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**The Neoliberal Myth in Latin
America: The Cases of Mexico and
Argentina in the '90s**

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The Neoliberal Myth in Latin America: The Cases of Mexico and Argentina in the '90s

Summary

During the '90s most Latin American countries were submitted to neoliberal structural reform policies. Neoliberal policies imposed market supremacy, reduced the State's role in the economy and deregulated the markets. This paper aims at describing how these policies affected the most important macroeconomic indexes, with special emphasis on Argentina and Mexico, the two countries that suffered most from the economic crises of the '80s and '90s, and where the neoliberal policies were applied with greater orthodoxy. In spite of a slight improvement in some macroeconomic indexes, in Latin America neoliberalism failed to reduce poverty and unemployment, and was unable to guarantee a fair distribution of the wealth and improve welfare.

Keywords: Latin America, Mexico, Argentina, '90s, Neoliberalism

JEL Classification: E21, E22, E24, E26, N16, N26, N36, O16

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Introduction: classical populism in Latin America

The debate on what neopopulism is and on its developments in Latin America is as open as ever. Discussing populism is a complex matter. This term covers a broad range of phenomena that occurred during the years of this subcontinent's development. Populism is commonly defined as a political phenomenon tied to a charismatic leader, a demagogue able to work up a crowd. In Latin America, the study of populism focuses on the relationship between the elite and the masses, but the evolution of this trend has been characterised by strong tensions between the political developments of populism and its analysts in the intellectual sphere¹. In Latin American literature populism is considered from different perspectives: first, the historical and sociological perspective that emphasises the multiclass sociopolitical coalitions that typically arise during the early stages of industrialisation in Latin America; second, the economic perspective that reduces populism to fiscal indiscipline and a set of expansionist or redistributive policies adopted in response to pressures of mass consumption; third, the ideological perspective that associates populism to an ideological discourse proposing the contradiction between “the people” and the “block in power”; and, finally, the political perspective, equating populism with vertical mobilisation of the masses by personalist leaders, bypassing institutional forms of political mediation².

It was not until the end of the first world war that populism emerged as a political phenomenon, and only after the severe crisis of liberal democracy that led, on the one hand, to the rise of fascism and, on the other hand, to the outbreak of the Russian revolution, marking the end of the institutional order that had formed under liberalism. Within this scenario the liberals sided openly against populism, which was seen as a movement guided by demagogic concepts or protest. It was feared that this movement would end up by expelling the conventional elites, creating disorder for the growing presence of the masses in the circles of power³.

In Latin America populism was the obvious response to growing industrialisation, and the consequent urbanisation and social integration problems. During the '30s and '40s Latin American populism promoted welfare measures and protected industrial growth, as testified by Cárdenas in Mexico and Péron in Argentina. These leaders mobilised an important part of the urban masses, workers' movements in particular, with socialist ideas communicated by very effective slogans. Moreover, Latin American populism aimed at deep social reforms for the working population. It

¹ See De la Torre C., “The ambiguous meaning of Latin American Populism”, in: “Social Research”, vol. 59, n. 2, 1992

² Roberts K. M., “El neoliberalismo y la transformación del populismo en América Latina. El caso peruano”, in: Mackinnon M. M. e Petrone M. A., *Populismo y Neopopulismo en América Latina. El problema de la Cienicienta*, Eudeba, Buenos Aires, 1999, p. 377

³ On this topic see Germani G., Torcuato S. Di Tella e Ianni O., *Populismo y Contradicciones de Clase en Latinoamérica*, Era SA, Mexico City, 1973

enhanced continental nationalism that opposed fascism and imperialism, supporting mass democracy and electoral decisions, although it was very often organised in restricted groups.

Rooted in the principles of sociology and political sciences, Latin American populism was inspired by a social vocation: the integration of the working classes, mainly but not exclusively urban, into a multiclass political organisation; the promotion of a greater capitalist economic differentiation in favour of industrialisation (supported by an interventionist state within a mixed public and private economic strategy – lined up with international antisovietism) and by a nationalist ideology with a strongly personalised leadership. The multiclass structure that characterised populist regimes did not prevent them from providing a strong popular political impulse, not only for their contents and purposes, but because of the great difference with the previous governments. They implemented policies that fostered the active support from these sectors, where the state was the arbiter of the relations between classes and social groups.

Latin American populism coincided with a specific moment of capitalist development – the prevalence of production directed towards final consumption, import-substituting industrialisation, regulated markets, progressive income distribution, state management of macroeconomic variables that were considered strategic⁴ – policies that have nothing to do with current capitalism and in general with the capitalism of the last 30 or 40 years.

Popular loyalty towards the State was encouraged by the policies promoting income redistribution and a decrease (and metamorphosis) of social disparities. Redistribution complied with social demands (a number of these were previous to populism and had been systematically repressed or ignored until then), such as the need for local capitalism. Income distribution and the stimulation to popular consumption and the production to feed this consumption – in short, the promotion of the internal market – corresponded to a specific stage of Latin American capitalism and of its entrepreneurial classes, with specific technological trends and with extensive, rather than intensive, growth styles. In a stage of industrial development in which production for final consumption represented an important part of the manufacturing offer, and in which a better income distribution, associated with employment growth, expanded the production market, commercial protectionism allowed national entrepreneurs to play the leading role⁵.

This extensive development – insofar as the growth of the product was based on the growth of formal employment - the increase of the mass of consumers, improved welfare services, required strong investments in education, health and infrastructures, that represented the non salary-based satisfaction of social demands, as a social integration mechanism and as generators of external economies for capitalist investment.

⁴ Germani G., *Autoritarismo, Fascismo y Populismo Nacional*, Temas, Buenos Aires, 2003, pp. 229-242

⁵ Di Tella T. S., *Historia social de la Argentina contemporánea*, Troquel, Buenos Aires, 1998, pp. 275-306

The “populist” population was organised according to layout of the labour market: trade unions, farmers’ organisations, political parties with classist claims. The relations established among these organisations and some governmental agencies (e.g. health ministries, welfare services, working relationships) provided populism with trends that some observers related to corporatism, linking social dynamics, economic actors and the management of state policies⁶.

The strong organisational framework of a population that was acquiring a political identity starting from the working world and state policies distinguished populism from the conventional versions of clientelism. The typical individualised patron-client relationship of the oligarchical society was replaced by a relationship strongly mediated by these organisations.

On the other hand, neopopulism rises from the modernisation crisis that has characterised the end of the 20th century.

The term was used in Latin American political journalism to define political regimes with personalist leaderships based on the electoral support of the poorest segments of the population, that implemented a number of neoliberal macroeconomic and social reforms in the ‘90s.

This paper will focus on the so-called neopopulist regimes with special emphasis on the management of political power in Mexico and Argentina. It will analyse the characteristics, tools, management procedures and public policies implemented by some governments, and it will do so describing the objectives pursued in terms of development, welfare and social control.

The two leaders selected to discuss neopopulism are Carlos Salinas de Gortari, president of Mexico from 1988 to 1994, and Carlos Menem, president of Argentina from 1989 to 1999. The parallelism between these two governments in terms of social and economic reforms is obvious, as obvious as their personal government style, similar to the afore-mentioned leaders of the past, who contributed to the implementation of neoliberal economic reforms.

1. Mexico under the leadership of Carlos Salinas de Gortari (1988-1994)

Following the 1982 crisis and the six years of “austerity” politics implemented by president Miguel De la Madrid (1982-1988), the presidency of Carlos Salinas de Gortari had to pick up the challenge of economic restructuring within an unfavourable political situation.

⁶ Murillo V. M., “Del populismo al neoliberalismo: sindicatos y reformas de mercado en América Latina”, in: “Desarrollo Económico”, vol. 40, n. 158, July-September 2000, pp. 183-185

On 4 October 1987 Carlos Salinas de Gortari was indicated by president De La Madrid and formally nominated PRI (*Partido Revolucionario Institucional*) candidate for the future presidential elections of 6 July 1988 by the *Comité Ejecutivo Nacional* (CEN), highest party representative⁷.

A few days after his nomination, there was a problem with Mexico's stock exchange and the rise of inflation compelled the government's economists to implement strict austerity measures to slow down the fall of the peso, freeze the exchange rate, salaries, tariffs and prices and to cut down the huge state bureaucracy. The year 1987 closed with an inflation rate of 160%⁸.

These events changed the electoral prospects of the PRI, which was already undergoing the natural aging process of a political model that seemed unable to deal with the challenges of the global economy and with the social aspirations to deep changes. In the meantime, Cuauhtémoc Cárdenas Solórzano, (the charismatic son of beloved former President Lázaro Cárdenas del Río 1934-1940) and Salinas' toughest opponent within the party, was leaving the political arena. He had been dismissed from the PRI because he had demanded the democratisation of the party's structure and had subsequently participated in the presidential struggle of the *Frente Democrático Nacional* (FDN).

There was great uncertainty on the day of the elections, 6 July 1988. The ballot boxes closed too early and Cárdenas seemed to have obtained excellent results, but within a few hours there was a suspicious breakdown of the computerised system that counted the votes. The FDN declared, not without good reason, that the PRI had enacted a fraud to ensure the victory of its candidate, suspicions that were not rearoused after the *Comisión Federal Electoral* announced the official results: Salinas won with 50.4% of the votes, followed by Cárdenas with 31.1% and by Manuel Jesús Clouthier del Rincón, for the *Partido de Acción Nacional* (PAN), with 17%⁹.

Through the parliamentary elections, the PRI regained the absolute majority in both houses, although only 260 of the 500 deputies present belonged to the party. For the first time the party did not have the 2/3 majority needed to approve constitutional reforms.

The absolute majority assigned to Salinas was overall the smallest ever obtained by the PRI in an election: in 1982 De La Madrid had won with 74.3% of the votes. This was a very high percentage although it was surprising since it was the lowest ever obtained by a candidate of the PRI in over 30 years, which opened the doors to the 1988 results. In fact, even if Salinas' victory over Cárdenas was transparent, the event preannounced the end of a 60-year supremacy that had made Mexico the most stable country of Latin America within its peculiar formal democracy. For Mexico the 1988

⁷ Krauze E., *La presidencia imperial. Ascenso y caída del sistema político mexicano (1940-1996)*, Tusquets, México D.F., 1997, p. 417

⁸ Garavito R. A. and Bolívar A. (editors), *México en la década de los Ochenta. La modernización en cifras*, El Cotidiano, Universidad Autónoma Metropolitana Azcapotzalco, México D.F., 1990, p. 32

⁹ Borge T., *Salinas. Los dilemas de la modernidad*, Siglo Veintiuno, México D.F., p. 19

elections represented the transition to a political system with a predominant party and a semicompetitive condition¹⁰.

On 1 December 1988 Salinas, 40 years old, started his six-year term as the youngest President of Mexico since the times of Lázaro Cárdenas. In his first public speeches the leader declared that he wanted to introduce greater transparency into the political system, reinforce the legitimacy of the electoral process and modernise the parties' system. He had an ambitious plan of economic reforms to promote growth and reduce inflation that in 1988 had achieved the rates of 1.1% and 52%, respectively. The critics declared that for the first time since the party's establishment, Salinas' election sanctioned the triumph of technocracy and economicism over ideology and politics, that had been represented so well by the previous ten leaders who had all been trained as lawyers.

Salinas did not wish to damage the PRI's political supremacy through acts of democratic purification of the Mexican system. However, his technical profile and his determination to reform the economy stirred the barely controlled hostility of the traditional currents of his party and of the old PRI trade union bureaucrats present in the *Confederación de Trabajadores de México* (CTM), guardian of the social and working conquests of the revolution¹¹.

The fears were grounded. In retrospect, Salinas' deregulation and liberalisation campaign could have been risky and could have disrupted (excluding the oil sector) the corporative-state structure of the PRI, which would have been weakened and never been the same again. This is why many Mexicans, both PRI supporters and opponents, attribute to Salinas the origin of the historical change of power during the year 2000 elections.

1.1 Privatisations and connection with the US economy: the NAFTA

During his administration, Salinas implemented considerable structural transformations that he considered essential for modern Mexico in the new century. There was a boost in privatisations that had started in 1982 and involved the largest state-owned enterprises. The telephone company (Telmex), the major roads and airlines, the chemical and steel enterprises (Altos Hornos de México), the insurance companies, the hotel chains, the radio communication companies and, finally, the banks were handed over to private capital.

¹⁰ Kauffman S. e Purcell J., *Estado y sociedad en México: ¿debe un sistema político estable institucionalizarse?*, in Departamento Académico de Estudios Generales of ITAM, *Problemas de la Realidad Mexicana Contemporánea*, vol. I, México D.F., 1996, pp. 280-284

¹¹ Aguilar Camín H. e Meyer L., *A la sombra de la Revolución Mexicana. Ensayo de historia contemporánea de México 1910-1989*, Cal y Arena, México D.F., 1995, p. 338

The historical reform of the banking system, completed in December 1993, imposed the review of the nationalisation achieved by López Portillo in 1982, when 764 banks had been reduced to less than 20, headed by *Banco Nacional de México* (Banamex) and *Banco de Comercio* (Bancomer). *Banco Central de México* (Banxico) was thus subjected to a constitutional reform that, in accordance with the liberal model, guaranteed its operational and administrative autonomy.

Salinas pragmatically explained that the country would benefit from privatisations because privatisations gave money to the State. The government would then return the money to society. The profits gained from this huge business were even greater than those expected: in 1991 the State gained 10,700 million dollars from privatisation operations.

At the end of Salinas' mandate, over 90% of the country's enterprises had private owners, the only exception being the emblematic monopoly of *Petróleos Mexicanos* (PEMEX). This monopoly was adversely affected by the liberalisations: in fact, it acquired the structure of a holding company open to private foreign investments¹².

The second current of "social liberalism" promoted by Salinas¹³ was the change of the *ejido* system in February 1992, which was described as the social conquest of the revolution. According to the government, it hindered the mechanisation and capitalisation of Mexican agriculture because of the reduced community tariffs. The reform of Art. 27 of the constitution abolished the judiciary framework of the agricultural reform implemented during Cárdenas' leadership, ending the sharing of communal land, transforming three million *edijatarios* in formal owners and authorising private-owned companies to acquire, resell or rent the land with a specific surface area¹⁴.

Third, Salinas inaugurated a new concept of national economic growth that encouraged export-oriented production. Within trade liberalisation, the large-scale abolition of customs barriers opened progress prospects for Mexico. The president aimed at inclusion in the free trade area planned by Canada and the United States, countries that concentrated 73% of all of Mexico's foreign exchanges.

Salinas signed this historical agreement, whereupon Mexico joined rich Anglosaxon North America, on 17 December 1992, at the same time as President George Bush and Canadian prime minister Brian Mulroney. The agreement was called the *North American Free Trade Agreement* (NAFTA). The three countries devised a road map to abolish all the customs barriers for trilateral

¹² Ramirez M., *Privatization and regulatory reform in Mexico and Chile: a critical overview*, in: "Quarterly Review of Economics and Finance Fall", vol. 38, n. 3, 1998 pp. 421-439. On this topic: Castañeda J. G., *Las privatizaciones en América Latina*, in: "El País", 12 April 1996 and Minsburg N., *Privatizaciones y reestructuración económica en América Latina*, in: "Realidad económica", n. 116, October 1993

¹³ On this topic: Villarreal R., *Liberalismo social y reforma del Estado. México en la era del capitalismo posmoderno*, Fondo de Cultura Económica, México D.F., 1993

¹⁴ Borge T., *Salinas. Los dilemas de la modernidad*, cit., p. 180

trade within a 10-year period to be ended in 2004 with the full implementation of the free-trade area.

Salinas' dream risked to be ruined by the strong opposition of the political and economic spheres in the United States, but on 17 November 1993, the Mexican government was finally relieved when the Congress of Washington approved the treaty with the support of the new democratic US president, Bill Clinton.

Salinas maintained that free access to a market of 290 million people would have relaunched Mexican exports. It would also attract strong entrepreneurial investments from the partners of the North, essentially in the *maquiladoras* area or industrial assembly systems (consumer goods for exports), attracted by the low salary costs, with consequent employment growth. Trade integration opponents soon presented a number of adverse arguments, pointing out the risks on the national economy of the possible recession of the United States.¹⁵

Salinas attentively considered the initiatives of the new globalised economy in view of diversifying Mexico's trade customers as much as possible. Mexico was the first Hispanic-American country entering the *Asia-Pacific Economic Cooperation* (APEC) in 1993. In 1994, by joining the *Organisation for Economic Co-operation and Development* (OECD), an exclusive international capitalism club, Mexico joined the first economic world, although it was still anchored to the developing countries.

NAFTA priority did not adversely affect the traditional relations with the States of Central and South America. On the contrary, the relations were renewed from a new commercial perspective, which was free of ideals. Single free trade treaties were adopted with Nicaragua in 1992 and with Costa Rica in 1994. Starting from 1 January 1995 Mexico established another free trade area with Colombia and Venezuela, partners of the G-3 group. Within the *Asociación Latinoamericana de Integración* (ALADI) another free trade treaty was signed with Bolivia in 1994, and a trade agreement with Chile in 1991.

In the first four years of Salinas' term, the Mexican GDP grew by an annual rate of 3.2%. In 1993 the rate was only 0.4% which was partly due to the government's move to prevent "economy heating" and in 1994 it grew by the previous percentage. The inflation was 19.7% in 1989, it grew to 30% in 1990, but in the subsequent years it progressively decreased to the rate of 7.1% in 1994. The arrival of the "new peso" on 1 January 1993, which had dropped three zeros compared to the previous peso, was instrumental in this favourable trend¹⁶.

¹⁵ Ayh Kose M. Meredith G. e Towe C.M., *How has NAFTA affected the Mexican economy?* Review and Evidence, International Monetary Fund, 2004, pp. 4-11

¹⁶ *¿Por qué no crecemos? Hacia un consenso para el crecimiento en México. Reflexiones de 54 economistas*, El Cotidiano, México D.F., 2004, pp. 12-15

A negotiation with the IMF to pay off foreign debt, that produced moderately positive results, was added to the favourable trend of the economy and monetary stability. First country of the continent to join the *Brady Plan* offered by the United States Treasury in 1990, Mexico cut the payment of interests on its debt up to 1992 (this amount was slightly over 100,000 million dollars) and it subsequently started to grow.

The return of inflation, however, and the public finance deficit (in 1992 Salinas had put an end to this endemic deficit and obtained a spectacular 3.4% surplus) had demanded considerable sacrifices. In particular, it had gradually decreased the purchasing power of the middle-lower classes. In order to compensate the low salaries, the *ejido* reform and the abolition of protectionist and customs interventions, the State created the National Solidarity Program (PRONASOL)¹⁷. The Program was financed with the funds obtained from privatisations and the contributions of citizens. It invested in the infrastructures for communication, welfare services, housing, scholarships and aid programs, although the opposition labelled it as the last PRI campaign of proselitism and clientelism, triggered by concern for future elections. The last topic addressed by Salinas was the environment, with special emphasis on the decrease of pollution and urban degradation in the megalopolis of the Federal District.

When optimism for the Salinas government was high, as it had created the new “Mexican economic miracle” (the López Portillo Government had brought about the previous oil-based miracle in the second half of the ‘70s), various critics agreed in stating that the growth was based on fragile grounds, since the majority of private capitals were not being invested in productive activities but in risky high-profit formulas, creating a dangerous speculative bubble. It thus happened that in 1992 over 50% of the 60,000 million dollars of foreign capital in Mexico was invested in the stock exchange¹⁸.

1.2 The political reforms

When he started his term, Salinas, at first implicitly and then openly, indicated that political reforms would not be implemented as quickly and incisively as the economic reform.

However, under his mandate, important changes in the political system were carried out. They had been prompted by the sincere wish to foster democracy and to curb the power of the *caciques* and old PRI supporters, opposing the most obvious clientelism and power abuse. His fight against the

¹⁷ On this topic: Cornelius W., Craig A. e Fox J. (editor), *Transforming State-Society relations in Mexico. The national solidarity strategy*, la Jolla: Center for U.S.-Mexican studies, San Diego, 1994

¹⁸ Aspe P., *The Americas: Mexico's ex-finance minister sets the record straight*, The Wall Street Journal, 14 July 1995

latter and his actions against the powerful political criminal mafia bosses, such as the organisation led by the workers' trade-union leader Joaquín Hernández Galicia, alias *La Quina*, caught during a spectacular police action in January 1989, granted Salinas undeniable popularity during the early period of his mandate.

Salinas started a thorough reform of the electoral system and in 1989 and 1990 the Congress approved his new *Código Federal de Instituciones y Procedimientos Electorales* (COFIPE). The establishment of the *Instituto Federal Electoral* (IFE), that replaced the Internal Ministry in the organisation and supervision of election procedures, the implementation of the model and the issue of new cards to the electors, and the creation of the "Tribunal Federal Electoral" (TFE), in charge of solving the claims, and imposing sanctions against electoral law violations, were some of the most significant innovations of this law.

In 1993 another step forward was made with the Congress approval of a new set of changes of the electoral regime. A party could obtain an overall 65% of the seats, regardless of the percentage of votes. From that date onwards, this restriction prevented one single party from approving constitutional reforms. The number of senators was subsequently increased from 64 to 128, four for each State. The assignment of the fourth senator to the first minority party of each State was aimed at increasing the non PRI representation at the senate¹⁹. Salinas' willingness to interact with the actors of the civil society was expressed in the *Pacto para la Estabilidad, la Competitividad y el Empleo* (PECE)²⁰ signed in 1992 as the update of the *Pacto para la Estabilidad y el Crecimiento Económico* del 1988²¹, and the normalisation, through the reform of the 5 articles of the Constitution, of the relations with the Church (or Churches) that was acknowledged as a legal person. With this historical change, Mexico changed its anticlericalism and militant agnosticism, becoming a non religious state that protected religious freedom and, under specific conditions, education by religious congregations.

The president's party triumphed in the legislative elections of 1991. It obtained 61.5% of the votes and 320 deputies in Parliament, the PAN obtained only 17.7% and Cárdenas' PRD unexpectedly obtained 8.2%. These were the first elections celebrated under the COFIPE and, although there were a number of fraud charges, they were undoubtedly the most transparent elections ever held in this country.

Salinas also obliged three PRI governors to give up their mandate following the COFIPE accusations of fraudulent elections in their states. The few votes that the PRI needed to approve the

¹⁹ Borge T., *Salinas. Los dilemas de la modernidad*, cit., pp. 161-172

²⁰ Lustig N., *México: hacia la reconstrucción de una economía*, El Colegio de México e Fondo de Cultura Económica, México D.F., 2002, pp.24-26

²¹ Clavijo F. (editor), *Reformas económicas en México, 1982-1999*, cit., p. 478

above-mentioned constitutional reforms were provided by the PAN, that had obtained 89 seats in the Chamber of Deputies. Now, the 1994 presidential election would have been the real challenge for Salinas' political reformism.

Luis Donaldo Colosio Murrieta, the candidate backed by Salinas, was opposed by the PRI leaders who did not want to give up some of their power to the opposition (and, consequently, to lose profits and privileges). He was a very popular young man, former president of the party and social development minister at that time. He was identified as the main representative of the PRI's "left". A few months before the designation of Colosio, in 1993, Salinas obtained the inclusion of the "social liberalism concept" within the PRI development strategy during the XVI National Assembly of the Party.

1.3 The end of the Salinas illusion

In 1992 it was universally acknowledged that Salinas would have gone down in history as a great statesman who had implemented essential reforms with high consent levels and who had finished his mandate with good economic results²². This perception started to waver in 1993 and even more in electoral year 1994, with the murder of the Archbishop of Guadalajara, during a spectacular shooting between drug dealers. Cardinal Juan Jesús Posada Ocampo was beloved by the population for his firm stand against political corruption and the organised criminal gangs in the State of Jalisco. His murder started a series of homicides that deeply affected the public opinion.

The first trouble for Salinas' government occurred on January 1st when NAFTA entered in force. An armed guerrilla started in the Chapas region with the *Ejército Zapatista de Liberación Nacional* (EZLN). Under the leadership of charismatic and enigmatic Commander Marcos, the EZLN told the world and Mexico that the liberal euphoria of Salinism had left some of the severe third-world problems unchanged. In fact, the problems had grown worse. There were vast areas of extreme poverty and social injustice in forgotten states where the public authorities, the land owners and the criminal organisations violated the law and acted without control. At first Salinas challenged Zapata's followers with his armed forces, but he quickly changed strategy knowing that this uncompromised attack had a huge political cost for the government, both within and without the country.

After a number of armed battles that caused hundreds of deaths and injured thousands of guerrilla, soldiers and civilians, and the evacuation of approximately 60,000 farmers, an agreement was

²² Romero C., *Salinas a juicio*, Planeta, México D.F., 1995, p. 136

reached on 34 political and economic measures. The latter recognised the rights of the natives, approved state reforms and allowed an improvement in the way of life of the marginalised groups. Up to the end of his mandate Salinas maintained a certain stability in the Chapas area, but the basic problems remained unchanged because of the government's unwillingness to deal with them²³.

A few months after the insurrection of the Chapas, there was a second important social upheaval with the murder of Colosio. The murderer always stated that he had acted on his own initiative, but it was obvious that there was a conspiracy behind this act, perhaps by the drug cartel or by the same PRI. A few days before his death, in fact, Colosio had distanced himself from the Salinas government and had presented Mexico as a country that was still anchored to the third world in a number of things. He had exposed his idea of starting a vast political reform similar to those present in normal democracies.

Colosio was quickly replaced by Ernesto Zedillo Ponce de León, a competent technocrat originating from Salinist reformism who repeated the promises of the previous candidate.

These events were followed by a spiral of restlessness during which entrepreneurs were kidnapped and ransoms requested. There were corruption scandals and some of the people who could have been involved with the assassination of Colosio were murdered. Investigations on the case slowed down. Salinas wished to end his mandate with an impeccable general election, so he signed an unprecedented pact with the opposition parties to definitely permit transparency and free assembly. Contrary to what it had dared hope, the PRI passed the ballots test of 21 August 1994, maybe considering that participation exceptionally achieved 77.7%, approximately 20 percentage points higher than in 1988. Zedillo, who had distanced himself from Salinism, won with 50.2% of the votes on the PAN (*Partido Acción Nacional*) candidate Diego Fernández de Cevallos and PRD representative Cárdenas, while in the legislative elections the PRI lost 20 representatives. Even though the usual procedures of the PRI organisation were concealed (irresponsible use of public resources, illicit use of communication means, induction to vote against payment), national and international observers stated that Zedillo was the first president elected without significant fraud²⁴.

Other events were still going to highlight Salinas' presidential downfall. On 28 September the Secretary General of the PRI, José Francisco Ruiz Massieu, was murdered. He had been one of the leaders of the reformist wing of the party and former husband of the president's sister. The second murder within the PRI mafia dissipated all the doubts on the ruthless revenges against and within the party in power, where the most reactionary sectors were trying to hinder political reforms. The involvement of the drug dealers in the murder could not be excluded, the brother of the victim being the deputy public prosecutor in charge of the fight against the drug cartel.

²³ Báez R., *Messico zapatista. Marcos e il risveglio del Chapas*, Editori Riuniti, Rome, 1997, pp. 46-49

²⁴ Krauze E., *La presidencia imperial. Ascenso y caída del sistema político mexicano (1940-1996)*, cit., pp. 452 e 454

On December 1st Salinas finished his mandate and Zedillo became president. It was one of the worst times in the country's history. On December 19, informed of the fact that the international dollar reserves were rapidly running out and that there was a massive flight of capital, that had started after the murder of Colosio and had grown worse in November, Zedillo decided to devalue the overrated peso by 15%, (this is what Salinas subsequently called the "December mistake") but its new quotation margin was lowered once again forcing him to declare the free fluctuation of the currency²⁵.

In just over 20 days the peso lost 60% of its value, disrupting the international markets – the so-called "tequila effect" – and causing the collapse of Mexico's public finance. Only a huge international aid plan led by the United States allowed to stabilise the currency exchange market against the application of a very hard "adjustment" plan²⁶.

2. Argentina under the leadership of Carlos Menem (1989-1999)

Arrived at the presidency in December 1989, as candidate of the *Frente Justicialista Popular* (FREJUPO), Menem became president of Argentina after his discussed predecessor Alfonsín, in a country dominated by a critical economic and social situation.

As Salinas, Menem inherited a rapidly deteriorating economy. By year end the recession was projected to be 6% of the GNP, hyperinflation close to 5000% and the foreign debt amounting to a total 63,000 million dollars²⁷, a situation which was undoubtedly worse than the Mexican one. The new president quickly applied a hard "adjustment" program, the ultraliberal features of which caused divisions within the CGT (*Confederación General de los Trabajadores*), while Peron supporters accused him of betraying the social vocation of the *Movimiento Justicialista*.

The first two years of Menem's government were particularly hard, because the comprehensive program of deregulation, general privatisation of the state-owned enterprises, the cuts in public expenditure and the salary freeze, was slow in producing the desired stability and had a devastating effect on the purchasing power of the middle and lower classes²⁸.

The privatisation campaign, which had been described as "wild" by those who opposed the sale of the State assets to foreign companies, was so intense that at the end of Menem's Presidency there were practically no state-owned enterprises left. The oil company YPF (sold to the Spanish

²⁵ Ewart W. and Thornton J., *Economic Transformation the Mexican Way; and Mexico: The Remaking of an Economy*, in "Finance & Development", vol. 31, n. 3, September 1994, pp. 66-68

²⁶ Ros J., *The Mexican Economy: Persistent Problems and New Policy Issues in the Aftermath of Market Reforms*, in: "Latin American Research Review", n. 3, 2003, pp. 223-236

²⁷ Ferrucci R. J., *Política económica argentina contemporánea*, Macchi, Buenos Aires, 1991, p. 101

²⁸ Heymann D., *Políticas de reforma y comportamiento macroeconómico : la Argentina en los noventa*, CEPAL, Santiago del Chile, 2000, pp. 52-57

company Repsol), the telecommunications industry Entel (divided among France Telecom, Telecom Italia and Telefónica de España), Aerolíneas Argentinas (whose capital was mainly owned by the Spanish Iberia), the Gran Buenos Aires electrical network (SEGBA, divided among Spanish Endesa, French Edef and Chilean group Enersis), health facilities, the Argentine railways, the State gas, the national highways and the maritime lines are the most significant names of a list of over 400 public enterprises that were privatised²⁹.

Even the social security system was involved in this change. In order to put it back on its feet, eliminating inefficiency and waste, the Menem government thoroughly reformed the pension system, the insurance system against risks on the workplace, sickness and unemployment benefits. The reforms, however, adversely affected the citizens who benefited from these systems.

In the attempt to increase welfare efficiency and to end the excess of welfarism, Menem cut legal expenses and privatised services management. He dismantled the social security system and eliminated what was left of Argentina's social security program that had been established 40 years earlier by general Péron. The decrease of the State's role affected the education system as well.

Menem established a set of measures to definitely solve the "military issue" through a series of amnesties, the replacement of the military leadership and the 1994 decree abolishing compulsory conscription that had existed for nearly one century. These measures promoted the professionalisation and depoliticisation of the Argentine armed forces, ending their traditional interference in the country's political affairs, that had reached its highest level between 1995 and 1983.

In 1991 the social tension slackened when the shock program introduced by the Minister for the Economy, Domingo Felipe Cavallo, started to bear macroeconomic fruits³⁰. Before fixing the Austral rating in the range of 10,000 units per dollar, the year ended with a positive 4.5% growth of the GNP and an inflation of "only" 173%. The last forecast of the *Plan de Convertibilidad*, which had been launched in April of the previous year, was enforced on January 1st 1992. The goal of the *Plan* was to fix the peso's exchange rate at par with the U.S. dollar (which was de facto extremely overrated), and required the peso to be fully backed with dollar reserves.³¹

The economic activity had benefited from the drop of the interest rates to reasonable levels and the growth trend continued in the subsequent years with the exception of 1995, when a sudden -4.4% recession occurred, which was partly due to the afore-mentioned Mexican financial and monetary crisis. Between 1990 and 1999 the national economy grew by an average rate of 3.3%/year, a result

²⁹ Sánchez M. A., *Privatizaciones y extranjerización de la economía argentina*, cit., p. 55

³⁰ Mayo A., *Plan Cavallo y economías regionales: el mito de la salida exportadora*, in: "Realidad Económica", n. 139, 1995, p. 12

³¹ Rofman A., *El Plan de Cpnvertibilidad y su impacto regresivo sobre los mercados de trabajo regionales. Argentina 1991-1994*, pp. 18-22

obtained with the very high 8.4% growth rate recorded in 1997. As the GNP grew, there was a spectacular evolution: in 1996 inflation dropped to 0.1%/year, the lowest percentage worldwide in that year, and in that decade there were terms with a negative inflation or deflation.

The economic scandals, added to the turbulent intrigues and conjugal conflicts suggesting the widespread corruption within the Casa Rosada, did not help the people accept the shock therapy and the slow dismantling of the State's role. Some of the scandals also had penal implications: relatives and direct collaborators of the president were accused of belonging to an international criminal organisation of money laundering obtained from drug trafficking.³²

2.1 The political reforms

Notwithstanding the above, during the first years of his presidency, Menem had succeeded in putting some order in the *justicialistas* ranks and he soon reaped the benefits of relative social tranquillity. The PJ confirmed its supremacy in the partial legislative elections of 1991 and 1993, although it did not have the absolute majority in the Chamber of Deputies, having obtained 43.1% of votes and 126 seats in the last elections.

The leader obtained an extraordinary personal success when he convinced the *Unión Cívica Radical* (UCR) to accept a revision of the constitution, the so-called *Pacto de Olivos*, 1993, avoiding a national referendum. The key point of this important political and institutional reform was the presidential re-election for a second consecutive four-year period instead of the non extendable mandate of six years.

This was the second time in the history of Argentina that a president could succeed to himself, and Menem drew his inspiration from the 1949 constitution that allowed Péron to present himself again to the 1951 elections. On December 22 1993 the Chamber of Deputies approved the reformist project and on August 23 the new Carta Magna replaced the previous one implemented in 1853³³.

Menem achieved the peak of his success in his continuity strategy in the 1995 general elections. He was re-elected at the presidential elections with 49.6% of the votes vs 29.2% obtained by his rival of the *Frente País Solidario* (FREPASO), a centre-left mix of socialists and dissidents of the main parties, where rumours were spreading on “false peronism” and “light radicalism”.

In the meetings of the Chamber of Deputies, the PJ obtained 43% of the votes, making up for the 37.6% obtained at the constituent elections of the previous year and achieved its first absolute

³² De Titto R., *Los hechos que cambiaron la historia argentina del siglo XX*, El Ateneo, Buenos Aires, 2004, pp. 433-434

³³ Eggers-Brass T., *Historia argentina (1806-2004). Una mirada crítica*, cit., pp. 671-672

majority in 1951. In his speech to the nation, Menem announced that during his second mandate he would focus on eliminating strikes and on the social issues that had been neglected so far.

Menem's electoral support was based on his success in stabilising the economy. However, he was still under attack by different groups that felt damaged by his management, by the trade unions that opposed his reforms and even by the victims of the dictatorship, including popular associations and journalists' trade unions. In the summer of 1996 the trade unions protested for the growing unemployment rate (that reached the alarming percentage of 18.4% in 1995), the liberal reform of the employment legislation, the disorganisation of welfare services and, finally, for the terrible living conditions of the people, 25% of whom were below the poverty threshold. This discontent became obvious in the 1997 legislative elections, where the new alliance between UCR, FREPASO and the small regionalist parties obtained 45.7% of votes and beat the PJ that got only 36.2% and lost the majority for the first time since 1987³⁴.

Concerned for this situation, Menem declared he would submit his candidature once again, through a second ad hoc constitutional reform. This triggered a wave of opposition inside his party, led by Eduardo Alberto Duhalde, popular governor of the province of Buenos Aires since 1991, former vicepresident of the Republic and his main rival in the *justicialismo*. Even though the transitory clause no. 9 of the Constitution stated that the mandate of the President at the time the reform was approved was already the first four-year mandate, the so-called "ultra menemists", indefatigable supporters of the president, insisted in seeking a juridical loophole that would consider the period started in 1995 as the first four-year term instead of the second.

Following opposition from all sides, in 1998 Menem announced that he would give up his "re-election" plan, paving the way for Duhalde's nomination. Instead, in 1999 he reactivated a political campaign seeking support for himself. Menem's aspiration, however, was definitively shelved when the Chamber of Deputies refused the second presidential re-election. At that time, according to the opinion polls, less than 15% of the population supported Menem, whose popularity had reached 65% after his election in 1989³⁵.

2.2 The dynamic role of MERCOSUR

³⁴ Rapoport M. et al., *Historia económica, política y social de la Argentina (1880-2000)*, Ariel, Buenos Aires, 2006, p. 935

³⁵ *Ibidem*, p. 937

During the Menem Presidency the relations between Argentina and the United States reverted to normal after 50 years of tensions, ever since general Péron had explored a political “third path” in international politics and his successors adhered to the movement of non aligned countries.

With this historical turn in South American foreign policy, Menem was trying to include Argentina in the group of Western countries, as Salinas had done in Mexico. This would have granted him participation in the decisions and global trends, and would have prevented Argentina from being associated with third world problems. Alfonsín, leader of the Partido Radical, believed that Argentina was compatible with the Western world because of its culture and history, although it could not be compared with the most advanced countries for its economic and national security issues. On the other hand, for Menem, Western identity was an ethical-cultural fact and he interpreted it in terms of political alignment with the group of countries headed by the United States³⁶.

Before sending carriers to the Persian Gulf in 1990 for the surveillance of the embargo on Iraq, and before offering troops in support of the United States as it did for Cuba, Menem, who had visited the United States a number of times during his presidency, received Bill Clinton’s visit to Buenos Aires in October 1997. On that occasion Mr. Clinton announced that he had granted Argentina the status of main ally even though it was not part of the NATO. The status came into effect on 6 January 1998 and Argentina became the first American representative of a restricted group of countries with special relations with Washington.

Relations normalised also with the United Kingdom after the tension following the Falklands war in 1982. Diplomatic relations were resumed in 1990, and in 1998 Menem went to London and signed with Prime Minister Tony Blair a declaration of mutual acknowledgement of the sovereignty requests for the islands.

On 26 March 1991, together with his colleagues from Brazil, Ferdinando Collor de Mello, Paraguay, Andrés Rodríguez and Uruguay, Luis Alberto Lacalle, Menem signed the treaty establishing the *Mercado Común del Sur* (MERCOSUR), an ambitious project of regional integration whose main objectives were the total liberalisation of internal trade and the creation of a custom union based on an *Arancel Externo Común* (AEC)³⁷.

These agreements were enforced on 1 January 1995 with a set of tariff exceptions to be progressively eliminated until 2001 in case of foreign transactions and until 2006 for internal

³⁶ De los Angeles Yannuzzi M., *La modernización conservadora. El peronismo de los '90*, Fundación Ross, Buenos Aires, 1995, pp. 179-186

³⁷ Common external tariff

exchanges. Menem was a fervent supporter of MERCOSUR and the generous host of a number of presidential summits³⁸.

In spite of the above, throughout 1999 Menem maintained a tense relationship with his Brazilian colleague Fernando Cardoso. Menem expected a compensation for the losses that the devaluation of the Brazilian currency, the real, at the beginning of the year, were causing to Argentine exports in MERCOSUR. In fact, that measure had been followed by the availability of large quantities of very competitive Brazilian goods every time the internal tariff for the goods coming from Argentina was raised. The trade dispute acquired considerable importance, since Brazil represented one fourth of the Argentine imports and the destination of one third of its exports. With its national currency pegged to the dollar, it was difficult for Argentina to export its goods to the neighbouring countries.³⁹

Menem's government nervously observed Brazil's monetary crisis. A financial disaster such as the one experienced by Mexico in December 1994 would have had catastrophic consequences on Argentina. In 1995, however, the peso was rescued from the feared "tequila effect" by the IMF loan of 6,700 million dollars. The loan was granted conditional on the application of a new adjustment plan. The umpteenth resort to foreign capital highlighted the poor structural solidity of Argentine growth, as had happened during the Mexican crisis of 1994.

As the immediate future would cruelly show, Menem had left Argentina with an economy weakened by the deficit of public accounts due to an inefficient tax system that the government had refused to modernise, unlike other structural reforms that were no longer urgent.

Without adjusting the tax system, without stopping the flight of funds for unproductive purposes through the clientelism networks typical of *justicialismo*, and without the so-called monetarism, the Menem administration dealt with the deficit problem by accepting foreign credits, accumulating public debt and trusting in the revenues obtained from the sale of state-owned enterprises as a partial solution to its debt problem. The tax debt and foreign debt, however, kept on growing throughout this period. At the end of 1999, the first variable exceeded 7,000 million dollars and the second, adding up the public and private amounts, amounted to 170,000 million dollars, more than double compared to 1989⁴⁰.

In early 1999, due to the continuous negative economic news - the only exception had been the non-existent inflation foreshadowing important inflation for that year (during the last year of the Menem

³⁸ Tavares de Araujo Jr e Tineo L., *Competition policy and regional trade agreements*, in: Rogríguez Mendoza M. Low P. and Kotschwar B. (editors): *Trade Rules in the Making Challenges in Regional and Multilateral Negotiations*, Organización de los Estados Americanos, Brookings institution Press, Washington D.C., 1999, pp. 175-199

³⁹ On this topic: Peres W. (editor), *Grandes empresas y grupos industriales latinoamericanos: expansión y desafíos en la era de la apertura y la globalización*, Siglo XXI, México D.F., 1999

⁴⁰ Basulado E.M., *El impacto económico y social de las privatizaciones*, in: "Realidad Económica", n. 121, January-February 1994, p. 30

presidency production dropped by 3.1%) - Menem decided to replace the peso with the dollar as exchange currency, showing investors that the Argentine economy was healthy.

This would have helped stabilise the prices and lower the interest rates, drastically reducing the country's risk index and encouraging capital flow and foreign direct investment, required to finance economic development.

The total dollarisation of the Argentine economy would have resulted in a hypothetical third Menem mandate. It could have led the rest of South America to abolish customs barriers, a plan supported by the United States, and to develop the *Área de Libre Comercio de Las Américas* (ALCA). MERCOSUR would then have been included in the ALCA. In the following months Menem argued that Argentina had the opportunity to show its "strategic lucidity" by continuing along certain lines, that were believed to be inevitable, and by negotiating a monetary union treaty with the United States that sceptically accepted the proposal.

While on the one hand the unhoped-for words of Menem relieved the opposition and Duhalde supporters, on the other they caused the astonished reaction of the scholars and promoters of MERCOSUR, who defined it an "unprecedented surrender" that "jeopardised the development of Latin America". Cardoso thus found another argument against Menem. The Brazilian leader supported the consolidation and extension of MERCOSUR, beyond its free exchange terms, before tackling the ALCA, that was much larger from a geographical viewpoint but had more limited integration objectives⁴¹.

During the 1999 general elections, Fernando De La Rúa Bruno, the candidate of the alliance (UCR, FREPASO and the small regionalist parties), obtained 48.5% of the votes, 10 points more than Duhalde and succeeded Menem on 10 December. Menem's exit from the political scene protected him from involvement in the judicial inquiries in which he was involved, i.e. weapons smuggling to finance Croatia in the 1991 Balkans war and Ecuador in the Andes war against Peru in 1995.

3. Populism and globalisation

While conventional populism had focused on economic issues, growing globalisation and the opening of Latin American economies, in particular with the support of foreign investments, forced neopopulism to address the social problem.

⁴¹ Gatto F., *Nuevos elementos para la discusión de la problemática regional en la Argentina de los años '90: la transformación macroeconómica y el proceso subregional de integración económica*, CEPAL Oficina de Buenos Aires, Buenos Aires, 1992, pp. 29-37

In the '90s, the social reforms in Latin America are no longer triggered by the changing social classes. The key role is played by the State. It is no longer a question of attributing central importance to the working class, establishing a party or dealing with different movements struggling to attack power. Today the main issue is leadership and the need for a moral and intellectual reform able to blend the classist elements into a collective national and popular movement.

Durkheim's concepts on the dissolution of social cohesion, the return to a strong individualisation, the dissolution of intermediate or particular identities that had characterised conventional populism, are useful to analyse the present situation of Latin America: a scenario that can be effectively described with the words of this famous sociologist: acute anomie, general estrangement from the basic social units, associations and parties⁴².

In the '80's the actors and social movements were no longer clearly defined, and it was difficult to distinguish organic identities persistent in time.

In 1985 the poor population had increased by 25% compared to the early '80s. In that five-year period the GNP dropped from 6 % to -3% and the pro capita product decreased by 9%. The same happened with investments (between 1980 and 1983 they decreased from 27% to 19% compared to the GNP in Brazil, from 28% to 17% in Mexico, from 23% to 15% in Argentina). Latin American participation in world trade decreases; technological investment is virtually nil, trade union membership drops, there is a trend toward salary reduction and a vain attempt to pay off foreign debt, while being competitive on the increasingly protectionist international markets. The result is growing insecurity in the cities, financial speculation and the export of capitals⁴³.

Today, while its traditional parties and associations are disappearing, Latin America's development is integrated within the world economy, and is growing at a faster rate than in Europe and in the United States, in a way much more similar to Italy's development during the economic boom of the '50's and '60's.⁴⁴ This modernisation has fostered urbanisation and industrialisation, but it has prevented the masses from slowly adapting to the new way of life.

Argentina's industrialisation process has an early start, its population is modern and similar to the populations in Europe. On the other hand, Mexico is a country tied to tradition. Its population starts moving into the cities in the '60s, and three decades later most of its population lives in towns. Mean life expectancy increases as a result of medical progress and education. A highly participated populist system, based on the resources derived from oil, at least until 1982, has allowed the

⁴² Durkheim E., *Le regole del metodo sociologico*, Editori Riuniti, Rome, 1996

⁴³ On this topic: French-Davis R., *Reformas para América Latina después del fundamentalismo neoliberal*, Siglo XXI editores, Buenos Aires, 2005

⁴⁴ Sapelli G., *Modernizzazione senza sviluppo. Il capitalismo secondo Pasolini*, Bruno Mondadori, Milano, 2005, pp. 107-111

Mexican population to adapt itself to the new way of life. This has determined the growth of the so-called late populism phenomenon at a higher pace than in other South American countries. The disorder caused by the abrupt change from a traditional to an industrialised society has been defined by some sociologists (including Durkheim) as “anomie”, and by other sociologists of our age, as heterogeneity, or disarticulation.

In Mexico populism returned with Cuauhtémoc Cárdenas, the PRD leader who had opposed Salinas during the 1988 electoral campaign, a phenomenon that spread throughout Latin America.

Mexico's institutions were weakened by this abrupt change. The relationship between the leader and the masses was strengthened, where the term masses refers to large groups of disorganised and poorly integrated individuals. In addition to the economic crisis and the absence of organised mobilisations, normlessness prevails, small groups and cases of uncontrollable violence. It is difficult for a sense of community to emerge in this situation. Hope is placed in a charismatic leader, the only one who can solve the serious social problems. During these progress-induced crises the population does not express itself through social struggles, trade unions, communities, associations or political parties. In these cases the State centralises social relations, concentrating collective decisions, communication means, thus obtaining greater autonomy the more fragmented the society⁴⁵. The rebirth of the leader-masses relationship appears as the only healthy path towards integration within the crisis. The paternalist leader is believed to be the only solution to obtain continuity, national cohesion and reconstruction of the collective identities that the neoliberal reforms have caused to emerge. The cut in the welfare, fight against inflation, reconversion of industry, competition on the international markets, the obsession for paying off foreign debt, are factors that have deeply affected the life of the Latin American population in the '90s. These factors have contributed to the growth of feelings of affection for the charismatic leaders⁴⁶.

During the '90s a number of personalist leaders with strong social support enforced neoliberal policies for the structural reform of the markets.

As previously discussed, heads of state such as Salinas and Menem, had a personalist style that evoked the image of past populist leaders, even though their economic policies diverged from the traditional populism policies of statalism and redistribution. This difference is more apparent than real, because it is based on the idea that populism and neoliberalism represent two, essentially different, economic projects. This idea supports the belief that populism represents a step preceding

⁴⁵ Calderón F. and Jelin E., *Clases y movimientos sociales en América Latina*, Estudios CEDES, Buenos Aires, 1987

⁴⁶ Castro Rea J., Ducatenzeiler G. and Faucher P., “Back to Populism: Latin America's Alternative to Democracy”, in: Ritter A. R. M., Cameron M. A- e Pollock D. H. (a cura di), *Latin America to the Year 2000 : Reactivating Growth, Improving Equity, Sustaining Democracy*, Praeger, New York, 1992, pp. 145-180

socioeconomic development – a stage that is generally associated with the period in which imports were substituted – that was eclipsed by the debt crisis and neoliberal revolution.

In any event, the presidents and economists who supported the IMF's monetary stabilisation plans, first of all Menem and Salinas, were always convinced that they were outside populist schemes, for their policies aimed at curbing public expenditure.

On the contrary, populism adapted itself to the changes imposed by neoliberal policies, even if the latter were based on privatisation and cuts in the welfare. The personalist leaders discovered the political and economic tools to obtain support from the lower classes when the institutions abandoned their role of social collectors, as was the case in Latin America in the '90s.

In some cases the decrease in populism strength was attributed to the debt crises and to the neoliberal adjustments that weakened the fiscal basis of the distributive policies, maimed the trade unions and the other collective actors that had supported traditional populism.

The new populist leaders also succeeded in gaining the support of new political clienteles by sustaining the fight against corruption, the extension of citizens' rights, the need to reduce bureaucracy or the feared bureaucrats, i.e. the old powerful *élites*.

This was the challenge that neopopulism had to face: implementing market reforms involving welfare reduction with the support of the lower classes who inevitably (historically) benefit from welfare policies⁴⁷.

The objectives of fiscal adjustment and integration into the international economy, which are a characteristic feature of neoliberalism, are in obvious contrast with the goals of conventional populism, first of all economic nationalism and the expansion of mass consumerism.

Moreover, during neoliberalism, income redistribution favoured the upper classes, thus increasing the gap between the rich and the poor, that had already been considerable in the '80s.

This process was also affected by the flexibility of the labour market, salary reductions, the role of the trade unions, the increase of informal employment that eroded the grassroots basis of conventional populism.

The political rationale of neoliberalism, however, differs from that of conventional populism: it refuses the typical rentier behaviour and the possibility to extract resources or obtain economic privileges from the State.

The rise of populism and personalist leaders has often been associated with the State's inability to coordinate the social demands of specific organised groups. The greatest efforts of these leaders have often focused on directing these social demands to areas that would have given them a political benefit. On the other hand, neoliberalism is based on political and economic decisions that

⁴⁷ Cotler J., Franco C. and Guillermo Rochabrún, "Populismo y modernidad", in: "Pretextos 2", February 1991, p. 105

tend to isolate social demands and subject individual economic agents to the competitiveness and discipline of the market⁴⁸. The State no longer guarantees general welfare, redistribution and social integration.

A great deal of the responsibility for processing individual and collective conflicting demands will rest on the market. When the organised interests and representative institutions are weak (among the causes of populism), personalist leaders can mobilise the disorganised masses, bypassing the mediation of institutional forms. Social demands thus play a role which is not the one typically associated with conventional populism, and authority relationships are put aside. The economic crises of the '80s and '90s have undermined the trade unions and political parties, the institutions representing the weak part of the population.

The neoliberal policies helped specific groups to obtain selective benefits directed to well-defined groups. The benefits were used to foster local clientelist exchanges. Personalist leaders, in fact, always need political support when they implement incisive market reforms. Specific social-oriented programs had a more limited fiscal impact compared to the universal measures, but their political rationale was just as functional. Policies directed to specific groups have the additional advantage of being direct and highly visible, thus granting the leaders a political income for the material benefits distributed.

Selected beneficiaries create stronger clientelist bonds than universal beneficiaries. This is especially true for the benefits that are poorly visible from the political point of view but very effective on the population, such as permanent price subsidies. Mutual local relationships are thus created, where paternalism and clientelism prosper. The leaders can therefore attempt to establish a basis for populism at the micro level even when the policies at the macro level are obviously antipopulist. An example of this is the above-mentioned PRONASOL (Programa Nacional de Solidaridad), implemented in Mexico by Salinas starting from 1988; this was a popular program based on local committees to which the government provided part of the funds for the construction of public works. Theoretically, it was not a populist project, because it was not the output of a specific party. In fact, it was based on the requests of the people aided by the independent local committees that played a key role in the proposals, development and implementation of the state-funded community projects. The PRONASOL program has a number of typically populist features; first of all it manipulated the resources so as to cut out the opposition parties and build up local political support for the PRI. These were highly discretionary funds over which Salinas had strict control. The funds were directed to those sectors of the electorate that had abandoned the PRI; in particular to those who had been conquered by the leftist opposition party, the PRD, under the

⁴⁸ O' Donnell G., "Delegative Democracy", in: "Journal of Democracy 5, January 1994, p. 10

leadership of Cuauhtémoc Cárdenas⁴⁹. The neoliberal austerity framework does not deny the essentially populist nature of these authority relationships.

In Argentina, Carlos Menem also showed great ability in creating a populist coalition, although he reversed the conventional Peronist economic policies. Like Salinas, Menem focused on the selective populist economic measures within his personal neoliberal project, especially since he had succeeded in obtaining a constitutional reform that made his re-election possible. In 1994 his decision to implement a 7-billion dollar campaign for public works was severely criticised. The campaign followed the hardships suffered by the country's northern provinces because of his decision (opposed by the Minister of the Economy, Domingo Cavallo) to sell the shares of the state-owned oil company (YPF) in order to finance a housing project⁵⁰.

Menem used his relations with the PJ, bound with historic ties to the Peronist tradition, to keep on dominating the already decadent working class movement, partly undermining the power of the trade unions, but requesting their support to promote selective salary increases, reduce the collective workers' rights, control the social works' funds, control the political changes and the privileges associated to such changes. These measures at the micro-social level prevented the opposition from the trade unions and political parties, and Menem succeeded in keeping the historical popular electorate that had characterised Peronism, in spite of the neoliberal reforms that had inevitably enhanced disparities and dramatically increased the unemployment rate.

The Menem government justified its effort to cut part of the labour law with the need to create new jobs, thus reducing the soaring unemployment level.

Menem had played key roles in the national political arena prior to the presidential election. Then, during the electoral campaign he had used populist tactics to obtain the presidential candidature, tactics that were a far cry from the consolidated leadership of the PJ.

He had been somewhat of an outsider among the candidates to the presidency of Argentina in the 1989 elections. During his mandate as governor of the very poor province of La Rioja he had shown outstanding administrative skills. Menem's astonishing decision to adopt neoliberalism and the uncharacteristic alliance with the historical enemies of Peronism involved tremendous political and economic risks. His control over the Peronist trade unions was not sufficiently strong to rule out internal opposition: in fact, he could not avoid the rift within the CGT confederation⁵¹.

⁴⁹ Dresser D., *Neopopulist solution to neoliberal problems: Mexico National Solidarity Program*, Center for US-Mexican Studies, University of California, San Diego, 1991

⁵⁰ Iazzetta O. M., "Capacidades técnicas y de gobierno en las privatizaciones de Menem y Collor de Mello", in "Desarrollo Económico", Vol. 37, julio-settembre 1997, pp. 275-276

⁵¹ Levitsky S., "Del sindicalismo al cinetelismo: la transformación de los vínculos partido-sindicados en el peronismo, 1983-1999", *Desarrollo Económico*, Vol. 44, n. 173, April-June 2004, pp. 3-29

The initial popular support and the use of neopopulist tactics facilitated the introduction of deep structural reforms in Argentina, that definitely dismantled the development model in favour of state interventionism, granting freedom to the market.

These forms of selective incorporation fragmented the weaker segments of the population. They prevented the establishment of horizontal bonds among the popular organisations and instigated vertical bonds of political clientelism. This was in line with the great tradition of Latin American populism that typically compensated the privileged sectors of the lower classes (in particular the organised workers) while the disorganised urban sectors and the poor rural population were poorly considered. The social actors have undoubtedly changed but the social fragmentation rationale that has always led to vertical and personalist political domination, continues to be the same.

Not only did Menem cause a fracture within the working class movement, the historical pillar of Peronism, he also succeeded in subordinating the legislative power by governing to a large extent by decree.⁵² He also nominated some faithful judges to the Supreme Court, he personalised the management of the Peronist party, he raised support outside the party and concentrated the power in the hands of a charismatic leader.

It is obvious, therefore, that populism is highly instrumental in the neoliberal project. The rise of neopopulism was determined by the fragility of the independent political organisation of the lower classes and by the weakness of the institutions that handle and direct social demands within the political arena. There was no mediation between the citizens and the State. In Latin America populism is a constant trend and political institutions are chronically frail. In the '90s, the "Washington Consensus" established an ideal harmony between political and economic liberalism, thus enhancing an affinity between free market and democratic policy. Neoliberalism has actually shown a certain degree of political versatility. In Latin America, the prolonged economic crisis of the '80s culminated in the collapse of the "desarrollista" (developmentalist) State, paving the way to neoliberal structural adjustments. This process shaped the institutions that had historically represented the State in Latin America; in many cases, the political parties and the trade unions that had been established during the previous populist movements. The result was the fragmentation of the civil society, and the weakening of the collective identity; this enfeeblement allowed the personalist leaders to bypass institutional forms of mediation with the disorganised masses; an obvious example of the disruption of institutional constraints⁵³. The theoretical connection between

⁵² Rubio D. F. and Goretti M., "Cuando el presidente gobierna solo. Menem y los decretos de necesidad y urgencia hasta la reforma constitucional (julio 1989-agosto 1994)", in: "Desarrollo Económico", Vol. 36, n. 141, April-June 1996, p. 444

⁵³ Tironi E., "Para una sociología de la decadencia: El concepto de disolución social", in: "Proposiciones", n. 6, October-December 1986, pp. 12-16

neoliberalism and neopopulism is therefore based on the mutual tendency to exploit the deinstitutionalisation of political representation. In periods of economic and political crises, and social fragmentation, the support of the lower classes to the personalist leaders does not necessarily depend on macroeconomic, statist or redistributive policies. Conventional populism was based on the support of party or trade union organisations to the leaders' charisma, while this aspect is apparently no longer essential in liberal populisms. Although the degree of incorporation of conventional populism was always selective, and much deeper than what is defined as neopopulism today, neopopulism is unable to generate organisations, it offers no political role to the citizens other than the act of voting and it distributes a more limited and exclusive set of economic rewards. This "politics against politics" is but a weak substitute for the "multi classist" organisation that conventional populism had implemented, and it is often self-limiting compared to other populist forms to legitimise the standing government⁵⁴.

For democracy, the mass electorate is essential, because democratic leaders need to attract and maintain a certain degree of electoral support. Although the neopopulist leadership can also promote unpopular measures, the Latin American presidents of the '90s were perfectly aware of the fact that the electoral victories would have been decisive to push neoliberal reforms. To avoid toppling the government, the most obvious macroeconomic policies must be minimally accepted by a large number of voters.

In order to apply a populist political strategy, many contemporary reformers have used to their advantage the growing political importance of elections and electoral surveys. They have called upon the large disorganised masses of the lower classes, attacking the old political and bureaucratic interest groups. These attacks have played into the hands of neoliberal experts who have tried to reduce the influence of the lobbies and of the old establishment, attacking the "special interests" and fighting against the models of protectionist development⁵⁵.

Conventional populism established parties and trade unions that created long-lasting loyalty, even though their institutionalisation was based on the central role of the leader. In this sense neopopulism has a greater risk of failure than conventional populism.

Moreover, the fact that neopopulism bypasses mediation with institutional forms, thus creating adverse relationships with the institutions and the already consolidated elites within the single countries, has made populism a high risk strategy. Loyalty to the populist leaders was very unstable in the '90s, as shown by the cases of Menem and Salinas.

⁵⁴ Mainwaring S., Soberg Shugart M. (a cura di), *Presidencialismo y democracia en América Latina*, Paidós, Buenos Aires, 2002

⁵⁵ Weyland K., *The politics of Market Reform in Fragile Democracies. Argentina, Brazil, Peru and Venezuela*, Princeton University Press, Princeton, 2002, p. 61

Also, neopopulist leaders have a huge power and autonomy: in the final analysis economic policy is determined by a single individual.

Deep economic crises enable both the rise of charismatic leaderships and the start of drastic adjustments and structural reforms. Faced with such crises, and with those who were unable to deal with them, the new presidents follow a high-risk political strategy accompanied by a bold plan of economic adjustment.

Neopopulist policies contribute to the implementation of market reforms that allow the autonomy of populist leaders. There is an interesting synergy, therefore, between populist policies and economic liberalism.

Without achieving the longed-for stability, the neopopulist leaders are also active on the social level. They promote selective programs that initially favour both the groups that suffered important losses through the neoliberal reforms – more often the working classes or the middle-lower classes – and broad sectors of the urban and rural poor, who were even more damaged by welfare cutbacks. The latter sectors are perhaps the most affected by neopopulist policies. Populist politicians are acutely aware that the elections will be decisive to remain in power. For this reason they try to select social programs closer to the greatest number of the absolute poor. In fact, they seek greater support from the marginal groups than from the middle class. Instead of excluding the absolute poor from the attention of the government during the '90s, the Latin American authorities have found them to be more promising from a political point of view, and they have tried to extend the benefits to both the rural and urban poor who had received minimum support from the previous development model. For this reason the neopopulist leaders tend to direct the new social expenditure towards the disorganised masses of the poor. When the new social programs succeed in providing benefits to that part of the population that had not received them for a long time, and when these masses “symbolically” integrate into social segments that are part of the national development, the neopopulist leaders consolidate their political support, especially at the electoral level⁵⁶. The implementation of these programs thus enhances social changes and keeps the progress of structural reforms intact. Many heads of government have faced deep economic crises through the attribution of additional institutional powers that do not require formal authorisations. In this sense, Menem greatly increased the use of presidential decrees, without considering institutional precedents. The crises have allowed the Presidents to disregard these constraints, extending their powers and allowing them to implement drastic and risky reforms, as is the case for some neoliberal adjustments.

⁵⁶ *Ibidem*, p. 64

Whenever hyperinflation devastates an economy and the government's adjustments succeed in freezing the prices, the government parties tend to support the presidents anyway, even if neoliberalism diverges from the ideology established by the parties themselves. On the other hand, whenever economic difficulties (in particular the increase of prices) and the governments' stabilisation plans do not lead to substantial benefits, the government parties are concerned about the electors' response to the apparently unjustified cost of the reforms. As a result, the President could oppose himself to the adoption of neoliberalism with greater determination and clarity than the party supporting him. When the leaders, as is the case of Latin America in the '90s, face economic and political challenges with exceptional measures (which could serve as an excuse to ignore the constitutional order), the weak and humble opposition of the government parties is not sufficient to avoid the concentration of power in the Presidency. The result is that the weakness of the opposition parties justifies the enforcement of costly and risky neoliberal measures to fight the crisis. On the other hand, when the leader deals with only some of the drastic problems, the weakness of the parties conceals the president's efforts to obtain solid support to the reform initiatives. Consequently, the strength or weakness of the parties can play a key role in both cases, depending on the depth of the crisis and on the country's ability to achieve consent⁵⁷.

Support from the masses allowed Menem and Salinas to curb political opposition. They attacked the previous governments and their different development models. During their governments, these Presidents constantly pursued the neoliberal principles they had promoted in their electoral campaigns. This strategy was very risky, because while it promised to pay off a substantial part of the debt, it also opened the doors to potential new crises.

Support from the huge and disorganised masses on which the presidents relied for their governments would readily vanish with the upsurge of economic problems and political threats. On the other hand, the political and interest groups attacked by neopopulists often had a relevant and long-lasting political influence.

The distance that separated them from the previous governments authorised Menem and Salinas to raise claims of incompetence, bad faith and corruption against their predecessors, without jeopardising their electoral support. The new presidents made their strict stabilisation and restructuring plans appear necessary to put the economies of Mexico and Argentina back on their feet, and to put an end to the corruption of the previous administrations.

Hyperinflation was one of the key problems that guaranteed the rise of neopopulist leaders. The strong measures taken to curb the problem limited the increase of prices, thus obviously benefiting the lower classes and providing an exceptional consent potential for the new leaders.

⁵⁷ Betz H. G. e Immerfall S. (a cura di), *The new politics of the right. Neo-populist parties and movements in established democracies*, St. Martin's Press, New York, 1998, pp. 249-259

In fact, Menem had declared that shattering hyperinflation was much easier than defeating unemployment. In this particularly favourable economic situation, he was supported by the historically loyal Peronist movement and by the disorganised masses attracted by his charisma. The popular origin of Peronism had made this strategy possible. Within Peronism, personalist leaders have always had greater weight than the institutions themselves⁵⁸.

The neopopulist leaders' effort to extend their power has impoverished and divided the associations of interest, political parties and bureaucratic structures, facilitating the implementation of countless regulations, subsidies and protections that screened these sectors from the market's severity. The neopopulist rhetoric had therefore legitimised the neoliberal reforms.

The appeals to the "people's will", to the "common good", that attacked some "special interests" had helped justify some of the structural reforms that were being enforced. On the other hand, the market reforms exalted the neopopulist leaderships, because they allowed the presidents to rely on technocratic bases that contributed to legitimisation and external support, and eroded the influence of the intermediaries and political rivals that tried to undermine their autonomy.

For example, the deregulation of the labour market decreased the influence of the trade unions, while the downsizing of the public sector impoverished conventional political patronage.

Moreover, despite the free market rhetoric, important neoliberal reforms strengthened the state leaders and increased the institutional capacities and the financial resources available to the neopopulist presidents. The economic stabilisation and tax reforms, for example, increased the tax revenues, authorising the personalist leaders to undertake new discretionary expenses and, consequently, to support mass consent.

Paradoxically, in the light of neoliberal rhetoric, these efforts have emerged from the acknowledgement that a functional market economy depends on the public goods provided by the State, and that the first law of economic liberalisation has anyway requested a strong State capable of overcoming sectoral resistance.

The popularity of Menem and Salinas has hampered the trade unions' efforts to oppose deregulation and privatisations. The two presidents initiated the structural reforms right after their rise to power (Menem at the height of the hyperinflation crisis), in order to show national and foreign investors that the conventional Peronist and PRI protectionism and state interventionist economic policies had been abandoned: their conversion to neoliberalism was irreversible.

Within an acute economic crisis, the loyalty to the Peronist movement, that had grown over time, helped Menem during the second wave of inflation of the early '90s. He created a party tailored to

⁵⁸ Santiago Senen G., Bosoer F., and Matsushita H., *El Sindicalismo En Tiempos De Menem: Los Ministros De Trabajo En La Primera Presidencia De Menem Sindicalismo Y Estado (1989-1995)*, Corregidor, Buenos Aires, 1999, pp. 165-191

his personality, decreasing its institutionalisation. For example, he excluded the most vigorous men from the party, in response to the people's aversion to professional politicians and recruited new candidates with no political background. Compared to Salinas, Menem emphasised the populist trait of his government even more, calling for the unity of the masses and the settlement of old conflicts. He succeeded in bridging the old rifts between Peronism and anti-Peronism that had undermined Argentine politics for a number of decades and the maintenance of democracy⁵⁹.

Pushing most of the opposition towards the centre, the market reforms quieted the countries that had previously experienced strong internal divisions.

As a result, the late '90s showed the dissolution of the neoliberalism/neopopulism combination that was decisive for the start of market reforms.

Some of the political and trade union organisations that had played key roles in past populist experiences were instrumental in building up this power system. Both in Mexico with Salinas de Gortari, and in Argentina with Menem, the PRI and the Partido Justicialista worked as efficient electoral machines bringing a high number of votes that were decisive for their assemblies. The great trade union organisations (CGT Argentina, CTM Mexico) were essential for the consolidation of the power and government that followed both experiences – even though in both cases the impact of the government's actions on the social bases determined the subsequent weakening of these organisations and their conventional capacity to influence the elaboration of more balanced public policies. The bureaucratisation of these organisations – in Weber's sense of the word – their growing subordination as apparatus of the State – was not immediate. With regard to Argentina, the CGT acted within the invisible power system of the first Peronist government and during Peron's return in 1970-1973; and in general, the trade unions during the Peronist period only rarely had open clashes with the government, including the military governments during 1966-1973. Compared to Mexico, the turn set in motion by Salinas de Gortari had been experienced in the six-year term of Miguel de la Madrid (1982-1988), during which the conventional disciplining of the social organisations towards the State did not offer relevant openings⁶⁰.

Overall, this suggests that, besides the rifts and comparisons that distinguish populism from neopopulism, some ingredients of continuity were present in terms of political, macroeconomic and macrosocial projects. In particular, the initial electoral support of the latter owes a lot to the subordination of the organisations, the electoral machines and conventional symbols. On the other hand, however, there is a strategy of accumulation and use of political power which is in obvious contrast with the historical landmarks of populism. At the same time this continuity, based on

⁵⁹ Gerchunoff P. and Torre J. C., "La política de liberalización económica en la administración Menem", in: "Desarrollo Económico", Vol. 36, n. 143, October-December 1996, pp. 763-777

⁶⁰ Krauze E., *La presidencia imperial. Ascenso y caída del sistema político mexicano (1940-1996)*, cit., pp. 399-414

ideological and doctrinal contents, allowed to avoid the institutional tensions caused by the economic and political crises that characterised the rise of these experiences. Rather than electoral machines of the PJ and PRI, the trade unions became the institution that bridged the transition of a capitalism, that was going through a critical crisis, to another one that appeared more prosperous.

Conclusions

The relationship between the leader and the masses, which characterises neopopulism, is not present in the populist hypothesis of institutional forms of mediation. This process has been facilitated by the weak popular organisations – as a result of the economic crisis and its impact on employment and incomes – and strengthened by concrete government actions, such as the repression of some of the workers' organisations and by social policies in the broadest sense of the word. The skillful management of mass communication means⁶¹, the television and radio in particular, allowed to “get in touch” with the people bypassing institutional or organised forms of mediation⁶². The success of this experience depended on the leader's ability or personality, or on the development of communication technology, as well as on the fragmentation of the social fabric. The social rift in the lower classes and the labour market produced by the crisis of the '80s and by neoliberal restructuring highlighted the historical-structural feature of Latin American populism: the close relationship between the political regime and the social organisation typical of populism with a specific type of organisation of production and capitalist development. The transformations in this area generated deep changes in the social fabric and in the profile of its actors. The populist leaders tried to improve their direct relationship with their supporters and to increase the use of mass communication means. These were complementary resources of a bond whose permanent ingredient was represented by the mediation of the popular organisations with a specific point of reference: trade unions, workers' federations, farmers organisations.

As previously discussed in this paper, the programs to fight poverty, such as Pronasol in Salinas' Mexico, are examples of this relationship with the disorganised masses. Such programs were the most sophisticated and had the broadest field of action; they benefited a number of people to offset the negative impact of the macroeconomic adjustment programs on the lower classes and on the impoverished segments of the middle class. The social policies of populism were universally

⁶¹ Mazzoleni G., Stewart J. and Horsfield B. (editors), *The media and neo-populism. A contemporary comparative analysis*, Praeger, London, 2003, pp. 197-215

⁶² Thwaites Rey M. and López A., *Entre tecnócratas globalizados t políticos clientelistas. Derrotero del ajuste neoliberal en el Estado argentino*, Prometeo, Buenos Aires, 2005, pp. 89-114

inspired and had a promotional effect. They were strongly present in the labour market and in public management, and involved activities focused on the most vulnerable groups and on those that were of greater political interest for the government. These programs became a privileged path for the relationships at the highest political level and the most vulnerable segments of society, at a time when the policies regulating the labour market, the privatisation of state-owned enterprises and foreign trade severely undermined trade union attractiveness.

In addition to these programs, the PRI and the Partido Justicialista were strategic tools both for electoral competition, by generating consent, and for parliamentary discipline.

The strong electoral support obtained by Salinas and Menem was not represented by the impoverished sectors only – whose vulnerability made them easy prey of governmental power or of the local or regional “caciques” – but also by the social groups with higher incomes, especially those with great economic power. The middle and upper classes fluctuated between distrust and the opposition, benefiting from the increase of production for the internal market, credit policies, consumption growth, the relative prices system, the presence of the poor in the institutions, the greater negotiation power of the trade unions, even though within new, unprecedented, authoritarian policies.

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