

# The economic thought of Mexico's three principal political parties



PARTIDO  
REVOLUCIONARIO  
INSTITUCIONAL



PARTIDO  
ACCION  
NACIONAL



PARTIDO  
DE LA REVOLUCION  
DEMOCRATICA

## Generally speaking, how does your party view the role of the state in the economy?

**PRI:** To promote economic development; and therefore the economy must be modernized. The PRI recognizes that Mexican citizens and their institutions are now sufficiently mature to become faithful agents of the economic revival. The PRI therefore welcomes the change in the state's role in the present administration. The policies of deregulation, disincorporation, modernization of finance, opening up to foreign trade, etc., all clearly illustrate that it is the government that is directing and promoting development and encouraging the participation of both the public and the private sector.

**PAN:** The state has authority over, but it is not the owner of, the country's economy. It should encourage all activities that promote a sound, prosperous, stable, and fruitful economic life. It should correct injustice in the allocation of national revenue. It should also avoid any unnecessary changes that might destabilize the nation's economic structure, and it must honorably maintain and manage the public institutions

indispensable for making the economy efficient. The state must also make the best possible use of the country's natural resources. In particular, the state must not conceive of the Mexican people as another tool of the economy; it must guarantee that the structure and the fruits of economic activity remain subordinated to, and at the service of, higher human values. The state's participation in the economy should be guided by two basic principles: an overall economic policy, and interventions by government in the economy which should by definition be temporary and of an auxiliary and complementary nature.

**PRD:** The state should have in mind the overall direction of the economy in order to see to it that the economic project is indeed completed.

## Would you place any limits on financial, industrial, agricultural or urban ownership? If so, which in each case?

**PRI:** Our main concern is that the limits to private property in the Mexican Constitution should be fully enforced. Through all available means we wish to fight monopolies and the concentration of wealth, both of which distort

balanced and fair development. The Constitution specifies certain areas that are exclusive to the state. The PRI maintains that Mexico's sovereignty over its natural resources be inviolable. We support the modernization of the *ejidos*, (system of ownership stemming from the Mexican Revolution, where common land held by peasant families is worked individually or on a communal basis), and the assurance that they remain permanent. With regard to finance, we maintain that as the commercial banks are sold to private capital the state should preserve and modernize its development banks, and make suitable regulations so that individual rights and the public interest do not conflict. Urban land-ownership should be subject to the will of the public and comply with present laws regulating the use of land so as to regularize and improve standards of living in the cities and protect the environment.

¶ Private ownership is the most suitable means for assuring national output, and is the basis and guarantee of a decent life for the basic social building block: the family. We therefore encourage the accumulation of the highest possible number of family patrimonies. The PAN believes that the structural changes required by these times are not possible without a clear idea of the principles governing ownership. On the one hand, we should recognize that the basic nature and universal destination of material goods is to satisfy the legitimate demands of all people. On the other hand, the rational social nature of human beings calls for a certain appropriation of material goods - within the limits and conditions imposed by their universality - in the name of the nation's welfare and the needs of the international community. The principle of the universal destination of goods calls for structures to distribute private property among the greatest possible number of people and families. Importantly, the state's functions give it no authority to do away with private ownership: this is an erroneous corollary to the principle of the universal destination of goods. State welfare and social security

schemes are essential, but they do not replace the social and personal function of private property, exercised within a framework of human solidarity, the demands of the common welfare, and the concrete circumstances of the economy.

**PRD:** Those limits deriving from the Constitution.

#### What would you propose with regard to the external debt?

**PRI:** The PRI proposes to reduce the net transfer of resources abroad to a level compatible with the growth rate and price stability that Mexico requires. Furthermore, we stress the need to come to some agreement with our creditors concerning Mexico's capacity to service the debt and with the debt's real value, with the aim of making debt repayment a lower proportion of the gross domestic product. We are pleased with the recent renegotiation of the external debt. In the next few years it will be possible to reduce still more the transfers of the country's resources abroad. We will then be able to channel more resources toward financing productive investments and the growth of the economy. But the negotiation of the debt is no panacea; it is the sine qua non for our domestic effort to have any possible success, but we must continue our efforts to raise the level of domestic savings and productivity.

**PAN:** It is obvious that the external debt was imprudent. We consider the debt negotiation between the Mexican government and the international banking community of July 1989 reasonably acceptable, insofar as it established joint responsibility, and allowed Mexico a new opportunity to rebuild its battered economy, if only to respect future payments. However, we should not forget two things:

1. The nation must not overlook the responsibility of those governments that led Mexico into catastrophic levels of indebtedness; the National Action Party will not let this memory fade. There should be an exhaustive review of all agreements and documents and the liabilities entered into by each of the different

*Prior to their meeting with Mexico's political parties on the 16th and 19th of April of this year, the National Association of Economists prepared over one hundred questions for the parties on different aspects of their economic policies should they come to power. In the interests of space and brevity we present only the three principal political parties, the PRI, the PAN, and the PRD, and only those questions we deem most relevant to Mexico's relations with the rest of the world.*

administrations from 1970 to the present time so as to determine whether the resources obtained were in fact spent on their stated destinations, as is stipulated by Article 73 of the Constitution. We must investigate whether these agreements were made by legally authorized entities, and whether there was collusion between bankers and civil servants. All of this should be duly brought to light.

2. We should review those powers exercised by Congress that should be the exclusive right of the Executive branch. Effective mechanisms should be established for the revision and subsequent acceptance or rejection of loans in which collusion is discovered between creditors and Mexican authorities. The Congress should approve or reject the loans proposed by the Executive, and not merely limit itself to specifying amounts. The destination and applications of such loans should be examined with special care in accordance with the terms of the Mexican Constitution.

**PRD:** The debt must be renegotiated with a combination of discount, deadline extension, and fixing of the interest rate so that servicing of the debt will not put a brake on growth (10% of export earnings).

#### Does your party defend private enterprise?

**PRI:** Yes, definitely. We consider responsible and efficient use of private sector resources based on a nationalistic conception of the right to property, and confidence in the path upon which Mexico is embarking, to be essential to the promotion of large-scale economic projects.

Particularly, we reject the notions of state-ownership that favor concentrating all the means of production with the State, notions which are now completely discredited. However, public interest demands that limits be placed on business: to pay taxes, to respect consumers' rights, to respect labor and sanitary and environmental regulations duly established by the community. In exchange, the government should commit itself -and in fact has committed itself- to maintaining transparent rules for business which make for confidence and certainty.

**PAN:** Private enterprise is the most dynamic means of improving society. The state must promote its ordered development and provide it with guarantees of stability and security. Wherever private enterprise is inefficient or insufficient, the state should urge the organization of strategically placed social activities, taking care not to make official administrative action destructive of the private sector. The state has the duty to see that the workings of private enterprise go hand in hand with the national interest, and are subordinated to the common good. A humanistic conception of business would doubtless safeguard the authority and efficiency of

management. However, it cannot reduce workers to the condition of people who simply carry out orders without right to an opinion, without any possibility of promotion. Therefore it is essential to find ways in which business may respond not only to the dictates of those who provide capital, but also of those who represent the rights, demands, and aspirations of workers. We should likewise study ways to help workers acquire shares in business so that, at the same time as strengthening their links with the firm, they establish a basis for forming their own patrimony, the legitimate aspiration of any human being. The concrete path to achieving these aims remains undefined, but the will to do so is strong.

**PRD:** Yes, the PRD does defend private enterprise, particularly small and micro businesses which democratize capital and encourage creativity.

#### Would you keep some sections of the economy under state ownership? Which ones? What type of enterprises? What percentage? Would you nationalize any others?

**PRI:** Historically speaking, public enterprises have been the basic tools of government action. This should be limited to strategic and priority areas, so as to make their participation more efficient. Strategic areas are economic activities reserved for the State because their effective administration, exploitation, and conservation is essential to the nation's sovereignty or because they deal with non-renewable resources vital for national security, or because they are essential public services, or constitute the basic infrastructure for the development of other activities of either the economy or the society as a whole. They should be administered according to social and public criteria, as they are the sum of the nation's history. For this reason these sectors are clearly defined by the Constitution: the coining of money, the postal and telegram services, radio-telegraph and satellite communication services, the printing of banknotes, oil, hydrocarbons, basic petrochemicals, radio-active minerals and nuclear energy, electricity, and railroads. The State must also continue its participation in sectors whose benefits accrue to the whole society, such as health care, housing, education, and the regulation and guarantee of the food supply and other basic products. In its role of promotor, the State should participate, only temporarily, in industrial activities in order to attract the investments necessary for development. Once these industries are consolidated, the State should retire and free resources for use in other strategic or priority areas.

**PAN:** Yes, but only those public entities that are absolutely necessary, are well managed and do not take on monopolistic qualities. To attain this we need a new



Cuartoscuro

*Economic vertigo*

concept of democratic public enterprise as an instrument for developing the country, and not a paradise for the political class to enjoy special privileges or a reserve for elitist technocrats. Finally, we need an approach that prevents the state-owned sector from becoming undefined and uncontrolled once again. We need to re-classify the areas and activities in which the public sector participates, so as to determine which enterprises should remain in State hands. We propose the following:

- Of national interest, fully state-owned: activities that produce goods or provide services directly related to the nation's general welfare and the exercise of national sovereignty and security. However, various entities should perform the same activity or trade to promote competition and efficiency. State-governmental monopolies should be held at bay.
- Of national interest, partially state-owned: areas or activities by means of which key goods and services are produced. The State should maintain some control over these, but other entities from the social or private sector may have a share in them.
- Subsidized and promoted by the State: activities in which the State intervenes with the object of encouraging development in specific regions, spurring specific branches of the economy to achieve specific economic-social objectives. In these activities there may be participation and/or association with other sectors. When enterprises are established in which the State is the sole owner or holds the majority of the shares, the

objectives and the time the enterprise will remain under state control should be clearly spelled out before hand, as should the conditions of disincorporation.

- Of a social transfer type: activities articulated through entities channelling public resources, controlled by the government but in which there should be participation and monitoring by the public. Targets, objectives, and duration should be clearly spelled out.
- Of a public service nature: areas or activities providing services of a public nature in which government monitoring is necessary, but without government control. Government participation may be limited to regulation and sale of these activities.

**PRD:** The strategic and priority sectors specified in the Constitution, adding to development banking all financial and insurance activities (insurance, bonding, factoring, etc.) financial intermediation, and all instruments for attracting capital. We would also add producers and dealers of basic consumer goods, to ensure that the lowest income brackets have guaranteed access to such goods.

**Would you allow foreign banks to set up in Mexico?  
Under what conditions?**

**PRI:** We recognize that the dynamics of our economic system, the competition between domestic and foreign financial intermediaries, and the outcome of the globalization of services make it necessary for banks to be able to offer internationally competitive services, both in quality and in price. Recently, far-reaching reforms have

been made in the financial system with a view to stimulating competition and the presence of foreign banks in Mexico. In the future these banks might bring about higher levels of competition and lower costs for credit, having access as they would to cheaper financial resources within a more efficient system. However, we must coordinate the timing and conditions of the integration in a manner suitable to the requirements of the different sectors, including the financial sector. The conditions under which such an opening should take place, if in fact it does take place, must comply with the Credit Institutions Act and with criteria of selectivity, reciprocity and, above all, gradual implementation.

**PAN:** The world is seeing a restructuring of trade in which different blocs of countries, mainly the industrialized and newly industrialized countries, are grouping together to consolidate their markets, seeking complementarity in their industries, and higher levels of integration. Mexico should not remain aside from these new trends, but its incorporation into international trade must be the outcome of rational and cautious planning, drawn up with the participation of all sectors of production and all regions of the country; the main objective being the national interest and the well-being of all Mexicans. We need to modify the Foreign Investment Act so as to allow foreign investors to be majority shareholders in all but strategic sectors and speculative investment, assuring by means of this modification that the following conditions, at least, will be met:

- That investment bring with it the transfer of advanced technology.
- That the social security of workers be firmly protected.
- That foreign firms commit to setting up training facilities for all their staff.
- That production processes strictly comply with the rules and regulations which protect the environment.

In view of the fact that foreign business interests will probably purchase Mexican firms, we should seriously consider accelerating worker-participation schemes, and granting preferential treatment to new investment rather than the purchase of preexisting assets.

: Yes, in order to support activities related to foreign trade, but forbidding them to act as agents of individual interests.

#### **What do you propose on the subject of foreign investment?**

**PRI:** We must encourage and promote direct foreign investment that accords with our own national investments. The general condition ought to be that such investment should compete with other domestic and foreign producers without the benefit of subsidies or other advantages. To promote this investment in a suitable way, the procedure

for authorizing new investments should be speedy and transparent, and mechanisms should be set up to assure that new foreign investment will not further pressure domestic financial markets.

**PAN:** See our reply above.

**PRD:** We propose retaining the present legislation on the subject.

#### **What alternatives do you propose to control inflation?**

**PRI:** Putting public finances on a sound footing is an important means for achieving price stability. We therefore propose a public spending policy that allows the public sector to generate its own revenue, with financing through non-inflationary sources and in amounts that do not destabilize our financial markets. Deficit financing should not rely on the excessively large primary issue of money, since experience has shown that this path leads to recurring crisis and ruin. Monetary and exchange policy should spur non-inflationary growth of monetary aggregates, maintain price stability and competitiveness with other countries. The PRI recognizes that concerting the different sectors of the country is an effective way to achieve these aims. Recall that maintaining price stability is the responsibility not only of the government, but of the whole society.

#### **PRD**

- Budget control.
- Increase of monetary supply indexed to the growth of output.
- Taxes on luxury goods, including imports.
- Progressively higher taxes on higher income brackets for individuals.
- A strategy to eliminate bottlenecks and spur the integration of production chains.

#### **How would you regulate the convertibility of the peso?**

**PRI:** At present, the healthy development of the financial and exchange markets has assured full convertibility of the peso in a framework of foreign exchange reserve accumulation. All the macro-economic policy instruments should work toward exchange stability to keep down inflation. Therefore we must maintain a healthy tax policy, and interest rates must balance financial markets. The country should not have to dig into its foreign exchange reserves except in cases of urgency – and then only temporarily – in order to maintain reserves at a suitable level for trade with other countries.

**PRD:** Under an anti-inflationary policy the market will be left free to determine the exchange rate and free convertibility of foreign exchange will be set by the private sector. Public sector reserves would be used according to the state's development policies.

**In general terms, what would your tax policy be?**

**PRI:** We propose a tax policy congruent with today's goal of modernizing the country through economic growth and price stability. Therefore, we suggest a reasonable handling of both sides of fiscal policy, that of revenue and that of public spending. With regard to revenue, we propose to increase taxes as a proportion of the GDP by widening the tax base and establishing tax rates competitive with those of our principal trading partners. Likewise, we propose a price and fee policy for public sector goods and services to reinforce the stability of the economy, at the same time strengthening the state-owned sector's financial position. Spending levels should be compatible with available resources, and should be oriented toward truly public activities that develop the economy and promote social well-being. The PRI supports continuing the disincorporation of state-owned enterprises that are neither strategic nor high priority, and also a policy of granting subsidies only to sectors that really need them.

**PAN:** The main features of tax law should be longevity, simplicity, precision, transparency, and effectiveness. Tax law should stimulate competition and investment. We should, therefore:

- Stabilize and enforce tax rules, and not change them every year through unconstitutional memos and circulars from authorities or minor civil servants who have nothing to do with Congress.
- Simplify tax declarations to bring down the high cost and time spent in tax-gathering. This means specifying the law so that it leaves no room for confusion, thereby clarifying and simplifying declaration procedures.
- Draw up well-researched and fair fiscal laws that pass all the hurdles of a truly democratic decision-making process.
- Reallocate to the municipalities the tax resources that the Constitution declares should be theirs and which traditionally have been absorbed by states or the federation, particularly property taxes and payments for municipal services.
- Bring down the Value Added Tax and revise the average rate of income tax. The taxation models of developed countries with per capita income ten or twelve times higher than ours cannot be applied in Mexico without modification.
- Increase tax deductions for private spending of a social nature, such as individual educational expenses.
- Thoroughly revise and reform the distribution of tax burdens, lightening the burden of persons, classes, and socio-economic regions that are now under-privileged and under-developed.

**PRD:** The objective of fiscal policy is to obtain sufficient revenue to satisfy the needs of our infrastructure and

development, and provide public services, especially those with the widest social impact such as health care and education. Revenue gathering must adhere to the principles of justice and equality.

**What would your public spending policy be?**

**PRI:** There are two elements to consider. On the one hand, determining the amount spent, and on the other how it should be allocated. Spending decisions should contribute to price stability and the proper functioning of financial markets. Spending should never be so high that the demand for loans exceeds the supply. This would make trouble for maintaining price stability. Likewise, the level of spending should be linked to the proper evolution of the balance of payments and the exchange market.

**PAN:** To change the distribution of public spending, reverse the historical preference for the capital rather than the provinces and spur balanced regional development among the different states of the republic. Congress should participate directly in regional development. Federal spending on the states should be increased substantially. Likewise, we should spend more on infrastructure, communications, urban services, education and health care in rural areas. We must encourage a new model for rural development. We must also reformulate the allocation and execution of the National Solidarity programs, delegating responsibility to municipalities and states, and providing them with the necessary funds and guidelines. The "vice-governors" or "political heads" of PRONASOL should not remain in the different states of the federation. Likewise, we must improve health care and education so that we may reach UNESCO's standard of living for developing countries. We need a new method for developing, discussing, and approving the basic instruments of economic policy. Firstly, Congress should be informed of, discuss, and approve any measure relevant to general economic policy, both regional and sectoral, well in advance of its implementation. The executive branch should take responsibility for legislation on income law and public spending. Secondly, Congress should discuss and approve the Executive branch's revenue projects by the 15th of November at latest.

**PRD:** We should see that spending does not give rise to a deficit which cannot be managed with profits from public investment. We must avoid deviations in current spending, and ensure that it is administered efficiently and effectively.

**What would your wage policy be? And how would you achieve it?**

**PRI:** In order to raise Mexicans' standard of living and to progress toward general social improvement, it is necessary

to increase real wages in step with productivity and the more efficient use of our production resources.

**PRD:** Trade union freedom is a must if wages are to match productivity and each firm's economic capacity. A commission should be set up that recognizes the loss of purchasing power due to the crisis. This commission should draw up a payment plan that would attempt to recover, within a feasible period, the purchasing power lost since 1977.

#### **Would you keep Mexico in the GATT?**

**PRI:** We consider it to be of the highest importance to keep the country in the GATT in order to realize our trade policy objectives. The GATT is an effective forum for different countries to solve their trade differences, and it provides opportunities for multilateral negotiation. The freeing of international trade -the GATT's main objective- is congruent with the PRI's trade policy.

**PAN:** We should do all we can to help the GATT overcome its present difficulties, and to see that the Uruguay Round does not collapse under the stress of the new world conditions. We should stay in the GATT and help to make it an instrument for spurring trade among the emerging regional trade blocs, and discouraging protectionism between such blocs.

**PRD:** Yes.

#### **What would you propose with regard to prices: control, freedom or some mixed solution?**

**PRI:** Price control is only appropriate when it serves the public interest, an interest based on the need for specific products, and the concrete status of the markets. This applies to the products listed in the basic shopping list. We also consider it suitable, for the moment, to continue price-guarantee schemes to protect farmers' income. Except in these cases, and especially once price stability has been achieved, it is better to allow supply and demand to set the prices for goods and services. Markets operate more efficiently this way and supply is better regulated.

**PAN:** A mixed solution. As much freedom as is possible for prices and as much control as is necessary. Price control distorts the economy and in the long run makes the price of the controlled product even higher. Control, whenever necessary, should be selective, temporary, and with a well identified objective.

**PRD:** Mixed, with ceilings placed on the articles on the basis shopping list, all others being free to find their own level.

#### **With which countries would you wish to enter into a Free Trade Agreement? Would you exclude branches of the economy? Which ones? Why?**

**PRI:** The great changes in the economies of many countries have enormously affected international trade relations. Mexico should participate in the new economic and trade currents. Given their geographical location, the volume of their present trade, and the fit of their economies -and principally because of its benefits to the Mexican economy- the PRI is in favor of negotiating a Free Trade Agreement with the United States and Canada. This would establish a stable and permanent flow of our goods and services to these countries. A Free Trade Agreement must remain within the framework of our Constitution; we must never include branches of activity that the Constitution does not allow, such as oil.

Likewise, the agreement should not create obstacles to trade with Latin America, Europe, and the Pacific Rim countries.

**PAN:** In the economic and commercial world, interaction and inter-dependence dominates international relations. Such relations now tend toward the integration of large regional groupings, by means of which each country seeks to secure its share in the world market and become more competitive. In these circumstances, foreign trade policy takes on an importance that goes well beyond mere export and import activities. It has a political content with far-reaching repercussions on the destiny of each country. Mexico's excellent geographical position enables it to design its own path, distinct from the formulas other regions have experimented with up to now, signing agreements, treaties and other arrangements in different directions without adopting exclusive commitments nor linking its fate to the North, the South, the Atlantic, or the Pacific. Mexico's strengths and weaknesses enable it to deploy a national strategy, and not to integrate in one direction to the exclusion of all others. Mexico can play the role of a multi-directional link in the new international order. Therefore, it is necessary to develop Mexican competitiveness and efficiency. Mexico should deepen and regularize its trade relations with the United States and Canada, link with the Pacific Rim countries and with the EEC. These may spur Mexico to initiate a new stage of development. Especially important are new links with Latin America through practical measures to increase trade and cultural ties. Mexico can and must take the initiative and create new models of exchange and multi-regional economic solidarity that overcome tendencies of self-sufficient trade blocs, and must promote aid and cooperation with the developing nations.

**PRD:** With all of the American continent, setting up special conditions for rain-fed agricultural crops and basic petrochemicals, and excluding those which the Constitution reserves for the State **M**