Myths and [mis] perceptions

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Economic Optimism

There have been three main stages in the evolution of U.S. thinking about economic development since 1945. Following World War II, it was generally agreed that the private sector should play the lead role in economic growth and that the best way for the U.S. government to stimulate development abroad was through its investors. During the turbulent 1960s, these assumptions underwent some modification, influenced by liberal thinkers who accepted the State’s participation in the promotion of growth. At this point, Washington began channeling aid for economic development to a number of countries. Attitudes had come full circle by the 1980s, when the private sector was once again viewed as the central player, although with two permutations: heightened aggressiveness in pursuing economic development policies, and the use of international financial organizations as agents to impose the “policies of structural adjustment.”

The United States’ Development Proposal

During the early years of the Cold War, the U.S. proposal for economic development rested on an overwhelming consensus: government officials who developed the “doctrines,” academics who postulated the “theories,” and the press were all united in viewing underdevelopment as a serious threat, and they were in accord about the formulas that would generate prosperity (Packenham 1973: xi). Their notion of development was deeply influenced by the Cold War (Pratt 1973: 100). Capitalists and Communists were then competing in and for the Third World, and one arena in which they waged battle centered on their alternative proposals for development. On one side was the Soviet Union’s state-dominated, centralized model; on the other was the United States and free market capitalism. In between
were a number of experiments, such as Mexico and Yugoslavia, that combined elements from both models.

According to Cold War logic, the prosperity of a number of nations, including Mexico, was fundamental to the security of the United States because, should underdevelopment not be addressed, these countries could fall "into the hands of the Communists" (DOS 1948: 4). To promote development, the United States endorsed a formula that had proved its worth in the mature capitalist nations: respect for private property and market forces, industrialization, modernized agriculture, and the creation of a broad middle class, the basic instrument for the establishment of a liberal democracy (Sunkel 1977: 4, 10). Other nations' advances were also "defined in terms of growth of per capita product and other conventional measures" (Packenham 1973: 4).

Although Latin America's governments agreed with the U.S. proposal, at least in general terms, there was disagreement as to how it might be implemented. Washington asserted that development should be driven by the business sector rather than by government funds, and that each nation's government was responsible for creating attractive conditions for private investors (Packenham 1973: 4, 11). Latin Americans, however, influenced by ideas propounded by the United Nations Economic Commission for Latin America, maintained that state intervention was necessary to stimulate industrialization through import substitution (ISI), and they clamored for government aid.

OPTIMISM ABOUT THE MEXICAN ECONOMY

This was the backdrop against which the United States viewed the Mexican economy. Although Mexico's mixed economy diverged from U.S. prescriptions, the Times (and consequently the U.S. elite) had a very positive opinion of the Mexican economy between 1946 and the early 1960s. Between 1946 and 1959, the variable identified as "Mexico's general economic situation" had 115 positive references, versus 9 negative (figures 67–68), while the "general overview of industry" variable contained 69 positive and only 2 negative references.1 In 1948, Anita Brenner awarded President Alemán "an 'A' for achievement" in economic policies (Brenner 1948). In 1951, Herbert Gaston, president of EXIMBANK, confessed that he was "frankly bullish on Mexico" (NYT, Jan. 3, 1951). Toward the end of Alemán's regime, Sidney Gruson insisted that, thanks to the Mexican president, this

1In some cases data deriving from content analysis techniques are presented without reference to specific figures. Space considerations make it impossible to provide the full set of figures, although the discussion draws on all of them.
nation was now “well launched in the development of a modern economy” (NYT, Nov. 25, 1952). And finally, in 1953, columnist Flora Lewis concluded that Mexico’s portrait “should be removed from the section of the world gallery devoted to backwards areas and rehung in the middle, developing group” (F. Lewis 1953).

American optimism was in no way dispelled by certain features of the Mexican economy that contradicted the view held by U.S. elites, although the latter frequently criticized the Mexican state’s excessive intrusion into the economy (figure 72) and the protectionism with which the Mexican government fostered industrialization. The Times dismissed the ejido—the traditional, semi-communal land-ownership system—as a “disappointment,” incapable of “producing enough,” and worse, as a “Socialist concept that was the basis of the Mexican Revolution” (respectively, NYT, Dec. 13, 1952; Mar. 19, 1954). Not surprisingly, the paper concluded that Mexico needed to “replace wasteful primitive cultivation methods with modern techniques” (NYT, Dec. 13, 1952; Jan. 7, 17, 1953).

A number of factors help explain why the U.S. elite continued to hold an overwhelmingly positive view of the Mexican economy. One was the basic moderation of the Mexican proposals. Despite the country’s mixed economy, private enterprise had plenty of space to develop, and the regime kept a tight rein on the working sectors’ tendencies toward economic or political radicalism. Furthermore, it was clear that the government was investing in areas where private capital had been “either reluctant or inadequate” (NYT, Jan. 7, 1953). However, the most conclusive factor arguing in favor of leaving Mexico alone was success through numbers; the steady rate of economic growth represented a “Mexican miracle” (NYT, Jan. 8, 1958).

Mexico’s economic planners faced a long-term dilemma: all agreed that the axis of their country’s economic policy was industrialization, which required capital goods, credit, and investment that could only come from the United States. But as economic links between the two nations tightened, Mexico was drawn into an increasingly dependent and subordinate relationship that would, in the long run, erode its thesis of economic nationalism (F. Cardoso 1973: 149-57). An uneasy balance held until the mid-1980s. Washington remained respectful of the Mexican experiment—as long as U.S. investments were not threatened. In fact, one of the most important variables for gauging U.S. opinion in this area is Mexico’s policy toward foreign investment (Spengler 1965: 204-06).

According to a U.S. State Department document from 1952, American private investment develops, produces, and makes “strategic material” available to the United States. It also contributes to the “economic development of the Latin American nations” and promotes “American power and influence” (DOS 1952: 25). To achieve
these aims, the United States had to persuade the governments of Latin America that it was in their best interest to create a "climate to attract private investment" (as the National Security Council advised; see NSC 1953a: 5).

As a point of departure, these ideas motivated Americans to be unusually careful to differentiate rhetoric from fact: the Times called, not for "kind words about foreign capital and private enterprise," but rather for "actions" (NYT, Sept. 20, 1954). Presidents Alemán and Ruiz Cortines were highly praised for supporting measures that favored U.S. investment which, in the paper's opinion, were helping to overcome the "psychology created by events of the Cárdenas regime" (a tacit reference to the expropriation of the oil industry, an event that still obsessed the American public) (NYT, Apr. 11, 1947).

This praise for the Mexican economy—centered on that nation's favorable climate for foreign investment (figures 77-78)—was somewhat unwarranted. Foreign investment was still regulated by a 1946 law that had a marked nationalist orientation. The implied contradiction was resolved through formulas introduced within the "understanding" reached between Ambassador Morrow and President Calles in 1927; according to a high-ranking official from the Truman administration, the Mexican legislation was "not followed in practice" during Alemán's administration because it comprised "merely protective devices to be used if needed" (NYT, June 11, 1947). The same appeared to be true of Ruiz Cortines's government, which continued the pattern of "flexibility" in "granting exemptions to the law" (NYT, Jan. 7, 1953; Jan. 4, 1954; Jan. 5, 1955; Jan. 5, 1956; Jan. 8, 1958).

**FORMULAS TO FORESTALL PROBLEMS**

A further reason for U.S. optimism was the fact that certain aspects of reality were simply ignored, possibly because they lay beyond the limits of consciousness. A key tenet of the worldview prevailing in the United States is that the private sector, the motor of development, is enterprising, inventive, and adventurous. The Mexican private sector of the time, however, did not share these features; in fact, with few exceptions, it tended to be inefficient, corrupt, and highly dependent on the regime. The U.S. elite never submitted the Mexican business community to close scrutiny, and consequently they lacked insight into its failings.

The most interesting aspect of this apparent oversight is that it was deliberate; the shortcomings of the Mexican business community were certainly not overlooked when conflicts arose between U.S. and Mexican businesses (figures 72–76). For example, in 1959 a Times ar-
article quoted Mexican businessmen who were calling for the nationalization of U.S.-owned mining concerns. The article went on to chastise them, asserting that Mexicans were reluctant to invest because they had become accustomed "to a far swifter profit" than was usual in foreign concerns (NYT, Oct. 13, 1959).

Americans ignored or minimized other aspects of the Mexican economy as well. In 1953, a report by the International Bank for Reconstruction and Development alluded to the "poor distribution of the Mexican national income and the habit of those who got the income to spend it on luxury goods." The report concluded that this tendency needed to be "curbed in order to induce capital to go into development itself and to spread the national income" (NYT, Mar. 19, 1953).

Marginalization and poverty, in urban and rural areas alike, were also ignored (figures 86-90). These problems only became a cause for concern during the 1960s; throughout the 1950s the emphasis was on industrialization and the need for steady capital accumulation in order to encourage the economy's rapid expansion. For example, Flora Lewis published an article in which she acknowledged that there were social costs in the Mexican model, but she argued that they were not a priority, adding that they were the "inevitable result of industrialization, more intense competition, and a larger and more demanding market." These conclusions reflected Lewis's conviction that "in the long run" this process would generate "better productivity and higher quality, and better distribution" (NYT, Jan. 6, 1954).

The U.S. attitude regarding Mexico's inflation rate was similar. Toward the end of a lengthy article from 1956, the Times noted Mexicans' "increasing resentment against rising living costs." However, this pronouncement did not fit with the basic thesis of the article as a whole, expressed in the opening paragraph: 1956 was an "exceptional year, which in many ways transcended anything in Mexico's past" (NYT, Jan. 5, 1956).

In summary, during the Cold War only a few aspects of Mexico's economic model posed any serious concern for U.S. elites, and their opinion of Mexico remained overwhelmingly positive. The Mexican economy was growing, and U.S. interests were not threatened. These were the golden years of the "Mexican miracle." Problems and shortcomings were ignored, downplayed, or presented as transitory, the inevitable toll that nations must pay on the road to development.

By juxtaposing these ideas with U.S. opinions regarding Mexico's political system, the diverse facets of the relationship, and the presidential summits, we begin to gain a panoramic view of the United

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'Such observations were rare: from 1946 to 1959 the distribution of national income was mentioned on only twelve occasions, less than once a year; see figures 82–83.'
States' consciousness, the Mexican political system, and the relationships of domination between the two countries. Having laid these foundations, we can move to the next stage, the 1960s, a decade of transition, of shake-ups, and of readjustments.