

# PLANNING IN TRANSITIONAL SOCIETY: THE MEXICAN EXPERIENCE

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## I

**I**N THE early sixties, Prof. John K. Galbraith pointed out [12, pp. 445-46] that the aid-based strategy of many transitional societies will not automatically trigger the development process unless the recipient has the following prerequisites:

- (1) substantial degree of literacy and sizable educated elite;
- (2) reliable governmental and administrative apparatus;
- (3) substantial measure of social justice; and
- (4) clear view of development's implications.

There is a certain lack of reality in the preconditions demanded by Prof. Galbraith. What he describes as prerequisites also constitute basic goals many of the developing societies are trying to achieve through self-sustained economic growth. Even in advanced countries these conditions were not achieved prior to industrialization. Obviously capital input is not the only element missing in the development task for transitional societies like Mexico.

Galbraith's mechanistic prescription underlines the basic reference frame for studying problems in Mexican planning in terms of a wider developmental process rather than growth rate only. Although development and growth are concepts used interchangeably, their implications are not synonymous. While growth means the quantitative rate of change in physical output, development is the institutionalization of the growth process itself [17, p. 43]. Evidently, there is reciprocity between the two, and neither is likely to continue long or progress for without the other. Development demands social and cultural change as well as economic growth; qualitative transformation must occur concurrently with quantitative increase. Development means change plus growth.

In the economic dimension, development is a radical "structural revision" [2, p. 48] of the existing patterns of subsistence, by building a viable infrastructure to support more complex, self-generative interdependent activities based on a money economy. This self-generative mechanism, sometimes described as a savings-investment chain reaction, can be brought about and regulated directly through governmental intervention or indirectly through an elaborate banking system and supplemental fiscal and pricing policies.

A universal aim of planners in transitional society is to trigger off this develop-

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mental chain reaction. But its complexity cannot be adequately comprehended without reference to the political process of a society going through rapid changes at different levels. For obvious reasons, development as a planning goal needs a "special set" of "political decisions" [8, p. 138], without which neither plans nor specific economic reforms can be implemented. The central thrust of decisions not only reflects the nature of the political system, it is also a function of formal and informal interactions between public policy-making bodies and non-government groups on one hand, or government policy-making groups on the other.

The widespread use of planning stems principally from the urgent task of overcoming economic and social backwardness. Planning is a method of public decision for explicit goal-choice and rational goal-means so that decisions can be effectively based on goals sought.<sup>1</sup> Economic development planning implies organized direction or regulation of economic activity by the planning agency or agencies. In earlier times, productive resources were classified under three main headings—land, labor, and capital. Recently, organization has been added as an independent production factor. The planning effort is an organizational effort to denote direction, regulation, control and to increase or maintain the public sphere. It hardly need be emphasized that, in many ways, massive governmental intervention in socioeconomic and political spheres, whether for system-maintenance or incremental goal-gratification, is an essential part of the modern state system. "In every type of situation, . . . the creation of social overhead capital is a matter that requires the application of the full resources of political and bureaucratic capacity. Without such public participation, very few other plans for basic changes in the economic or social structure are meaningful or feasible" [23, p. 5].

To study planning in Mexico, certain broad questions must be posed before more specific enquiries are made. First, what, in essence, is a plan? Second, how is it constructed? Third, how is it implemented? All questions which have been cogently handled elsewhere [32]. What are the basic facets of these questions? In short, "a plan represents a comprehensive set of accounts linking a series of output, investment, and consumption targets with the projected factor commodity and money flows required to assure their attainment" [32, p. 282]. There are, however, different modes of planning operations, according to institutional structure and political orientation. There are two broadly discernible trends in the planning process: (1) administrative planning based on balanced estimates of outputs and inputs made by central authority as a set of goals legally binding on society; (2) flexible planning based on working models and hypotheses operated through government pricing instruments, credit, or fiscal policies.

In terms of planning, structural, and operational principles, the Soviet system is nearest the first model; the Mexican system is somewhere between the two. Mexico has a mixed economy of public and private sectors. Unlike the Soviet, the Mexican planning sector is small with a relatively limited scope in directional

<sup>1</sup> For a balanced account of developmental planning, see, United Nations, Department of Economic and Social Affairs, *Planning for Economic Development* (1963).

apparatus. In mixed economies, a plan for development normally consists of two parts:<sup>2</sup> guides for governmental decisions that become obligatory, and estimates of the effects of voluntary decisions of private individuals and organizations likely to be made under conditions created by governmental measures. In a mixed economy, the government also influences private decisions through its supplementary or competitive role to private activity, which it supports stimulates or restricts.

Given the context of operation, planning success in a mixed economy is dependent on effective participation of private producers, consumers, and investors in the process at stages prior to the final adoption of the plan. Participation is not only relevant to the preparation of estimates for the private sector, but also provides it with opportunities to express views of the plan as a whole, and of its policy implications, before finalization. This kind of participation requires a certain level of competence by individuals and corporations, to provide useful inputs for the planning process. In Mexico, private enterprises are already large enough and enterprising enough to engage in this type of long-range planning [7, p. 53].

It is important to recognize that successful goal formulations and plan implementation for the entire society necessitate a central planning agency. This is not to suggest that the planning agency itself will be able to enforce directives even in detailed central planning without requisite economic authority.<sup>3</sup> In most developing countries, institution-building for development is often subject to sociopolitical constraints, making it difficult for new institutions to perform their assumed functions. This is an anomaly largely explained by the continued acceptance of a more or less undifferentiated centralized power structure (despite constitutional trappings of "checks and balances") by not yet fully developed participant political culture. It gives us however a rather distorted image of the entire systemic process pertaining to planning, if we overlook the kind of informal structures the system generates for handling some of the developmental functions of a more formal planning agency. This is quite relevant for understanding the essence of the planning process whether in Mexico or in India.

It is not certain whether even the Soviet Gosplan is really an ideal-type planning agency with knowledge of the entire economy. Many difficulties occur in the power limitations of any planning agency. Differences in formulation and implementation of the plan are only theoretical. In operation, a plan requires constant review and adjustments in the light of new constraints it must handle. Evidently, to the extent adjustment decisions are made through field executor's suggestions, he acquires the initiative to refashion the plan.

It is within this broad frame of reference that salient features of state-initiated developmental policies in Mexico can be understood. We have already made

<sup>2</sup> For different facets of the planning in developing countries from a comparative perspective, see [19].

<sup>3</sup> This has been a major problem for Indian planners. Unlike the Soviet Gosplan, the Indian Planning Commission is primarily an advisory body to the central cabinet of ministers.

specific references in this context. In the course of studying the problem, we will attempt to focus on the following aspects: What is the rationale and scope of planning in Mexico? What are the salient features of Mexican planning? Who does the planning or, who formulates developmental policies? What is the nature of the guidance and coordination mechanism?

## II

As in many other countries of Latin America, liberal economic norms have been repudiated in Mexico in the present century. The revolution of 1910, as Daniel Cosío Villegas succinctly said, "assigned to the state, as of old, the role of principal promoter of the nation's material and moral well being" [35, p. 25]. Accordingly, most techniques of governmental intervention used in the developing countries have been employed in Mexico.

In an important sense, the PRI (Partido Revolucionario Institucional) government has been unequivocally committed to economic development. This commitment in a broad sense owes its origin to the dynamics of the Mexican revolution which was symbolic of modern, democratic aspirations and expectations. The significance of the revolution should not be overemphasized as either a creator of total restructuring in Mexican society<sup>4</sup> or as something which provided an integrated set of long-run developmental goals. It is also beyond the scope of this paper to go into the relative merits of discontinuity and continuity in the dynamics of Mexican development.<sup>5</sup> It is sufficient to say that the revolution served as a rationale and as a force in several respects to mobilize potential socioeconomic and political development. So pervading is the influence of the revolution, at least symbolically, that even opposition leaders say they will rapidly achieve its goals [28, p. 59].

The revolution can be a necessary, though not sufficient, condition for development. If the original objective of the revolution was to end the Porfirio Díaz dictatorship, its final goal was Mexico for Mexicans. According to Mexican sociologist Lucio Méndez y Núñez, the revolution "established in the national life a climate of improvement and an orientation, which seems definitive, towards social justice."<sup>6</sup> In many ways the 1917 constitution was the summation of a scheme of values to which the new revolutionary leadership was committed. The provisions of Articles 27 and 123 called for agrarian reform and labor and social welfare. Armed with a constitutional mandate, successive presidents have formulated and carried out plans for social progress, economic growth, and development. By accommodating contemporary human and national needs as well as traditional indigenous patterns of living, the new measures offered a degree of political stability—a necessary precondition for growth and development through capital formation that could not have been accomplished by merely super-

<sup>4</sup> For a balanced analysis of the impact of the revolution on the Mexican society, see [28, pp. 56–59, 96–114].

<sup>5</sup> For a perceptive treatment, see [14].

<sup>6</sup> Cited in [14].

imposing on Mexico a political system developed elsewhere [22, p. 9].

What then are the salient features of Mexican goals? Is there a set of principles which seem to determine, in general, the implementation of these developmental goals? It is quite reasonable to suggest that the Mexican system does reflect a high level of consensus about what goals are and how they relate to each other. It does not however negate the fact that since the revolution there have been differences in what are perceived as goal priorities. Despite this difference of emphasis on goals, every presidential administration from 1920 on has pursued its goals and "has been fairly well aware of their interrelation" [1, p. 226]. The first major goal that any administration cannot ignore is the maintenance of political stability through the acceptance of specified ground rules on political succession and through attempts to accommodate new social, economic, and political demands. The second goal is that, with a commitment to economic development and social welfare, the system constantly seeks are basic economic infrastructure and finances industrial and agricultural growth [21, p. 177]. It has not been an easy task for Mexican political leaders to work out a balanced plan for rapid industrialization and comprehensive welfare. Evidently, the fulfillment of both goals demands a substantial growth rate. Any attempt to introduce welfare programs in a society that has not yet reached a higher level of development, could retard rapid industrialization by diverting capital from critical investment to more immediate social benefits.

It is, however, equally important for short-run social welfare programs to help legitimize political authority thereby ensuring political stability. In fact, no Mexican president would receive popular support if he did not try to improve the general standard of living through the maintenance of a minimum wage, construction of housing and public works, distribution of lands to the landless, etc. [1, p. 224].

The third objective to which the Mexican system is committed is progressive "Mexicanization"<sup>7</sup> of commercial and industrial enterprise. In addition to satisfying nationalistic sentiment, this provides access to economic commercial and technocratic jobs for competent Mexicans—whether as private entrepreneurs or public officials. This policy is designed to favor local entrepreneurs, assuring that the majority of stockholders in any industry be Mexican; and anything that can must be made in Mexico.

It is within this broad frame of reference that Mexican developmental policies have evolved during the last four decades. As the revolution changed land tenure system, modified the internal market structure, provided mobility for human resources, and aroused intense economic nationalism, the criterion of economic forces was partially replaced by social criterion later to be called economic development policy [33, p. 180]. During the twenties and early thirties, the Mexican government slowly developed policies and institutions through which it could intervene in the economy. Land was expropriated and distributed to the *ejidos*, a measure that proved to be socially and politically effective. Con-

<sup>7</sup> There is a belief that Mexicanization is more formality than reality [18, p. 83].

sistent with revolutionary goals, President Calles promoted public works, education, health and sanitation measures, and land development [26, p. 31]. By 1929, a national party, the PNR (Partido Nacional Revolucionario) was created. The party became so important for the development and execution of public economic policies that some scholars have found PNR policy since 1929 to give "the clearest continuity to the economic and social development of Mexico."<sup>8</sup> It should, however, be mentioned that if at this stage the state interventionist pattern was largely a patchwork of experimental socioeconomic actions marked by pragmatism, with increased size and functional effectiveness of government, the latter gradually showed signs of more "coherent intent" in development policy [30].

During the mid-thirties, "economic plan" and "economic planning" appeared in Mexican political parlance for the first time. Since Cárdenas, each administration has established a six-year plan in line with the aims of the revolution. The plans have tended to be vague, designed for political effect, and have not generally been specific programs for economic development and growth [6, p. 132]. It is significant however that the plan period coincides with the presidential term. Presumably, this is indicative of flexibility in developmental policy permitting each president to decide goal-priorities during his tenure.

Mexico drew up its First Six-Year Plan for Economic Development in 1933. The plan was couched in "appropriate generalities of political communication" and lacked detailed quantitative and chronological goals, specific data on financing, and attention to modes of execution [30, p. 4]. According to the Mexican economist Wionczek, it was an "economic plan in name only." Reflecting on the Second Six-Year Plan (1940), he said it "remained even more a paper plan than the first one," though Wionczek concedes that conceptually it was an improvement over the first plan [36, p. 150-52].

Although the Second Six-Year Plan served as a party platform in 1940, the party seemed to lose interest in six-year plans after the election [30, pp. 47-49]. The essence of the plan was an improved material and spiritual life for all. It also recommended cooperation between federal and state government, and coordination between federal agencies without specifying ground rules. After the demise of the second plan in 1945, apart from election campaigns, the nation showed no further interest in formal comprehensive plan until 1962. At that time, a frightening economic slowdown underlined the need for foreign assistance and impressed on the government how imperative a comprehensive development plan was. This led to the construction of the Plan of Immediate Action for 1962-64.<sup>9</sup> The provisions of which have never been made public. This probably contributed to the growing public interest in details and the consequent increase of public discussion on planning. Around the time of the 1964 presidential election, "the term 'plan' seemed to issue from every mouth—in hope or despair, congratulation or condemnation" [30, p. 59].

<sup>8</sup> W. P. Glade, Jr., "The Role of Government Enterprise in Mexico" (diss., University of Texas), cited in [30, pp. 4, 6].

<sup>9</sup> For some useful information, see [30, pp. 57-59, 110-15]. Also see [36, pp. 169-77].

Despite all the talk about planning, impact on the Mexican government's philosophy and operational style has been slow in demonstrating any effect. Sectoral planning continues in various agencies as it has for years. In general economic and social policy guidelines, the present administration has expressed confidence in the efficacy of decentralized programming.<sup>10</sup>

Despite many years of interest in planning, Mexico has never had a single, central agency like the Indian Planning Commission or the Soviet Gosplan, empowered to establish development goals and supervise the execution of plans. Until recently no development plan with articulated quantitative objects and achievement strategy has been drawn up. Periodic statements of general priorities—with no integrated targets for GNP and capital formation—are what is usually labelled economic planning. It is no wonder some scholars have concluded that Mexican development has been “planless” [25, p. 337] [34, p. 7] or due to “incomplete formal planning” [36].

This is, however, an oversimplified notion of what is going on in Mexican planning. One is likely to be misled by simply equating economic growth with the symbolism of central planning agencies without taking into account the nature of the political system. If Mexican planning is examined in terms of a well-embellished quantitative economic model, the presence of plans in the developmental effort will be missed. But, examining the subject with certain perspectives, we will see remarkable continuity in the governmental management of economic activities within the goal-structure mentioned earlier. Although Mexico has not practiced conventional planning, the nation has worked out its own peculiar form of planning—a form quite beneficial as demonstrated by the remarkable economic and social progress of the last several decades.<sup>11</sup> Although the country is at present going through economic crisis, it is trying to readjust its development policies in terms of social objectives, i.e., economic growth based on redistribution of income and balanced regional development [4]. The Mexican planning system is quite decentralized, and it has been greatly conditioned by competition among various groups and a web of institutions and agencies to the extent that it is aptly described as competitive planning or mutual adjustment planning [30].

Clearly, the Mexican government, both as participant in economic activity and ultimate wielder of authority in the society, functions within the goal-structure

<sup>10</sup> [24, Mar. 31, 1972]. Most planning in Mexico until now has been partial, noncomprehensive, usually sectoral or regional. For details, see [30, pp. 83–99].

<sup>11</sup> Mexico's per capita GNP shows a steady decline since the 1960s in comparison to some of the major Latin American countries.

ANNUAL GROWTH RATES OF PER CAPITA GNP

Country	1950–59	1955–72
Mexico	2.3	2.2
Argentina	0.1	2.4
Chile	0.1	1.3
Brazil	1.9	7.6

Sources: For 1950–59, [34, p. 4]; and for 1955–72, U.S., Agency for International Development, *American Growth Trends*, July 1973, p. 14.

mentioned earlier. But goal-structure by itself cannot determine the level of participation in general developmental policies. The scope of developmental policies is determined by certain resource bases of the state as a participant in economic activity. First, it has the necessary power to derive resources from the society through fiscal policy. Second, it has the power to support social overhead investment on health, education, and general well-being of the ordinary citizen. Third, it has the power to buttress and sanction economic relationships. It relates to: (1) property, (2) contract (as in labor legislation), (3) legal tender (exchange rate), and (4) permissible organizational forms. Fourth, it is the provider of basic industrial overhead facilities, and takes additional initiative in agricultural reforms and growth and promotes industrial expansion. Last but not least, the Mexican regime by virtue of its position as a focus of consent and authority [2, pp. 54-55] not only seeks to directly mobilize and control productive forces through incorporation in the developing apparatus of the states, but also uses methods of persuasion and compromise for better integration of public and private planning.

### III

In many ways, the drive for political and economic consolidation in Mexico started during the Cárdenas administration. Having reasserted and reestablished the power and position of central authority through organizationally restructuring<sup>12</sup> the political party on a sectoral basis (agrarian, labor, and popular),<sup>13</sup> he turned his attention to the economic and social sphere. Cárdenas, gifted with great political entrepreneurship, was able to create and manipulate labor and peasant political constituencies while introducing Mexico's first large-scale social reforms since the days of the revolution. Under Cárdenas, almost twice as much land was distributed as in all previous regimes combined [27, pp. 140-41]. The major change was the strengthening of national industrial interests at the expense of foreign enterprise, and increased regulation of the economy by the government so that the depressed economy could be rectified. Beginning in the late thirties, all railroads were nationalized. With the creation of the Federal Electricity Commission around that time and the nationalization of the petroleum industry in 1938 the operations of the public sector began to expand steadily in the basic energy field, a process which ended in 1960 with the government's purchase of the remaining privately owned (and foreign-owned) major power companies [13, p. 492]. In 1925, the government made its first move to bring the money market under closer public control with the establishment of the Bank of Mexico (Banco de México) as a central bank which had, until the banking reforms of 1932, commercial banking functions. From 1921 to 1934, major banks were created: the National Bank of Agricultural Credit, the National Urban Mortgage and Public Works Bank, and the National Industrial Development Corporation (National Financiera). The basis for additional financial institutions was also

<sup>12</sup> It was a process towards "Corporate Centralism" of the new party. For a stimulating exposition of this aspect, see [28, pp. 130-44].

<sup>13</sup> A strong military sector merged with the popular sector in 1940.



provided, for instance, with banks like the National Ejido Credit Bank.

Two key specialized agencies were also created, the National Irrigation Commission and National Highway Commission, both destined to play an important part in the construction of public works. Over the years, a number of regional development authorities have been established as well. In coordination with the other public interventionist actions of the thirties, governmental control was also extended to the field of external trade, internal marketing, and the handling of soft goods of a mass-consumption character [13, p. 41]. This institutional development pattern is indicative of the deliberate effort to build an infrastructure for industrialization [21, pp. 180–84]. As stated earlier, the creation of infrastructure considerably expands the scope of private investment by increasing profit-making opportunities for private enterprise.<sup>14</sup>

TABLE I  
PUBLIC AND PRIVATE INVESTMENT (Million pesos)

	1966	1967	1968	1969	1970
Public	21,309	24,155	26,775	30,987	30,250
Private	24,234	28,788	33,680	40,784	45,042
Total	45,543	52,943	60,455	71,771	75,292

Source: [10, 1971, p. 16].

Whatever the implications of public policy for private economic activity, its significance illustrates that public investment has usually accounted for more than a third of all investment in fixed assets as shown in Table I. It clearly underlines the government's vital role in the economy. The major channel for government industrial investment is the Nacional Financiera through its loans or purchases of shares. The government also directs the flow of investment through official banks, the Banco Nacional de Comercio Exterior, and other credit and cooperative banks. In addition, investment also flows through the state-owned holding company, the Sociedad Mexicana de Crédito Industrial.

At present, the magnitude of state intervention is further demonstrated by the fact that there are 54 autonomous agencies, 155 state-affiliated enterprises, and 27 companies with majority state participation. It has been estimated that the operations conducted by state agencies and enterprises in 1971 amounted to nearly 60 billion pesos (4.8 billion dollars). The public sector's total assets were some 150 million pesos.<sup>15</sup>

Recently, with the rapid expansion of the public sector through the purchase and acquisition<sup>16</sup> of various companies, an impression has been created that the public sector is expanding at the expense of successful private enterprise.

<sup>14</sup> According to La Cascia, one of the major goals of Mexico's public economic policy has been the formation of a capitalistic economic structure [22, p. 15].

<sup>15</sup> Report of the Minister of National Properties, cited in [24, Mar. 31, 1971, pp. 7–8].

<sup>16</sup> Interestingly, although the government has been giving wide publicity to the purchase of various companies, it gave little note to the acquisition of the Channel 13 Television Company and the Garcia Valseca Newspaper group.

Particularly, the government "takeover" of Telefonos de México—the largest private company in the country—has stimulated debate on state intervention in the private sector. The government on its part has defended the takeover policy in regard to profitable businesses [9, pp. 4–6]. Although it is not definitively known what the long-range implications of this policy for the Mexican economic system are, it is not impossible that governmental intervention in private enterprise could inhibit private investment in the short run. This is not particularly relevant to the present study. In tracing the expansion of the Mexican public sector, the purpose here is to demonstrate relative continuity in the evolution of governmental intervention policy. The current talk over strategy is a reflection of the Mexican political elite's commitment to "economic nationalism" with state control over key industries in a mixed economy.

#### IV

It will be worthwhile at this point to go into the economic policy guidelines<sup>17</sup> of the Echeverría administration to understand the planning process in the context of developmental priorities. The Mexican sectoral programming process will also be briefly discussed.

Significantly, the immediate application measures to implement the economic policy of the present administration are contained in a series of decrees and laws relative to changes in tax legislation, the Budget of Expenditures and Revenue Act of the Federation of 1971, banking legislation reform modification in social security legislation, and reform of the *Pertoleos Mexicanos* bylaws. Besides, new agencies have been created, such as the Mexican Foreign Trade Institute, the National Council for Science and Technology, the National Port Coordinating Commission, the Institute for Development of the Rural Community, and the Low Cost Housing and National Commission for Arid Zones.

In an important sense these resolutions are integral to the basic characteristics and objectives of the administration. The stipulated economic guidelines indicate a "modification" of economic strategy in an attempt to lead the country into new phase of development [4, p. 16]. First, Echeverría has sought to give the people a more equitable share in the benefits of development. The over-concentration of wealth and the marginal position of large groups of people has been said by some to threaten the continuity of the Mexican development. Evidently, the new economic policy rejects the notion of basic conflict between economic expansion and redistribution of income, with the accent on the latter. Second, to accomplish income redistribution, the government proposed to promote a more balanced regional distribution of economic activity, thus generating industrial decentralization, while encouraging population resettlement and modernization of farming techniques. Third, it also contemplates a direct, massive attack on the problem of depressed areas through the National Commission for Arid Zones, by allocating more funds and improving the operation of mechanisms, which directly exercise

<sup>17</sup> The following analysis will be largely based on [4].

a broad redistributive effect, such as the social security system for urban and rural workers, public health programs, and low-cost housing.

Another redistributive measure relates to fiscal reform, particularly the new special 10 per cent tax on articles and services, the consumption of which reveals a higher economic capacity.

The long-term implementation of redistributive policies, however, calls for a change in systems that generate concentrated wealth. This means measures related to employment, wages, and the production structure, since broader income sharing cannot result from market mechanisms and government transfer payment alone. In view of this requirement the Echeverría administration has sought to strengthen public finance by avoiding increased foreign indebtedness. It also tried to tap additional resources in order to balance the budget, redistribute income, and spread tax revenues more effectively among municipalities, states, and federations. It has also opted for measures meant to prevent excessive publicity from being unduly added to company costs, and the facilities of the automatic profits reinvestment system from being used to protect unproductive or speculative investment. Minimum personal income tax was also lowered.

These measures constituted the beginning of a gradual process of codifying Mexico's fiscal structure, largely to ensure the equitable distribution of development benefits. The administration rationale is that they will foster internal market expansion and, as the government's share of income increases, the public sector will enlarge its economic development and social welfare activities, thus ending the vicious circle of indebtedness.

Along with these steps, the Echeverría administration also wanted to ensure sounder international transactions through increased exports and reduced imports accompanied by income derived from foreign tourism.

One of the major objectives of this policy was also directed towards better industrial development planning underlining innovation and efficiency in producing goods and services based on a strategy of autonomous technological development. The National Council for Science and Technology was created to accomplish this.

In consonance with a coordinated policy of industrial development and technological advance, the government decided to apply its industrial protection only to industries that modernize and contribute to the development of other sectors but it would not subsidize inefficiency. What is more significant is that the government encouraged the introduction of more competition in industry.

Taken as a whole, the economic measures adopted by the Echeverría administration, and those which logically must follow, constitute a new development strategy planned to meet present needs of the economy and assure long-term growth. At the same time, they were designed to correct the course and priorities of the development process.

These modifications reflect the "new global development strategy" and are aimed essentially at moving the country toward a new phase of development in which the benefits of economic progress are more equitably distributed. They will stimulate new job opportunities to match the needs of the rapidly expanding

labor force, make education and medical care available to all Mexicans, and prevent the negative effects of private investment on public revenue and budget balance. Public investment will be increasingly financed by current rather than other sources, either internal or external thus inhibiting the growth of indebtedness. This development strategy has been worked out to strengthen autonomous growth and internal control of Mexico's economic future.

Evidently, the six-year economic development policy, initiated at the beginning of each new presidency in Mexico, cannot be described as a technical instrument in the form of a comprehensive national plan with specific quantitative targets and other indices of growth and development. The Mexican system is based on sectoral and regional planning as stated earlier. The function of the six-year economic policy is to provide the frame of reference within which specific economic activity at the sectoral or regional level takes place. By a 1971 executive order, each government department was endowed with a programming unit which gives advisory capacity to department heads.<sup>18</sup> Programming heads help determine the size and scope of each department target within the framework of national objectives and general economic and social policy guidelines. To this end they must specify manpower, financial, and material requirements.<sup>19</sup> They must also work out assessment norms for the analysis of investment programs and current expenses in order to evaluate each program in terms of objectives, economic, and social costs. The program units act as advisers to department heads in determining goals, preparation of plans and estimates, and specification of resources needed to fulfill each departmental task, in terms of its own attributes and targets, this way working to attain the nation's economic and social policy objectives [24, Mar. 31, 1972, pp. 7-8].

Programming units provide technical coordination for the plans and programs of each department and assess results and offer alternative solutions for final decision.

Public sector programming seeks to intensify the relations of each unit with others in the same sector and with those of other sectors; to set up elastic, bilateral, and multilateral mechanisms; to evaluate activities and present the results to the Ministry of the Presidency's Department of Economic Studies, so that an assessment of each sector can be made. These sectors are agriculture, industry, transportation, social welfare, and administration.

Although the practice of public sector programming is not something new in Mexico, what the new administration has done is to emphasize the criteria of decentralization and constant rapport in the sectoral planning system [24, Mar.

<sup>18</sup> The government's present system of programming dates back to 1930 when the law on planning was passed. Under the law for the control of state agencies and enterprises, the National Investment Commission was created in 1947 and the Investment Committee which later came under direct control of the president was created in 1953. In 1962, a full ministry, the Inter-Ministerial Commission (constituted by the Finance Ministry and the Presidency) was attached to the office of the Presidency.

<sup>19</sup> Report of the Executive Order (1971) on public sector programming. See [24, Mar. 31, 1972, p. 7].

TABLE II  
FUNCTIONAL CLASSIFICATION OF PUBLIC SECTOR EXPENDITURE FOR 1972/73  
(Billion pesos)

	1972	1973
Economic development	59.9	89.5
Of which:		
Communications and transport	15.2	19.3
Renewable natural resources	12.0	21.6
Industrial and commercial promotion	32.7	48.6
Social infrastructure	38.5	54.6
Of which:		
Education and culture	9.8	13.4
Health, hospitals, etc.	5.9	7.1
Social security	17.1	22.4
Defense	2.2	4.1
General administration	3.5	7.6
Public debt	23.5	29.6
Total including others	123.3	173.9

Source: [10, 1973, p. 16].

31, 1972, pp. 7-8]. But in order that decentralization does not become a kind of anarchy, the Ministry of the Presidency provides coordination and facilitates inter-sectoral communication. We will talk more about this when the general question of guidance in Mexican planning is considered.

We have noted so far how from a modest intervention policy, and gradual institutional buildings efforts in the thirties, the public sector has emerged today as a relatively dominant component of the Mexican economic system. In 1973, the decentralized agencies and enterprises supplied 42 per cent of public sector revenue (48 per cent in 1972) and accounted for about 49 per cent of total government expenditure (56 per cent in 1972).

Evidently, the evolution of the public sector could not have taken place without a conscious effort on the part of political leaders. One could legitimately raise doubts about the technical sophistication of the planning endeavor in Mexico, but only a narrow mechanistic approach would call the Mexican development "planless." The considerable success in developing a modernized economic sector, the growing linkages between the different regions based on expanding money economy, the increasing awareness of social and welfare programs (supplemented by balanced growth) in the backdrop of a rapidly developing institutional structure to support the ever expanding role of the public sector, lead us to the inescapable conclusion that Mexico's rapid economic advance has largely been the end-product of conscious and sustained promotion and coordination by central authority.

## V

The institutional framework within which Mexican economic planning operates is exceedingly complex. Although Mexico does not have comprehensive planning

and has made what may be called "approaches to cross-sectoral and aggregate-planning" [30, p. 100], there have been constant pressures to build up a single, centralized agency to guide and coordinate. But because of the recurrent difficulties in integration, efficient planning and management of the economy, organizational changes have been frequent. Despite this, guided national development has been an ideal in Mexico since the early years of the revolution, and any central planning organ has had to struggle for survival. For over four decades, the nation has had a score of agencies designated by the government as central planning bodies. Presumably they confronted intense opposition from competing governmental agencies, which made them dysfunctional from the very moment of their creation.

It is also equally relevant that no single agency could ever handle the many roles involved in guiding national economic change [16, p. 114]. In the absence of a coercive authoritarian structure and a comprehensive ideology, the developmental task calls for, not one agency with various planning functions, but a complex of flexible network or system of central government institutions working in a broader system of relations with the society as a whole.<sup>20</sup> This is important in comprehending the salient features of the Mexican planning experience. Thus, Mexico has evolved a "central guidance cluster" [16, pp. xvi, 3] pattern built largely around four powerful institutions: (1) Ministry of the Presidency, (2) Ministry of Finance, (3) Bank of Mexico, and (4) Nacional Financiera. This central guidance cluster controls decision-making in the economic sphere.

It is difficult to talk about the Ministry of the Presidency without reference to the institution of the Presidency. The Presidency is much broader than the Ministry of the Presidency and its planning and investment bureaus. An interesting feature of the Mexican political system is the concentration of power in the Presidency and the bureaucracy. A combination of "historical, cultural and legal" conditions have made the president the "dominant political power"—the "supreme patron" [29, p. 388] in Mexico. What is more, the president is not only the single most important aggregating agency [26, p. 155] but he also performs harmonizing and compromising functions once done by the PRI [29, pp. 388–89].

Despite the apparent authoritative character of the president's decisions or the power of his position, the Mexican system is one of "government by consultation" [28, p. 279]. After discussions provide a consensual basis, ministers directly handle policy proposals, and some of the top interest group leaders and members of the hierarchy meet the president to draft the final policy statement. Policy details are however worked out at the lower levels. Policy demands are communicated to the president through both formal and informal channels. Some of the most important policy inputs come from complex governmental agencies which seek to promote their own interests.<sup>21</sup> It is the function of the president and the Ministry of the Presidency to balance the competing demands coming from

<sup>20</sup> Even in the Soviet system there have been periodic organizational reforms despite the presence of the Gosplan.

<sup>21</sup> For a perceptive analysis of the policy-making process, see [29, pp. 387–95].

various sources and produce the necessary guidelines for specific decisions or actions.<sup>22</sup>

It should be pointed out in the context of planning that the annual messages of the president to Congress are an important instrument for dissemination of the plans and philosophy of the administration. Within the PRI, a lower echelon of technocrats, largely economic planners and bankers who exercise great power, draw up the president's six-year plan and tell him what he can expect to accomplish in terms of economic and social development [18, pp. 87-88]. Also important are the speeches of ministers and government officials in the annual meetings of business associations. This serves the purpose of a dialogue to work out consensus on administration economic policy and improve coordination between public and private sector activity [34, Chap. 6].

In the backdrop of presidential power we can see the significance of the Ministry of the Presidency<sup>23</sup> as the principal coordinating and supervisory agency of development policy both at sectoral and national levels. The Ministry of the Presidency was apparently established in accordance with the economic development objectives under the Law Pertaining to Ministries and Departments of January 1, 1947. The law of December 23, 1958 (during the Lopez Mateos administration) however clarified the functions of the new secretariat. In May 1959, the minister of the presidency announced the creation of three bureaus: Planning, Investment, and Inspection and Control. It was also stipulated that annual investment programs should be submitted to this ministry, not only by the executive branch, but also by all agencies connected with the government.

The Executive Decree of July 7, 1961<sup>24</sup> defined the objective duties of this secretariat with regard to planning and execution of coordinated programs leading to socioeconomic development. In addition, the secretariat was entrusted with the task of supervision and coordination of economic development planning of other government departments and agencies. This ministry handles programming, promotions, and suggestions for reform relative to overall administration. Recently, under Echeverría, a technical advisory committee on organizations and method (consisting of all public sector organization chiefs) has been attached to the Ministry of the Presidency. With the present drive towards decentralization, one of its major responsibilities is the handling of communication and coordination. This means being in close, permanent contact with every programming unit as well as all department heads and preventing anarchic conditions.<sup>25</sup> In various ways, the Ministry of the Presidency facilitates cooperation in planning between different ministries and the PRI; sometimes the Ministry of the Presidency

<sup>22</sup> The present economic policy guidelines are contained in three documents: President Echeverría's annual address (December 1, 1970), the presidential address to Mexican and foreign businessmen and investors (December 3, 1970), and the address by the minister of finance (December 18, 1970) [4].

<sup>23</sup> For an account of the evolution of the ministry, see [30, pp. 56-57, 100-110].

<sup>24</sup> Paradoxically, an Inter-Ministerial Commission was created in March 1, 1962, with the same function as the Ministry of the Presidency.

<sup>25</sup> [24, Mar. 31, 1972, p. 8] and also see [24, June 30, 1972, p. 6].

"raids" the budgets of other ministries, in regard to site selection and other priorities as with the Hydraulic Ministry (SRH) [15, pp. 124–25]. As a monitoring agency, the Ministry of the Presidency not only is a control agent over the activities of various ministries, departments, or agencies, but simultaneously acts as an intelligence gatherer for the political leadership [15, p. 131].

Despite the complex organizational structure of the executive branch, purely economic decision-making power centers are relatively few. One is the Ministry of Finance. Among the ministries and departments, the finance minister stands out as a "*primus inter pares*" [34, p. 18]. He wields tremendous control over current budgetary expenditures of the various government agencies. This ministry can influence the staffing system, operational pattern, and even budget expenditures of the entire executive branch by virtue of that control. The Ministry of Finance is not merely involved in financial function, but is actively concerned with growth-oriented activities. It is aware of the political realities, and various aspects of economic and technological problems relating to growth and international transactions. In regard to the operation of the decentralized agencies and concerns having state participation, the Ministry of Finance is empowered to scrutinize their administrative progress and ensure their correct economic performance through the instrumentality of a permanent system of audits and technical inspection.

In recent years, this ministry has adopted measures to rechannel credit supplies, with the idea of supporting Echeverría's industrial decentralization programs with greater effectiveness as well as aiding smaller agricultural and industrial sources [20, p. 4].

The Ministry of Finance is also associated with both the Bank of Mexico and the Nacional Financiera or through interlocking directorates and as well as at the operational level.

The ability of the banks to influence public policy in Mexico is in large part a function of the respect for the institutions among the more influential elite. This influence varies significantly among development banks. The Bank of Mexico and the Nacional Financiera, reputed for their efficiency and competence, are heard with respect when their leaders comment on economic policy [3, pp. 157–58].

The Bank of Mexico is the central bank and as such handles funds for government development programs and controls credit. It has authority to fix reserve requirements, enforce credit controls, engage in open market operations, and sell gold to the public. The government has 51 per cent of the stock in the Bank of Mexico, and the Secretary of the Treasury has a veto in all banking and monetary policy matters. According to one observer, the Bank of Mexico is more and more the keystone of a banking system whose orientation is financing growth [31, p. 117]. Significantly, by permitting relatively restrained credit expansion and following a flexible policy of fund allocation, the banking system was able to retain its viability in a rapidly changing society committed to growth but not prepared for the rapid expansion of public sector revenues. The Bank of Mexico has a trust fund, Special Technical Assistance and Guarantee Fund



for Agricultural Credit, in order to implement provisions in favor of the farming sector. The fund's principal object is to organize and provide identification, assessment, technical assistance, and supervision services required for the financed projects [20, p. 4].

In consonance with development, the public sector has established legal bases and necessary institutions to help mobilize savings and use them productively. Investors enjoy incentives and guarantees; financial resources are channeled into priority sectors, in accord with the country's evolution. In the contemporary evolution of the Mexican economy, the most important development bank is, without question, the Nacional Financiera, created in 1934 as an investment institution to establish a market for government bonds. In 1941, it was reorganized to provide the new industrialization programs with financial support.

The Nacional Financiera makes loans, buys securities, and guarantees domestic and foreign bank credit and investment. It helps in the promotion of competitive enterprises, whether private, public, or mixed. Although the Nacional Financiera serves as an agent of the political establishment, it has a profit record which would do credit to some of the best managed private enterprises [5, p. 201].

As the government's financial agent, the Nacional Financiera intervenes in obtaining foreign credit. Through the Special Commission for External Borrowings, it ensures that financing from abroad shall serve to supplement domestic sources, that the projects financed be self-liquidating, and that credit be obtained in suitable terms and conditions.

Some 70 per cent of its financing is channeled into infrastructure works. Initially funds were directed into irrigation, then to road-building, electrification, and railroads. More recently, it is giving attention to urban transportation, border-zone development and tourism. Its direct support to industry is not only constituted by adequate, timely loans, but also by credit guarantees and the purchase of shares to ensure a sound capital structure for the companies [11, pp. 3-4].

Other functions of the Nacional Financiera are the management of a development trust fund set up by the government, allocations to foster small and medium industries, creation of industries in farming zones of *ejidos*, and preinvestment studies. Around 1970 it set up a fund to make industrial plan distribution more rational through the utilization of existing regional infrastructure and resources [11, pp. 3-4].

It is worth noting that while criticism of the government's entrepreneurial role is sometimes seen in Mexican society, the Nacional Financiera is less frequently criticized. In fact, press criticism of government economic policy quite often absolves the Nacional Financiera of the blame and seeks scapegoats elsewhere [3, p. 158].

Thus, as a whole, the "guidance cluster" at the national level handles much more than the critical roles of general leadership, financial and economic management. Along with these functions, they also provide technical research assistance, particularly through a specialized administrative staff. The central institutions of the guidance cluster possess the competence to adequately handle critical

problems from time to time, say, a crisis generated by a galloping inflation or foreign exchange shortage, loss of a critical foreign market, or the urgency of conducting crucial politico-economic negotiations.

## VI

Having looked at the various components of this central guidance cluster, the factors conditioning the planning process in Mexico can be identified and located. On the decision-making in the context of the central guidance cluster, Shafer says that there is an excessive attention given to political factors [30, p. 3] in Mexican planning. Although, he does not adequately explain or specify these factors. Greenburg has pointed out that the guidance cluster must take into account these political considerations since they constitute one of the four major planning criteria in Mexico [15, pp. 122-23]. Social unrest, technical and economic priorities, local political needs, and the acquisition of external funds, have a major bearing on the policy-making process. During the post-revolutionary phase, the Mexican government has sought to handle social unrest through extension of public works and building uneconomical impact projects in "social interest" areas in order to establish the legitimacy of central authority by satisfying local needs. Although the successful institutionalization of the three major interest groups within the PRI reduced the urgent need for uneconomical projects, in recent years the need for social justice and welfare programs in developmental policies has been underlined. Faced with a dangerous build-up of discontent among emerging interests, through the past four decades of development, the present administration, according to one expert, decided "to open the political system a bit and to shift emphasis in government from internal industrial and commercial development toward servicing the rising expectations of the increasingly aware masses" [29, p. 387].

Technical and economic criteria have been an important guiding principle in planning, largely because a developing country like Mexico cannot afford to indulge in uneconomical impact projects beyond a certain point. The emphasis at present is on economy and rationalization of agricultural and industrial development. Already measures are being stipulated for the establishment of funds for the self-financing of *ejidos* [4, p. 24], and technological development through innovation and efficiency [4, pp. 24, 26]. Local political needs are handled within a wider systemic interactive process of mutual adjustment, not confined to organizational goals perceived by economic or bureaucratic elites. This process of accommodation calls for planning development projects in response to local politicians' pleas to build up roads, schools, and light industry that would provide employment opportunities. Apparently, many resource allocation decisions are not conditioned by people's needs, but by a deliberate attempt to placate local politicians, and maintain party morale [15, p. 123]. In other words, the basic style of policy-making reflects an incremental adjustment between groups advocating their own interests in the allocation of state power and capability.

Consequently, decision is a process of bargaining, compromise, persuasion, and accommodation.<sup>26</sup>

The fourth criterion of the Mexican planning process demands closer relationships with international aid agencies for the necessary inflow of capital that will finance large projects. The recent accent is however on greater promotion of exports to obtain the needed foreign exchange that will finance the import of capital and intermediate goods [4, pp. 30–31].

All these criteria along with the mechanism of cooptation of emerging interests<sup>27</sup> and rectification of regional imbalances in political or social welfare criteria through allocation of resources suggest that in many ways developmental policies in a society like Mexico serve as a safety-valve to keep the system going. Although detrimental to the economic planning process as suggested by some scholars [15, p. 123] [30, p. 8], the process is fundamental from the standpoint of maintaining political stability at any given stage of social and economic development.

## VII

Along with the central guidance cluster, Mexico has created scores of ministries, departments, decentralized agencies, and other entities having state participation. The government has evolved a comprehensive, yet flexible set of institutions at the intermediate level. These institutions, integrated with various sectors and geographical regions in the national economic system, provide the means to carry out guidance cluster policy decisions. In the work of the Investment Commission (1954–58), a closer coordination was introduced into the operations of the huge complex of action agencies; while further coherence was brought to this planning endeavor through the later establishment of a central planning office in the Ministry of the Presidency.

Although, in a certain sense, these institutional efforts have produced a planning system akin to the French model.<sup>28</sup> Before Mexico's developmental policy direction or planning efforts take a much more structured shape in a higher level of socioeconomic development, it would be premature to draw too close a connection between them.

It is therefore not surprising that there has been a constant reorganizational process in Mexico indicative of the complex forces of growth and development which demand new institutional capacity to handle change through greater efficiency and an improved resource-base. The growing importance of the government role during the last forty years, as promoter of economic development and social welfare, has generated a need for permanent expansion of the administrative apparatus and creation of new agencies. Consequently, the process sometimes

<sup>26</sup> For a detailed treatment of this facet of developmental policy, see [2, Chap. 7].

<sup>27</sup> The functional groups are concerned primarily with governmental output rather than the formulation of policy. See [28, pp. 315–16].

<sup>28</sup> French planning is done in two stages: the first normative or goal-setting in broad general terms; the second designed to convert the goals into more specific targets. For a brief account, see [19, p. 3].

gets bogged down in duplication, lack of communication, waste, and contradiction. Although the Echeverría administration tried to introduce organizational reform by directly linking the administrative apparatus to social and economic objectives, it is still not certain whether this effort has been successful in the absence of a formal merit system for operational efficiency. It would be over-enthusiastic to conclude that the economic development process can be expedited merely by a superimposed differentiated organizational structure (based on rational norms) unrelated to the wider social setting of patron culture. More fundamentally, the organizational structure has to constantly reconcile the norms of technical knowledge and specialized expertise with that of culturally determined interaction patterns at different levels. I am not however trying to understate the Mexican endeavor; only trying to place the problem in proper perspective. This is a problem the entire developing world faces.

Guiding a national economy in a chosen direction is an immensely complex task. It requires a broad array of skills and staff services. Presumably this would have been a lot easier for a developing country like Mexico if it was not simultaneously faced with immediate social and long-run development tasks. The state, in the context of an omnipresent task of management and control through collaborative economic guidance at every stage, had to undertake new responsibility (due to the ever expanding domain of public enterprise), absorb new kinds of demand generated by a particular phase of political stability, and accommodate or institutionalize newly emerged interest groups.

The current planned development in Mexico is not just a search for greater economic productivity. The objectives are not narrowly economic but include political and nationalistic goals and the creation of a socially just society—based on economic interdependence and national integration. The Echeverría development strategy of supporting widely spread out vertical growth centers and the simultaneous development of an ever expanding infrastructural base to create a self-sustained economy reinforcing political order and stability, is a result of these objectives. It is too early to say whether this strategy will enable Mexico to bail itself out of its current developmental predicament. Presumably, the extent to which the economic strategy succeeds in the long run depends on the ingenuity of the post-Echeverría political leadership—their ability to refashion strategy in the light of new developmental constraints or opportunities available to them, reinforced by a genuine commitment to development as a basic goal, not merely as rhetoric for political survival.

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