measure of the size of wage settlements (since changes in the minimum wage are the conventional benchmark for wage negotiations in general in Mexico), the situation for the Mexican working class during 1982 was disastrous.

### PURCHASING POWER OF MINIMUM WAGE

1976	100
1977	91.3
1978	88.1
1979	87.6
1980	80.7
1981	83

Source: *Así Es* 37 (Oct. 15-17, 1982), p. 5. The methodology employed is not explained.

Three wage adjustments occurred during 1982. The first, in January, was an across-the-board increase of 34 percent in the minimum wage. The second was an emergency adjustment in March which granted increases of between 10 and 30 percent, with higher-wage workers receiving the smaller percentage.<sup>16</sup> Finally, in October, a second round of emergency wage increases was granted to certain workers on a plant-bargaining basis; these ranged from 13 to 25 percent, averaging out at a monthly increase of 1,500 pesos.<sup>17</sup>

The most reliable estimate of inflation for the year 1982 is 98.8 percent, which means that only those workers who secured the highest bracket of the two emergency raises would have escaped a cut in real wages during the year. But not all workers received these two wage increases, although accurate documentation here is lacking. Many employers did not regard the first emergency increase as mandatory and refused to grant it to their employees; indeed, it was only in November that the minimum wage was formally adjusted to incorporate these March changes.<sup>18</sup> Similarly, the October increases were negotiated on a plant-by-plant basis, which undermined the position of the least strategically located segments of the work force. For many workers the October emergency wage raise was simply a catch-up award compensating them for their failure to secure an increase in March.<sup>19</sup> Furthermore, many workers in the state sector failed to win any increase at all at the end of 1982.

The annual minimum adjustment in January 1983 was of the order of 25 percent, making the minimum wage in most parts of the country 455 pesos a day, or a little over three U.S. dollars at the current rate of exchange (May 1983). Current estimates of the rate of inflation for 1983 range from 60 to 100 percent, so clearly another round of emergency adjustments is in order if

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16. The percentages were: under 20,000 pesos — 30%; between 20,000 and 30,000 — 20%; more than 30,000 pesos — 10%.

17. In mid-April 1983, the Congress of Labor estimated that the increases restored only 60% of the purchasing power lost by workers' wages in 1982. See *Unomásuno*, Apr. 10, 1983.

18. The workers at Pascual Industries, to take one example, did not receive the March increase, and this was one of the several factors which brought the workers out on strike in May.

19. The Employers' Center of Nuevo León announced on November 9, 1983 that it had not granted any increases, but had merely confirmed the March emergency raise of 30% in those cases where it had not been granted. See *Punto Crítico* 129 (Dec. 1982), p. 6. The President of the Employers' Confederation of Mexico declared on November 12th that the employers were "very happy."

working-class incomes are not to be totally devastated. However, given the direction of the de la Madrid stabilization program, it is most unlikely that wage earners will be compensated in full for the rise in inflation in 1983. At the time of writing (May 1983) it is likely that a round of emergency wage adjustments on the order of 20 to 25% will be completed by late June.<sup>20</sup>

### *Unemployment*

Even in the best of times evidence on unemployment is notoriously difficult to gather and interpret. However, the hundreds of declarations by unions, employer groups, and government ministries point to substantial cuts in employment in both the state and private sectors. The cuts are caused by: (a) the foreign exchange crisis which has disrupted production by interfering with imports of raw materials and equipment; (b) cuts in public-sector expenditure beginning with the eight-percent cut announced by the López Portillo government in March 1982; and (c) a collapse in demand for certain consumer durables, notably automobiles.

The overall increase in unemployment resulting from the economic crisis is difficult to establish. The lowest figure for last year was provided in mid-October 1982 by Sergio García Ramírez, Minister of Labor, who estimated the total number of dismissals at 400,000. But in just one sector, the construction industry, figures published by the Mexican Union of Heavy Equipment Operators estimated the number of dismissals by the third quarter of 1982 at 600,000, almost seventy percent of that sector's labor force.<sup>21</sup> Employer groups in the construction industry painted an even gloomier picture in January 1983; according to figures produced by the National Chamber of the Construction Industry, over 800,000 workers had lost their jobs in the industry over the previous year.<sup>22</sup>

Unemployment has also hit highly unionized workers — 25,000 unemployed in automobile manufacture, 21,000 in the metal industry, 25,000 in clothing and textiles. By the beginning of 1983, 40,000 workers on temporary contracts had lost their jobs at Pemex, and 30,000 government bureaucrats suffered the

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20. "In April and May, Fidel Velázquez demanded a general emergency wage increase of 50% to offset the effects of inflation. Just as in October 1982, a general strike was threatened and strike notices were readied. On this occasion, however, wage offers of 15 to 25% were not sufficient to force the lifting of several thousand of the notifications and widespread strike action was expected in July," *Unomásuno*, March 25, 1983.

21. *Así Es* 38 (Oct. 22-28, 1982), p. 8.

22. *Proceso* (Jan. 24, 1983).

same fate. As the figures accumulate, the total of dismissals by the beginning of 1983 approaches the figure of 1.2 million workers, with estimates by the National Confederation of Chambers of Commerce of another three-quarters of a million job losses during 1983.<sup>23</sup>

Clearly the scale and sectoral distribution of dismissals during 1983 will be dependent on such factors as the size of cuts in the public-sector deficit, the availability of foreign exchange for imports, and so on. But it is difficult to avoid the general conclusion that a sharp downwards recomposition of the work force is occurring, with a weakening of job security for workers with permanent contracts and an inflation of the "casual" sector, with many temporary workers losing their jobs completely. While many of the eight hundred thousand or so construction workers who have lost their jobs may be able to retreat to the peasant economy from which they were recruited, alternative sources of employment will be much more difficult to find for the hundreds of thousands of workers dismissed from manufacturing, mining, and service industries. The end result will be a substantial erosion of the material welfare and self-confidence of organized labor, and perhaps the posing of severe challenges to the authority of the trade union bureaucracies.

#### *Displacement of the labor sector*

If major challenges from the rank and file do result, the union leadership's ability to resolve them without eroding its own authority will depend, in part, on its bargaining position within the new de la Madrid administration. Although the evidence here also is fragmentary, some trends are clearly visible. An examination of the first four months of the de la Madrid government shows a definite displacement of the labor sector within the new administration. This is indicated by a number of separate but interrelated developments. The influence of the PRI's labor sector and particularly its boss, Fidel Velázquez, during the negotiations to select the Party's presidential candidate for 1982 was much more limited than at any other time in the last four decades. Although at a formal level Fidel Velázquez preserved the labor sector's traditional role of "unveiling" the candidate, on this occasion, as one source put it, "Don Fidel, the veteran king-maker, suffered the indignity of finding out the candidate's identity only at the last minute."<sup>24</sup> This experience contrasts sharply with the crucial role played by the labor sector and Velázquez in the selection and unveiling of José López Portillo.

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23. *Ibid.*

24. *Latin America Weekly Report* (Oct. 9, 1981), p. 10.



Following the launching of the de la Madrid government, a number of disquieting developments (for labor) have surfaced. The number of deputies from the labor sector is down significantly, compared to the exceptionally large number who sat in the Chamber of Deputies during the previous administration. At that time the labor deputies made up 25 percent of the Chamber's 400 members and one-third of all PRI deputies.<sup>25</sup> In addition, a number of key management appointments within the network of state enterprises and institutions, most notably ISSTE and the National Railways, have ceased to be the patrimony of the labor sector.

Even more worrying is the technocratic orientation of the de la Madrid government, about which many observers have commented. The eclipse of the "political class" must be seen as a storm signal by the official labor bureaucracy.<sup>26</sup> The latter's capacity for political bargaining depends on the presence of veteran political negotiators in positions of high authority.

Lastly, the tone and content of government rhetoric registered in the first few months of the new administration is radically different from that which has been the norm. Of these changes the most troubling for the labor sector is the de-emphasis of the populist tone of government pronouncements and the self-conscious promotion of "free market" criteria by a number of senior cabinet ministers. The frequent references to the need for more de-regulation of aspects of the economy, i.e., a scaling-down of price subsidies and the termination of what is ominously termed "the fictitious economy," pose a serious threat to the non-wage components of workers' incomes and hence to the long-term stability of the labor bureaucracy's position.

In the Mexican political system, the crucial skill required of the official union leadership always has been the ability to achieve a satisfactory balance in the performance of two roles which are often in conflict with each other. On the one hand, the official labor sector serves as a vital pillar of the regime and guarantor for the continuing reproduction of the model of capitalist development that Mexico has pursued since World War II. On the other hand, the official union leadership has to articulate and satisfy adequately the demands of the twenty-six percent of the economically active population which is active in the union movement. Since the mid-1970s, this double act has become

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25. Raúl Trejo, "Cultura política obrera: atrás de la raya, que estamos grillando," *Nexos* 52 (Apr. 1982), p. 37.

26. The Minister of Labor in the de la Madrid cabinet, Arsenio Farrell Cu-billas, is a businessman and former director of the Employers' Center of Guadalajara.

more difficult to perform, and the crisis of 1982 has placed a whole new range of obstacles in the way of the leadership's future performance.

The union leadership has been showing growing signs of frustration over its diminishing margin of maneuver as a result. This mood is manifested in ever more frequent displays of verbal radicalism. For example, the CTM has adopted a number of demands that traditionally have been the property of the Mexican left and of the independent labor unions. These include demands for nationalization of the food processing and pharmaceutical industries, and a demand for the introduction of a system of wage adjustments based on price movements (*salario remunerador*). This latter demand shows considerable resemblance to the demand for wage indexing made by the former Mexican Communist Party and by the current United Socialist Party of Mexico and its union allies.

The first major moves in this direction were made at the National Assembly of the Congress of Labor in 1978, in the Manifest to the Nation launched by the labor deputies of the PRI in 1979, and at the Tenth Congress of the CTM in 1980. In these various pronouncements, the labor sector of the PRI developed a program of economic reform demands whose broad outline resembles the position of some sectors of the Mexican left.<sup>27</sup> It is true that these demands consist essentially of a package of slogans without any clear program of action, but their emergence is a measure of the pressure that a combination of economic stabilization measures and declining real wages is placing on the union leadership.

The labor union bureaucracy also has regularly employed threats to use its industrial muscle in order to influence the direction and content of the state's policies on wages and working conditions. A common tactic has been to foreshadow a wave of legally required notifications of intent to strike in order to force government decisions favorable to union interests. The most recent example was the specter of a general strike which the CTM raised on several occasions during October 1982. Typically, such threats form part of a traditional theater of maneuver and bargaining and, as happened in October 1982, result in strike movements that are far less serious than those anticipated in the original threat. But as wage levels become an even more sensitive issue because of the austerity program, the value of rhetoric in this contest may recede. The union leadership may

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27. Raúl Trejo, "Estructura y circunstancia en el Congreso del Trabajo," A: *Revista de la División de Ciencias Sociales y Humanidades de la Universidad Autónoma Metropolitana, Azcapotzalco* (Sept.-Dec. 1980), p. 85.

then be obliged to play its trump card of union intransigency, even at the risk of unleashing energy from below that it might not be able to control.

Another potential threat to the authority of the official labor movement is posed by the recent emergence of new centers of dissidence (among "marginal" urban dwellers, the poor peasantry, etc.) in areas that traditionally have been peripheral to the organized labor movement. It is among these constituencies that PRI control is weakest.<sup>28</sup> This has left a gap for several loosely organized attempts to provide a permanent focus for the widespread, but poorly coordinated resistance to declining living standards. A number of these coordinating bodies, including the National Coordinating Committee of the Popular Urban Movement (CONAMUP) and the National "Plan de Ayala" Coordinating Committee, together with regional movements like COCEI (in the Isthmus of Tehuantepec) and independent unions, human rights organizations, and left-wing parties, have created a broad front of resistance to the austerity program and to increasing unemployment.

Although the movement of resistance to austerity is divided (there are two coalitions involved), the tentative links that it is sponsoring between the union movements and groups traditionally outside the corporatist umbrella have alarmed the union bureaucracy.<sup>29</sup> The reasons for this alarm are quite clear. Dissidence within the union movement is tolerated when it restricts itself to a mainly economic program (improvements in wages and conditions) and to the correction of intolerable abuses in the management of individual unions. It is seen as threatening, and therefore warranting firmer countermeasures, when the dissidence involves guidance, support, and especially direction from formal political organizations of the left.<sup>30</sup>

The fears of the official union leadership are certainly well founded, judging by developments over the past few years. The

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28. For a good discussion of these developments, see Adriana López Montjardin, "La lucha popular en los municipios," *Cuadernos Políticos* 20 (Apr.-June 1979), pp. 40-51.

29. The two coalitions are the National Committee for Defense of the Popular Economy (CNDEP) and the National Front in Defense of Wages Against Austerity and Measures in the Cost of Living (FNDESCAC).

30. One of the militant opposition currents within the teachers' union, the National Coordinating Committee of Education Workers, has also connected with the anti-austerity campaign. In the case of the Pascual workers' strike, the CTM's hostility towards its former members was strongly influenced by the guidance the strikers received from a lawyer of the Mexican Workers Party (PMT).

greater the degree of contact there is between isolated unions and the political parties of the left, the more likely it is that purely economic demands will expand to include demands for a restructuring of the national economy and of the relationship between the state and mass organizations. It is not surprising, then, that the growing convergence between independent unions and nuclei of highly skilled workers in unions like SUTIN and STUNAM in the last five years has contributed greatly to the much more pronounced political and national character of union demands in general.

It is, of course, easy for a simple listing of factors promoting rupture and destabilization to imply, in a misleading way, the existence of a uniform and inexorable movement towards destruction of the labor-state pact. Such a movement does not exist at present, although it is possible that it might develop momentum if the economic debacle of the last year and a half continues. So far, the depth and suddenness of the economic crisis have not brought about a correspondingly sharp and uniform response from the labor unions.

Some of the factors that help explain the durability of the labor-state pact, and that have been discussed earlier in this paper, are clearly operating in the present conjuncture. But it is also true that long-term structural tendencies, by themselves, cannot provide a convincing explanation for the behavior of organized labor at particular points in time. Certain developments that are peculiar to the current crisis need comment. The most striking of these is the extent of the "demobilizing" effect of the bank nationalization decision in September 1982 on a population already shell-shocked by the sudden disappearance of so many features of the traditional order, such as free convertibility, the absence of hyper-inflation, and the collapse of the oil *deus-ex-machina*.

López Portillo's assault on the citadel of finance capital helped restore a good deal of the legitimacy lost by the ruling party over the previous months. It also led to the consolidation of a massive, albeit temporary, bloc of forces in defense of the state's action, recalling, as was probably intended, aspects of the Cárdenas period. The expropriation of banking capital was widely seen as a vindication of the calls for a "strong state" and an illustration of the state's relative autonomy.

The enthusiastic response of both official unions and leftist parties and organizations was accompanied by a realization that the foreign debt position and the general economic crisis would lead inexorably to a tightening of the already severe austerity measures. And comparisons with the post-1976 stabilization program emphasized the much more serious implications of the present crisis. The most urgent task of the union movement, therefore, was seen as the defense of workers' living standards.

With this end in sight, the independents intensified demands for further wage increases, for wage indexing, and for a deepening of union democracy.

However, beneath the rhetoric of calls for a popular solution to the crisis there was a distinct mood of uncertainty about the choice of appropriate strategies for achieving that objective. The vacillating, erratic response of the official union leadership came as no great surprise. After an initial lukewarm declaration by the Congress of Labor on October 4 of support for plant-by-plant negotiations for wage increases, the CTM instructed its unions to begin preparations for an all-out strike assault if its demand for a 50-percent wage increase retroactive to August 1 was not granted. Five days later, Fidel Velázquez called on unions to negotiate separately with each plant management and thus avoid the need for a general strike, a statement that was in clear conflict with the CTM's earlier stance. In the end only a small proportion of the 39,000 strike notifications threatened by the CTM resulted in strike action. Other unions and confederations within the Congress of Labor adopted a different position. The COR and CROC, for example, argued against generalized strike action and expressed fears for a collapse of weaker companies if wage increases on the order of 50 percent were granted.<sup>31</sup> The response of much of the political left showed a similar pattern of uncertainty about what to do in the face of the serious economic crisis and the sudden demonstration of the vast reserve powers enjoyed by the state.

### **Looking towards the Future**

The last part of this paper offers a brief examination of some of the key actors and issues in the current drama and a discussion of likely developments in each case.

#### *Unevenness of worker responses to the crisis*

The impact of the current economic debacle will be experienced unevenly by different sectors of the work force, and responses to the crisis by Mexican working people will not be uniform. This is, of course, a fairly obvious conclusion and is probably true of all previous crises as well. But it is worth emphasizing because the frequent use of terms like "working class" suggests the existence of a homogeneous and undifferentiated mass of workers. The increase of wage labor in Mexican society (in both rural and urban areas) and the emergence of a larger and more clearly factory-oriented work force should not be confused with a trend towards the homogenization

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31. *Así Es* 37 (Oct. 15-21, 1982), p. 3.

of urban labor. The latter is increasingly differentiated along lines of age, sex, skill, wage levels, plant size, location, degree of job permanency, etc. Most sources dealing with the evolution of the Mexican labor market have noted this point, emphasizing, for example, that wage differentials have steadily increased since the Second World War, averaging out at a 300-percent difference between skilled and unskilled workers.<sup>32</sup> The importance of the distinction between workers with permanent contracts and those with temporary ones has been noted earlier in the paper.

The economic crisis already is accentuating the differentiation and fragmentation of the labor force. The strongest sections of the labor movement and those located most strategically may be able to limit the impact of the crisis and to cushion some of the blows. Weaker sectors will be pushed downwards in terms of both conditions and job permanency. The result may well be the strengthening of barriers to political and union cooperation in the workers' movement. At the same time, though, very few groups will escape the trend towards a downwards recomposition of the working class as a whole. Relatively privileged groups (automobile workers, metal workers) already are bearing the brunt of growing unemployment.<sup>33</sup>

#### *New centers of tension and opposition*

The economic crisis will probably accentuate the displacement of the center of conflict away from the primary capital-labor relationship at the point of production (factory, mine, workshop) towards other areas. These involve struggles over housing, the deterioration in urban living conditions, transport problems and the maldistribution of food and other staple items. The growing unemployment and marginalization of the labor force, which are products of the current crisis, will increase the importance of issues generated at these other levels and inflate the size of the population not directly involved in production.

The political impact of these developments could be considerable. The extent of the impact will depend on a number of factors, including the degree of responsiveness to these new

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32. According to the Industrial Census of 1975, workers in large-scale enterprises received wages up to 360% higher than workers in small plants and workshops. It should be noted also that benefits in state enterprises and institutions are more than double those available in the private sector. See Movimiento de Acción Popular, *Tesis y programa* (México, D.F., 1980), p. 38.

33. At the state-owned DINA plants, workers received wage raises in March in return for accepting the dismissal of 2,552 workers. See *Unomásuno*, Mar. 20, 1983.

issues shown by existing organizations (in the union movement and in the "popular sector" of the PRI, for example) and the effect of austerity programs and unemployment on the urban population.

*Democratization of the official union movement*

The "conservative" shift in government policy will place an added burden on the official union leadership. The growing complexity of the labor-state pact places extraordinary importance on the need for labor to generate nuclei of politically- and technically-skilled leaders. Of the older generation of leaders, very few still survive, the most important being Blas Chumacero, Napoleón Gómez Sada, Luis Gómez, and Fidel Velázquez. There is a marked scarcity of experienced, informed, and flexible intermediate and senior union leaders able to judge the exact balance of concessions, bribery, and repression needed in every conflict. "Dainty-smelling and elegantly dressed men" are no substitute for old-timers like Jesús Yurén and Francisco Pérez Ríos.<sup>34</sup>

The succession to Fidel Velázquez, in particular, may promote considerable conflict within the official union movement. But it is also possible that concern over deficiencies of leadership might force the pace of democratization in the movement. Greater opportunities for discussion and debate within labor unions may well permit a new generation of skilled leaders to emerge who will be able to respond more sensitively to the requirements of their members.

The economic debacle itself will increase pressures for democratization within the official sector, if only because the union bureaucracies will be seen to be incapable of "delivering the goods" as before. An increase in the opportunities for discussion and a more representative union leadership at the local level might well be viewed as offering an opportunity to defuse tension and rapidly rising hostility towards the existing leadership apparatus. Whatever the intentions of the leadership, it is likely that an increasingly restive rank and file will demand, and perhaps impose from below, further democratization. We may, therefore, anticipate substantial modifications in traditional methods of bargaining and greater encouragement for and tolerance of worker militancy and mobilization. The sharpest break with tradition may occur in the normally sluggish FSTSE (Federation of Unions of State Workers) and in other state-sector unions

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34. The quotation (which is a reference to Joaquín Gamboa Pasco, former head of the labor sector in the Chamber of Deputies)<sup>1</sup> is from Jorge Fernández, "Qué tiempos aquellos, señor Don Fidel: el movimiento obrero mexicano," *Nexos* 2:13 (Jan. 1979), p. 18.

whose members bear a larger-than-normal share of the burden of the austerity program.

It is only in the light of these developments that we can measure the significance of the decision of the Congress of Labor at the end of January 1983 to invite the independent labor unions to join the body.<sup>35</sup> Although the Congress of Labor has never been a monolithic forum, this development is a clear example of how the economic crisis has forced the previously unthinkable to be placed on the agenda. This line of argument should not be exaggerated, however. The economic crisis may also reinforce certain aspects of the traditional system of labor controls. For example, rapid inflation and falling wages may well make the proposed extension of labor union stores and other union-controlled benefits even more vital to the well-being of members of the official unions.<sup>36</sup>

The two issues raised above are a manifestation of the central dilemma facing the union leadership. On the one hand, the official leadership needs to incorporate demands of an economic and political nature and calls for democratization both from its members and from the independents. This is a reflection of the slow process of disintegration of the traditional mechanisms of control over labor and is a direct result of the economic downturn. On the other hand, the labor union bureaucracies are unable to do anything serious about implementing their newly acquired rhetoric without running the risk of detonating too rapid and uncontrolled a pace of democratization. They face the even greater risk of setting off challenges to the age-old identification of the official labor sector with the PRI. A sudden move here could end the cozy arrangement by which the state grants positions of influence to labor bosses, who in return limit the scope of worker demands.

This is a serious contradiction but not a static one. The pace of changes that affect labor, both inside the labor movement and external to it, has intensified dramatically over the past year and a half. This will in all probability increase the frequency of abrupt, unexpected developments and will make for more unpredictability in general in relations between labor and

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35. *Latin America Regional Report: Mexico and Central America*, RM-83-02 (Feb. 18, 1983), p. 5.

36. *Excelsior*, Jan. 19, 1983. In March 1983 the CTM also reported that it was considering buying nearly a hundred enterprises from the Somex nationalized banking group; these were in the food, clothing, footwear, and household goods areas; see *Unomásuno*, Mar. 18, 1983, and Mar. 29, 1983. The CTM's Secretary of Political Action, José Ramírez Garnero, admitted that the CTM's concern was to "prevent workers from 'taking over' the leadership."



the state and between union leaders and the rank and file. The area where this development is likely to manifest itself most sharply is at the level of particular plants and localities, where individual labor unions will have to respond much more quickly and accurately to pressures from their members.

When all this is said and done, the possibility of a grand rupture of the "labor-state pact" occurring in the near future is very remote. In part this has to do with the lack of any clear alternative focus capable of coordinating the thousands of isolated points of dissidence and opposition which are emerging within the labor and popular movements. The political left has not defined its positions clearly. The PSUM, which is the principal focus of the left's reorganization in the past three years, has still not created a unified front out of the parties that it superseded. Its performance in the 1982 elections and vacillating response to the crisis of late 1982 have also disappointed many elements within the independent union current. The party is at present engaged in an internal debate over the direction and value of its parliamentary work and over the correctness of seeking "points of convergence" between itself and disaffected sections of the official labor movement and the "political class."<sup>37</sup>

#### *State-labor relations*

Mention already has been made of the increasingly tense relationship between the official labor movement and the new de la Madrid government. The major reason is the government's failure to implement the Social Pact (*Pacto de Solidaridad*) announced in December 1982. The Pact consisted of promises to protect the prices of popular consumption items and pledged that government programs would increase employment. On January 7, 1983, Fidel Velázquez declared that the Pact had been broken by the government's decision to increase the value-added tax (IVA) and by increases in the prices of the so-called protected commodities.<sup>38</sup> This was followed by labor demands for a price freeze, unemployment insurance, a forty-hour week, and veiled demands for the resignation of the new Minister of Commerce.<sup>39</sup> Behind all these demands there is still a tendency to blame the crisis on everyone except the President and the PRI's inner circle. Still, the tone of the attacks,

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37. For views on the "convergence" debate, see Gustavo Hiraes, "Las convergencias," *Así Es* 47 (Jan. 14-20, 1983), p. 6, and "Debate en el Comité Central," *Así Es* 36 (Oct. 8-14, 1982), pp. 12-15.

38. *Unomásuno*, Jan. 8, 1983.

39. *Unomásuno*, Jan. 22, 1983.

particularly against the commercial sector, is getting more strident, as evidenced by the threat of Velázquez to mount a campaign against retailers, with the slogan "pots and pans and rolling pins, down with the businessmen."

The tenor of these demands is alarming groups within the private sector. A good example is the howl of protest that greeted the CTM's plans to establish a much-enlarged "parallel" network of union stores to provide goods and clothing free of IVA to its members. It is likely, then, that intersectoral conflicts, involving groups within and outside the PRI's corporate structure, will increase as the crisis deepens.

Within the Chamber of Deputies the reduced number of labor deputies may be expected to show increasing signs of independence along the lines of the walkout by several deputies on December 27, 1982. This action followed labor union criticisms of a new government law which would convert all government employees into "public servants" (*servidores públicos*), regardless of rank. It is likely, too, that areas of "convergence" between the official labor sector and the left parties in the Chamber will develop. Certain sectors of the PSUM, in particular the deputies associated with the former Popular Action Movement, are particularly anxious to encourage and build on such opportunities for extending the influence of the left; other sections of the party condemn such thinking as unrealistic and opportunist.

Whatever the attitude of the PSUM and its allies, points of convergence are bound to emerge with more frequency, albeit on an issue-by-issue basis, as long as the labor sector's disenchantment with the de la Madrid government endures. The PRI's labor deputies probably would not find the notion of convergence with the left very palatable, especially in view of the long history of anticommunism within the official labor sector. However, its more intelligent members might see in the search for convergence an opportunity to blunt the left's demands for a total overhaul of the labor-state compact.

#### *PRI/state policies towards organized labor*

For the Mexican state one of the central issues over the next few years will be whether the government can continue to assert political control over economic considerations during a time of profound economic crisis. In other words, will the current crisis lead to the erosion or reaffirmation of the relative autonomy of the state?<sup>40</sup>

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40. Susan Kaufman Purcell, "Business-Government Relations in Mexico: The Case of the Sugar Industry," *Comparative Politics* 13:2 (Jan. 1981), pp. 211-212.

The greatest danger facing de la Madrid is the upsetting of the labor-state pact. This might happen if there were too rapid a shift away from the rhetoric and policies of populism and towards the positions of a more aggressive capitalist class. It is not clear how far the current government can go in its austerity program before it provokes not only food disturbances (such as occurred in Brazil), but also a fatal weakening of the understandings between itself and the official union leadership.

It is too early to determine how far the de la Madrid government will be able to cushion the urban working class from the worst effects of the economic crisis.<sup>41</sup> Early indications are that the new cabinet's drive to eliminate the "fictitious economy" will have serious repercussions for the popular classes and the "suffering" middle class. The most sensitive issue is the future of the elaborate network of subsidies on food and basic commodities. Within a month of assuming office, the de la Madrid government took controls off of four thousand prices, and thus far it has failed to regulate the three hundred items which make up the standard basket of consumer goods. The labor movement's anger so far has been directed at the private sector and the government's advisors. It seems the "king" himself is not yet guilty: one wonders how long this immunity will last.

But it is not the purely economic dimension of the crisis that most threatens the integrity of the labor-state pact. How far can the political distancing of the government from the labor sector go until the reduction in the political payoffs to the official labor movement threatens a key portion of the union leadership's reward for cooperation? It is, of course, possible that we are witnessing another attempt by the state, this time under the control of technocrats, to achieve a renewal (or *renovación*) of the leadership of the official labor movement. The economic crisis may permit the new government to achieve what Luis Echeverría failed to obtain in 1971 and 1972 — the forcing of new blood and methods of bargaining into the labor bureaucracies in an attempt to reduce the sclerosis of the current labor leadership. If this is the case, then encouragement of closer cooperation between the Congress of Labor and the "independents" may well be a vital ingredient in the strategy. Its success will naturally

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41. Government spokesmen and official banking and economic sources are reluctant to discuss the impact of the economic crisis on real wages and living conditions. The 25-page report on the state of the Mexican economy published by the Bank of Mexico on March 22, 1983, for example, declined to comment on wage increments in 1982, noting only that the trend would be very uneven — possibly a rise in the first half and a fall in the second. Even taking into account the complexity of the problem, this is a strikingly evasive position. *Unomásuno* published a brief summary of the report (Mar. 23, 1983).

depend on how far a bigger space for independent unionism can be exchanged for promises to limit contact with the political left and to curb strike actions in areas considered dangerous by the state. This is certainly the model underlying the "apolitical unionism" of the Independent Labor Organization of Ortega Arenas which has enjoyed the tolerance of the state. But will the severity of the economic debacle allow for such careful "fine tuning"?

## Conclusion

This is not the first economic crisis to test the solidity of the labor-state compact. The 1954 and 1976 devaluations produced periods of austerity for workers, but in both these cases the official labor bureaucracy served the regime well. In fact, labor's acceptance of the policy of wage ceilings below the inflation rate during the stabilization program of 1977-9 gave considerable plausibility, one authority has written, "to the claims of Mexico's old-guard labor leadership that it is they who [had] effectively rescued this regime."<sup>42</sup>

So far (in the period to April 1983), the official labor sector has shown equally remarkable discipline in the wages area in spite of the rapidly widening gap between wage settlements and movements in the consumer price index. Although there is no longer an official wage ceiling, January's twenty-five percent increase in the minimum wage has become in practice an unofficial ceiling, with few of the annual labor contract negotiations exceeding this limit by more than one or two percent. In the few cases where larger increases have been awarded, as with the workers at the state-run DINA plants, unions have been forced to accept substantial cuts in the labor force.

Much will depend on the magnitude and duration of the current economic debacle. In previous crises, labor's acceptance of periods of austerity, especially at the beginning of a presidential term, was rewarded by a relaxation in controls later in the administration. The debacle of the last year, though, combines in a single conjuncture massive currency devaluations, hyper-inflation, falling oil prices, acute foreign debt problems and a continuing crisis of agricultural production. A recent estimate by Abel Beltrán de Río, Director of Wharton's Mexico Project, suggests that Mexico will lose forty percent of the new jobs generated over the period from 1977 to 1981. In these circumstances, labor discipline cannot be sustained for very long without severe tensions emerging in the labor-state compact.

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42. Laurence Whitehead, "Mexico from Bust to Boom: A Political Evaluation of the 1976-1979 Stabilization Programme," *World Development* 8 (1980), p. 854.