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One

The Neoliberal Transformation of Mexico

James B. Greenberg, Thomas Weaver, Anne Browning-Aiken, and William L. Alexander

[These are] the same failed ideas that got us into this mess in the first place.
—President Barack Obama, referring to neoliberal policies
Fort Myers, FL, February 10, 2009

Failed Ideas
Neoliberalism, as a form of market fundamentalism, is both seductive and one of those dangerous economic ideologies that seems impervious to the lessons of history (Carrier and Miller 1998). On its seductive side, neoliberalism embraces many of the core values that are at the heart of US society: freedom, democracy, individualism, and entrepreneurship. It is how these goals are pursued that is the stuff of politics, with great differences between liberal and conservative visions of both markets and the role of the state. Despite its name, neoliberalism is a right-wing economic philosophy that emphasizes laissez-faire free markets, free trade, and private property and at the same time is deeply distrustful of government intervention and regulation. With hindsight, it is now abundantly clear that laissez-faire capital left to its own devices (although perhaps vices is more accurate)
encourages risk and rewards greed, and the price of failures has all too often been paid by the innocent. No one doubts that neoliberal deregulation is responsible for the recent debacles in the mortgage and securities markets, which, as they quickly went global, destroyed more economic assets than any natural disaster. But neither neoliberalism nor its catastrophic consequences are new (Craig and Porter 2006; Phillips 2008; Smith 2005; Soros 2008). This disaster is only the most recent—one could easily find similar problems at the roots of the 1907 and 1929 crashes—in a long history of economic failures in which nascent neoliberal ideologies prior to the post–World War II institutionalization of global neoliberalism, described later in this chapter, have been applied. This book will document the high costs of these failed ideas in Mexico’s experience with neoliberalism, a particularly illustrative example.

Nowhere has neoliberalism been more widely implemented or its impacts been more profound than in Mexico. Mexico’s previous political economy, in fact, was anathema to everything in which neoliberals believe. The Mexican Revolution in 1910 was fought in reaction to more than a half century of nineteenth-century liberal policies, which had concentrated wealth, land, and power in the hands of a tiny elite class and reduced vast sectors of the population to abject poverty. The 1917 constitution enshrined rights for Mexico’s peasant and working classes. It restored lands stripped from communities by haciendas and plantations and sought to protect Mexico’s sovereignty over its lands, waters, mineral rights, and so on. The Mexico that eventually emerged from these struggles was a corporate state—a contradictory mix of capitalism, socialism, and fascism. Mexican state-led capitalism racked up impressive growth between 1940 and 1970, with an annual average GDP growth rate of 6.4 percent (World Bank 1986:1).

THE BIG PICTURE

One effective way to understand the implementation of neoliberalism in Mexico is to look at World Bank reports. If we follow the World Bank’s distinctly neoliberal argument, increasingly serious structural problems belied Mexico’s booming economy. Because Mexico’s industry was protected from foreign competition, it became less and less competitive internationally, and by the late 1960s its share of world exports was declining steadily. From the Bank’s point of view, Mexico’s protectionism especially penalized agriculture and mining by skewing incentives and drawing private capital away from investing in these sectors (ibid.:5–6). At the same time Mexico’s export earnings were rapidly losing ground, its continuing imports of capital goods and exports of raw materials were creating chronic trade deficits (ibid.:2).

Despite these imbalances, public expenditures accounted for a modest share of the Mexican GDP—on average, about 15 percent annually into the mid-
1960s. Under President Luis Echevarría (1970–1976), in hopes of ensuring continued economic growth and employment, Mexico embarked on a program of expansion of the public sector, financed largely through foreign borrowing on prospects of oil income. During Echevarría’s administration the number of para-statal companies more than doubled, to 845. Eventually, the bill for this expansion came due. By 1976 the public-sector deficit had reached 10 percent of the GDP; inflation—which had closely followed world trends—rose to 15 percent, and capital flight ensued (ibid.:5–6). Under Echeverría the currency began a sustained trend of devaluation beginning in 1976, when it fell from 12.5 to 22.5 pesos per dollar (Bailey 1984:79). The trend continued as an adjustment to economic imbalances. By 1976 the external debt had risen to $27.9 billion, and inflation stood at 60 percent (Buffle and Sangines Krause 1989:145–147).

Under President José Luis Portillo (1976–1982), Mexico continued to borrow heavily abroad against its oil revenues to make investments in railroads, nuclear energy, freeways, oil pipelines, and the steel industry. Unfortunately, all this borrowing abroad continued to be predicated on high oil prices, which had risen dramatically—from $4 a barrel in 1970 to over $15 per barrel in 1979. By 1982 the combination of falling oil prices (as a result of both overproduction and price cuts by OPEC [Organization of Petroleum Exporting Countries]) and rising world interest rates threw Mexico into a debt crisis. As the economic crisis worsened, capital took flight; despite Portillo’s 1982 pledge to defend the Mexican peso “like a dog,” the worst peso devaluation in history followed. Finally, the fiscal deficit reached 17.6 percent of GDP, and the Mexican government was forced to devalue the peso by 268 percent in nominal terms. As the peso fell, capital flight estimated at $100 billion followed, not only thwarting the growth of the economy and sending interest rates skyrocketing but also increasing the national debt by 71 percent between 1976 and 1985 (Adams 1997:3–4). In 1982, in full crisis mode, President Portillo blamed capital flight on the banks and nationalized the banking system and 467 bank-owned firms (Krauze 1998:757–761). In an effort to stem capital flight, the banks imposed foreign exchange controls that included the forcible conversion of “Mex-dollar” deposits and suspended principal payments on the US $60 billion foreign debt.

President Miguel de la Madrid (1982–1988) began his administration facing a depression greater than any in the post-revolutionary period. The external debt had risen from a manageable 30 percent of the GDP in 1981 to 63 percent in 1983, with interest on the national debt absorbing half of the country’s export income (Bosworth, Lawrence, and Lustig 1992:7). Eighty cents of every dollar earned from the oil industry was owed to foreign banks. The debt had climbed to over $100 million when Mexico declared a debt moratorium in 1982. Bailing Mexico out of this crisis required a worldwide effort by banks supported by the US Federal Reserve, the International Monetary Fund (IMF), the World Bank
James B. Greenberg, Thomas Weaver, Anne Browning-Aiken, and William L. Alexander

(WB), and the US Department of the Treasury (Adams 1997:6). Their support, however, was conditional on Mexico taking steps to put its economic house in order, which entailed adopting neoliberal policies.

From 1982 to 1985 the IMF backed a program to stabilize Mexico’s economy through fiscal and monetary constraints. The program failed as a result of slow structural reform, and a new monetary crisis ensued, with the currency rate set at 150 pesos per dollar.

These loans came with a set of conditionalities that obliged the borrowing governments to both adopt strict monetarist measures and institute free market and free trade policies (Easterly 2005:3; Koeberle 2003:251). Although the intent of the structural adjustment program (SAP) was to stimulate economic growth and help governments clean up their finances, the specific measures applied depended on local circumstances. Commonly, these programs included a variety of neoliberal measures to reduce government spending, open markets, and encourage exports. As these neoliberal policies were implemented, specific parts of the economy experienced immediate impacts. Neoliberal measures to reduce government expenditures ultimately translated into cutting programs and subsidies and downsizing spending on health, education, and welfare (Kolko 1999). The immediate effects included increased unemployment as government and other civil servants were laid off, loss of services, and rising prices as subsidized commodities were forced into line with the market.

Frequently, monetary reforms included devaluation of the local currency against international currencies such as the US dollar. Such devaluations have a double impact: they make national goods more competitive in the world market, but they also drive up the price of imports. To curb inflation, neoliberal reforms typically included measures to restrict credit by eliminating ceilings on interest rates, causing rates to soar and credit to dry up. Under the banner of market liberalization and free trade, actions were taken to lift restrictions on foreign investments in local industry, banks, and other sectors of the economy that enjoyed special protection and to abolish or cut tariffs, quotas, and other restrictions on imports. To encourage the competitiveness of exports, SAP reforms often sought to deregulate export-oriented sectors of the economy and to free these sectors from government controls that protected labor, the environment, and natural resources (Babb 2005; Bello 1996:286). Because ultimately so much rests on “getting prices right,” these packages often include policies to hold the line on wages or even to force them down (at least in terms of their true foreign exchange equivalents) in an effort to make exports more competitive (Greenberg 1997).

With support from the IMF, in late 1982 Mexico initiated a stabilization program using a combination of fiscal discipline, exchange rates, and monetary policy to deal with the drastic contraction of domestic demand. Between 1982
and 1985, public-sector expenditures and investments were cut drastically. Exchange rates fell to unprecedented new lows. Import controls were dismantled. Between 1982 and 1984, Mexico’s imports fell by 22 percent, while its non-oil exports rose by 62 percent. Even in the face of declining oil prices, Mexico’s net foreign reserves increased from a negative US $2 billion to US $6.5 billion during this period. The initial results of the stabilization effort in 1983–1984 were impressive. The fiscal deficit fell substantially, to 8.5 percent of GDP in 1983, though it leveled off in 1984 (World Bank 1986:12–13). Although fiscal and monetary policy had begun to ease and exchange rates had appreciated in real terms during 1984, this substantially increased public borrowing and renewed inflationary pressures.

In 1985 international oil prices dropped by 50 percent, and the loss of US $8 billion in export revenues (about 6.5 percent of GDP) again strained Mexico’s fragile economy (World Bank 1987:3–4). Inflation was much higher than expected, increasing to 63.8 percent. At the same time, real wages fell between 25 and 35 percent, and consumption per capita was below 1980 levels (World Bank 1986:9–13). Protests were heard as peasants, workers, and even the middle class began to feel the impacts of neoliberal reforms and policies. To make matters worse, in 1985 a disastrous earthquake occurred in Mexico City, with an estimated 20,000 killed. The government appeared paralyzed and refused any assistance from the United States and other countries.

In the hope that additional neoliberal measures would help its reeling economy, in 1985 Mexico took out new structural adjustment loans for trade liberalization. These loans contained the condition that Mexico would carry out the structural reforms needed in the areas of trade liberalization, foreign investment, agriculture and petroleum development, industrial restructuring, technology transfer, public-sector finances, and resource management (ibid.:20–22). As part of this package, Mexico eliminated tariffs on 45 percent of dutiable goods and reduced tariffs by about 60 percent on most controlled goods (ibid.:17). This dramatic reduction in tariffs made it possible for Mexico to apply for GATT (General Agreement on Tariffs and Trade) membership in November 1985. To further demonstrate its commitment to trade policy reform, Mexico negotiated a new loan with the IMF that contained provisions that reduced the risks of incomplete implementation or backsliding on trade policy reforms (ibid.:vi.). Nevertheless, by late 1985 it was clear that Mexico had not recovered and that little progress had been made on structural reforms. Non-oil exports had declined. The fiscal deficit had risen to 9.8 percent (ibid.:13), and most components of the balance of payments had deteriorated (ibid.:15–17).

Mexico formally joined GATT in mid-1986 and embarked on a three-year program to lower tariffs. In response to deteriorating economic conditions and in hopes of stimulating economic growth, the Mexican government intensified its
program of structural reforms and streamlined procedures to expedite approval of foreign investments (World Bank 1987:3–4). For example, Mexico dropped its requirement that the government had to authorize foreign majority ownership of small and medium-sized firms (ibid.:9). As a result, direct foreign investment (DFI) in Mexico increased from about US $26 billion to US $40 billion between 1989 and 1992. Of this DFI, 62 percent was from the United States, while the next-largest country had only 7 percent (World Bank 1994:vii). But the hope that these neoliberal measures would help Mexico’s economy was again thwarted when the US stock market crashed on October 19, 1987, causing import licensing to drop from 90 percent in 1985 to 23 percent in 1988. Major repercussions were felt in Mexico and other Latin American countries (Bosworth, Lawrence, and Lustig 1992:8; Weaver 1994).

In 1987, in an attempt to support structural adjustment reforms, the World Bank and the IMF put together a comprehensive financial package for Mexico that provided another US $10.7 billion. This loan came with conditions that closely linked the implementation of reforms in the areas of trade liberalization, tax reform, and privatization to loan disbursements (World Bank 1987:4). As part of the structural adjustment reforms, Miguel de la Madrid introduced tax reform as part of his 1987 budget. The budget called for a reduction of public expenditures by about 1.1 percent of GDP. This loan was part of a larger program of bank financial and technical support for Mexico’s 1986–1988 trade liberalization program, which included trade policy loans as well as export development and industrial reconversion projects to assist both private- and public-sector firms in their adjustment to a more open trade policy environment. The loan was intended specifically to support the reduction of non-tariff barriers. In making this loan, the WB argued that trade liberalization would increase non-oil exports, which would more than compensate for the losses associated with additional imports (World Bank 1986:v).

Mexico’s next president, Carlos Salinas de Gortari (1988–1994), a Harvard-trained economist and previous minister of programming and the budget, fully embraced neoliberalism. Under Salinas de Gortari, public enterprises and subsidies were targeted for privatization and elimination (World Bank 1987:6–7). In 1988 the government decided to privatize its chemical, textile, pharmaceutical, and petrochemical interests. This was later extended to include transportation equipment, coffee, and fishing (ibid.:8). In agriculture, reforms sought to diminish the role of parastatals in agricultural marketing, storage, and processing; to liberalize trade in agricultural products; and to decentralize and streamline the Ministry of Agriculture and “rationalize” the public investment program in the sector. This effectively reduced subsidies on agricultural inputs and, except for some low-income urban consumers, virtually eliminated subsidies on foods (ibid.:4, 9).
When the privatization campaign began, Mexico had 1,115 publicly owned companies. Among them were the two largest banks, Banco Nacional de Mexico (BANAMEX) and Banco de Comercio (BANCOMER); Mexico’s only telephone company, Teléfonos de Mexico (TELMEX); and Mexico’s icon oil company, PEMEX (Petróleos Mexicanos); as well as hotels and steel, sugar, and mining companies. Over the next twelve months, 47 percent of these publicly owned companies were privatized, and processes were put in place to improve the management of those that remained. By 1992 only 15 percent of the publicly owned companies remained, the biggest being PEMEX (Meyer, Sherman, and Deeds 1999:672). Although the World Bank portrays this as a major achievement of the Mexican government, the sale of these publicly owned companies was hardly an exercise in the free market. These companies were purchased through insider deals by a select group of presidential friends, some of whom had connections to drug cartels. In many instances, as in the sale of TELMEX to Carlos Slim, buyers were given special treatment that allowed them to accumulate vast fortunes, further skewing the distribution of wealth in the country (Oppenheimer 1996).

Despite the implementation of structural adjustments and fiscal reforms, Mexico’s economy continued to be plagued by its external debt problem. From the beginning of his administration, President Salinas de Gortari made finding a comprehensive solution to Mexico’s debt problem one of his principal objectives. In March 1989, US treasury secretary Nicolas F. Brady put forth a plan to address the debt crisis facing developing countries. It had become apparent that despite repeated rounds of restructuring and rescheduling obligations, most debtor nations’ economies remained fragile and some form of substantial debt relief was necessary. Brady’s plan called for banks to grant debt relief in exchange for greater assurances of repayment in the form of collateral, assurances of economic reform, and the repackaging of debt to make it a more highly tradable commodity that would allow creditors to diversify risks more widely through the financial and investment community. In July 1989 Mexico signed the Brady plan, becoming the first nation to negotiate the restructuring of its debts under the plan. While the Brady plan reduced Mexico’s annual interest burden by an estimated US $1.3 billion and provided some relief, it did little to reduce macroeconomic uncertainties (World Bank 1994:8).

As structural reforms moved forward in Mexico, the World Bank increasingly viewed the ejido sector as anathema to its neoliberal tenets. The ejido was a product of the Mexican Revolution and of land reforms that sought to redress the processes that had stripped the peasantry of its lands. Under Article 27 of the 1917 constitution, the government granted land and water rights to communities as a form of common property known as ejidos. Small producers (ejidatarios) received usufruct rights that were contingent on occupation and cultivation of these lands. Ejidatarios were to work these lands themselves, and they were
prohibited from hiring labor. Ejidatarios absent from the ejido for more than two years could lose their land rights. Ejido lands could not be sold, mortgaged, or rented. While these provisions were meant to prevent the alienation of land from agricultural communities, in the Bank’s view the ejido sector—which accounted for about half of Mexico’s farmland and three-quarters of the small producers—was not just obsolete, inefficient, and inflexible, but its legal framework did not correspond to the needs or realities of the countryside (World Bank 1999:vii.).

Turning its back on the social and land reform legacy of the Mexican Revolution, in 1992 the Salinas de Gortari government enacted agrarian reform, modifying Article 27 in such a way as to allow the privatization, sale, mortgaging, and leasing of ejido lands. The intent of the reform was to create a land market in which it was hoped more “efficient units” of production would emerge and to push ejido labor into off-farm labor markets (ibid.:viii–ix). These reforms, which the World Bank supported and characterized as a bold move, went beyond merely privatizing ejido lands; they created new capital (through titles and registries) that allowed these assets to lead a double life as both physical properties and securities in financial markets (de Soto 2000). To induce small producers and rural communities to lease or sell their lands and other resources, the Mexican government—following World Bank, IMF, and Inter-American Development Bank (BID) recommendations—eliminated most subsidies and price supports and rolled back multiple government programs that provided credit to small producers.¹ This move effectively undermined rural livelihoods and made it immeasurably harder for small producers to make a living in agriculture.

President Salinas de Gortari also negotiated the North American Free Trade Agreement (NAFTA) that dismantled trade barriers among Canada, the United States, and Mexico. NAFTA advanced the World Bank’s program of structural reforms. In a 1994 report the World Bank laid out the principal structural reforms the Mexican government needed to complete, which included liberalizing trade by implementing NAFTA and extending liberalization to other countries by reducing non-NAFTA country tariffs as well. Such a move, the Bank held, would encourage foreign investment from non-NAFTA countries. The Bank also pushed Mexico to close tax loopholes and improve its tax administration, and it advocated eliminating credit subsidies and phasing out subsidies to growers (World Bank 1994:129–130). To support these efforts, the Bank promised to continue to support the government’s strategy of development led by the private sector—anticipating that about a third of its lending would support agriculture and infrastructure development, another third would be used to address environmental issues, and the remaining third would focus on poverty alleviation and human resource development (ibid.:xii).

Whatever the Bank’s intentions, the reality was that NAFTA put small producers between a rock and a hard place. Among its many provisions, North
American and Canadian farmers were allowed to export corn to Mexico, forcing Mexican smallholders to compete with these cheap imports. As a result, many small producers were driven to abandon farming, sell or lease their lands, and leave rural communities in search of wage work. Because rural livelihoods depend on subsistence farming—especially corn—when Mexico’s newly elected president Ernesto Zedillo (1994–2000) signed NAFTA in January 1994, the Maya in Chiapas rebelled, protesting the signing, among other injustices. The Zapatista uprising was part and parcel of political unrest that far beyond Chiapas (Collier and Collier 2005; Earle and Simonelli 2005; Nash 2001; Stephen 2002). President Zedillo sent troops to deal with the Zapatistas in an effort to reassure foreign investors and to quell rumors of his “softness.” Shortly thereafter, Zedillo renewed negotiations with the group because of reactions to armed intervention and widespread sympathy for the Zapatistas. The uprising symbolized a fear of the potential impact of NAFTA and other neoliberal policies on rural and indigenous populations. In spite of widespread criticism, neoliberalism remained the foundation of the Mexican economy.

In 1995, despite the implementation of far-reaching structural reforms, Mexico experienced a sharp recession. While the combination of neoliberal reforms and higher interest rates Mexico offered had induced US $27 billion in foreign capital to flow into the country from 1991 through 1993, it also allowed Mexico to run a large current account deficit, which by 1994 stood at 8 percent of GDP (World Bank 1995:1–2). In reaction to the Zapatista rebellion, capital inflows abruptly slowed, and Mexico was forced to use its foreign reserves to finance its current account deficit. Fears of devaluation spread to the market, and panic selling further depleted Mexico’s exchange reserves, forcing devaluation. As a result, hard currency reserves were reduced from $30 billion to $6 billion. Short-term government investments intended for creating factories and increasing production and employment only amounted to 15 percent of the national budget. The much-lauded foreign money in the Mexican stock market represented funds that could be withdrawn at the slightest hint of a poor economy (Fuentes 1997:129). The economy of export-led industrialization seemed to mirror the same problems experienced under the earlier import substitute industrialization policies. Parts, technology, and expertise had to be imported. Consumer imports increased compared to exports at a rate of almost 3 to 1, with deficits growing by more than 37 percent. Short-term loans were called in, and the Central Bank increased the supply of money by 20 percent, with bank reserves sinking to a new low level. Between December 1994 and July 1995, the value of the peso declined 77 percent (World Bank 1995:1–2).

To cope with this new crisis of liquidity, in March 1995 Mexican president Zedillo turned to US president Bill Clinton. With his help, Mexico negotiated US $50 billion in rescue loans from the IMF, the US government, the Bank for
International Settlements, the World Bank, and the BID. As part of the conditions for these loans, the Mexican government agreed to embark on an austerity program that included reductions in government spending, increases in bank interest rates, wage controls, and acceleration of the privatization of state-owned enterprises—mainly in infrastructure, including a large number of telecommunications, energy, and transportation entities—with a goal of obtaining US $12–$14 billion over the next two years (ibid.). Despite these measures, the economy shrank by 7 percent (Bradsher 1995; The Economist 1995, quoted in Otero 1996:7–9; Wall Street Journal 1995).

Mexico repaid the US $12.5 billion it had borrowed from the US government in 1997, three years ahead of schedule. Even so, by 1998 it was clear even to the World Bank that Mexico’s slow recovery in the second half of the 1980s raised doubts about the effectiveness of such reforms (World Bank 1998:iii–iv). The Bank held that there were three possible causes: “(i) the obsolescence of old capital in the wake of reforms, (ii) the existence of long lags in the impact of reforms and (iii) the incompleteness of past reforms” (ibid.:iv). While obsolescence and lag were arguably implicated, the World Bank put greater weight on past reforms remaining incomplete. It argued that although Mexico had made significant progress in liberalizing external trade, it had not made the same progress in deregulating domestic labor markets and in carrying out financial-sector reforms (ibid.). The Bank’s view was that since the development of financial markets depends on the legal environment, especially with respect to the rights of creditors and shareholders, Mexico’s legal system needed reform. Such reforms would address the legal underpinnings of the financial sector by strengthening creditor and shareholder rights, particularly in the areas of bankruptcy proceedings and legal enforcement. These reforms would also deregulate domestic labor markets, improving the incentive structure by reducing the inordinately high compensation workers received for severance and reducing other non-wage costs of labor (ibid.: vi).

In 1999 the World Bank approved a structural adjustment loan that had as its stated explicit objectives:

(i) the reform of the legal framework to improve incentives in the financial sector through the introduction of a limited deposit insurance coverage and a major revamping to the bankruptcy and secured lending legislation to strengthen contract enforcement and creditor rights; (ii) the adoption of a comprehensive program of regulatory reforms to improve banks’ capitalization, soundness and transparency; (iii) the capitalization and resolution programs of three large insolvent banks in government hands since the 1994/1995 banking crisis; and (iv) the implementation of a program to sell assets from failed banks that had been transferred to the Institute for the Protection of Bank Assets (IPAB). (World Bank 2003a:1–2)
The Neoliberal Transformation of Mexico

Under this program Serfin—Mexico’s third-largest bank—was sold to a Spanish consortium, Banco Santander Central Hispano, and majority ownership of Inverlat was sold to the Bank of Nova Scotia (ibid.). In December 2001, when President Vicente Fox took office, two of his top economic priorities were to reform the government’s development banks by making them conform to the same prudential regulations as private banks and, to avoid competition with private banks in areas where they had a comparative advantage, to move development banks toward second-tier activities (World Bank 2006a:2). In October 2002 the Fox administration submitted to the Mexican congress a law to create a new Rural Finance Institution. It called for the liquidation of the development bank Banrural and the capitalization of a new Financiera Rural to begin in July 2003 (ibid.:3). In support of these efforts, the World Bank made a loan in 2003 for a second phase of the Mexican government’s Bank Restructuring Program. Again, the loan conditions required specified measures to improve Mexico’s legal and regulatory framework and to make the operations of its financial sector safer. The loan also required the sale, merger, or liquidation of insolvent banks that were still under government control (ibid.). This loan also supported the Mexican government’s program of fiscal reforms aimed at

(i) Increasing tax revenue. This is needed both to finance the government’s programs for poverty reduction and economic development and to keep its finances stable; (ii) Improving the efficiency of the private sector, by reducing the distortions in tax incentives for resource allocation; (iii) Improving equity of the public sector. This would come in three ways from the tax reform—assuring that it puts no excessive burden on the poor, making the burden of taxes more equal among people with the same level of income, and channeling the increased revenue into poverty reduction programs; (iv) Making taxes simpler to administer; (v) Making the federalism system more balanced and incentive comparable. (World Bank 2003:2)

In 2004 the World Bank made yet another structural adjustment loan, this one to support the liquidation of the government-owned development bank Banrural and to create a new Financiera Rural in its place (World Bank 2006b:1). Unlike Banrural, its replacement was to be a decentralized non-banking institution charged with promoting the development of rural financial markets. The Financiera Rural would have some capital to lend to lower- and middle-income rural producers; however, as it depended entirely on government allocations for its funding, it was required to maintain the value of its capital endowment in real terms. Thus in contrast to a true bank, it was powerless to either mobilize deposits or issue debts (World Bank 2004a:1). In 2006 the World Bank reported that these reforms had been completed to its satisfaction (World Bank 2006b).

The global financial crisis that began to unfold in late 2008, congealing the flow of credit, has been especially crippling for Mexico. While Mexico experienced
moderate GDP growth between 2004 and 2007, averaging 3.8 percent, and some progress was made in reducing poverty (under its broadest definition) from 50 percent in 2002 to 43 percent in 2006, the present crisis threatens to undo these moderate gains. This crisis, made outside Mexico, also underlines the fragility of the Mexican economy. Mexico’s economy under NAFTA became heavily dependent on the United States, its major trading partner. At present, the United States is the market for 80 percent of Mexico’s manufactured exports, and the shrinking US economy has profoundly damaged the Mexican economy. Adding to the injuries, US Mexican worker remittances have also declined sharply (World Bank 2008:1).

Among the most interesting World Bank documents is a 2004 report on poverty in Mexico (World Bank 2004b:xiv). It starts by noting that poverty in Mexico remains widespread and is closely linked to high levels of inequality. In fact, poverty rates are only slightly lower than levels that prevailed before the 1994–1995 crisis. “Some five to ten percent of Mexico’s population still lives [on] under $1 [a] day. This is a line that is close to . . . some of the poorest countries in the world, and would represent a deep level of deprivation in the Mexican context . . . [A]nother 20 percent live [on] under $2 a day” (ibid.:xx). Poverty, however, is not distributed across Mexico equally. While the southern parts of the country are generally poorer than the north, there is a great deal of heterogeneity within states, and pockets of extreme poverty are not limited to the south. In fact, nearly 25 percent of those living in extreme poverty live in urban areas in the central states (ibid.:xxvi). Indigenous peoples—because of historical patterns of social exclusion—are among the poorest of the poor. According to the 2000 census, in terms of income, 44 percent of the indigenous groups are in the bottom 20 percent of the country’s population when it comes to income, and 80 percent are in the bottom 50 percent. “Indigenous peoples account for about a fifth of the extreme poor, that is over twice their population share” (ibid.:xxv). They also typically suffer higher levels of deprivation when it comes to access to education and health services (ibid.).

While the Bank lauds the notable progress the Mexican government has made in the areas of health, nutrition, and education (ibid.:xv), it also observes that the quality of many services remains a major issue. While some policies target those living in extreme poverty, most of the poor (both extreme and moderate) do not qualify for the limited assistance available from the formal system of social programs; many of the poor, elderly, sick, and unemployed are at significant risk (ibid.:xiv). The rural and urban poor in Mexico, the report continues, are especially vulnerable to a variety of adverse shocks that affect everyone: meager harvests, natural disasters, and macroeconomic shocks. The Bank notes that Mexico is going through two profound transitions: it is becoming increasingly integrated into the global economy, and it is going through major economic and political restructuring. These transitions have powerfully shaped living con-
ditions for Mexicans (ibid.:xv). However, rather than conclude that structural adjustment policies have played a decisive role in engineering the conditions with which rural and urban poor are forced to cope, the Bank argues that Mexico has lost its competitiveness. The problem, the Bank contends, is that despite the initial gains Mexico made under NAFTA, in recent years the country’s international performance relative to competitors such as China has been poor (ibid.:xli). China surpassed Mexico as the second-largest US trading partner, after Canada, in 2003; and of 104 countries, Mexico’s competitiveness in the world market slid from 34th place in 1998 to 48th place in 2004 (World Bank 2005).

Inadvertently, the World Bank’s 2004 report “Poverty in Mexico” raises profound issues about neoliberalism. Simply put, are Mexico’s continuing economic problems the result of a badly applied neoliberalism, or are they the predictable product of a vigorously applied neoliberalism? The Bank comes down clearly on the side of an inadequately applied neoliberalism, the cure for which is yet further doses of neoliberal reforms. On the other side, there is mounting evidence that the neoliberal emphasis on free markets and deregulation may exacerbate distorted markets and substantially raise risks by encouraging speculative capital investment and lowering the barriers and costs of moving capital in and out of national markets (LiPuma and Lee 2004:186–189; Zaloom 2006:93–109; Greenberg and Heyman, this volume). Further, as Carol Greenhouse (2010:15–16) argues, neoliberalism fundamentally changes the character of the state and the distribution of risk in society. Under neoliberalism the state’s role is not merely to free the market from political and social controls but also to enable it to work more efficiently. By redefining the state’s social mission and responsibilities, neoliberalism also shifts social responsibilities from the government to citizen-consumers (ibid.). As it does so, it both shifts risks to individuals and opens vast areas of the economy to private capital. Neoliberal reforms have forced the Mexican government to back away from its social responsibilities to its people, leaving them with few resources to cope with the increased risk they face as individuals.

For most Mexicans, the immediate impact of these policies on their everyday lives is keenly felt as their pesos are devalued and therefore buy less and the costs of food, shelter, clothing, and other needed commodities and services continue to soar (see Heyman 1997:175–177.) Moreover, since these reforms, as Gerardo Otero (2004) documents, target institutional arrangements—including industrial relations, labor, and food production—that are fundamental to the security of people’s livelihoods, their social impacts have been wide-ranging and often devastating.

OUR FRAMEWORK

The authors of the chapters in this book use two basic perspectives to frame the discussion of neoliberalism: political ecology and a focus on commodities.
Political ecology—with its concern with how the wider economic and political processes play out through the ecology, economy, and social formations of particular places—is used to explore how public policy plays across class divisions and to examine how policy impacts the distribution of power, access to resources and markets, social reproduction, and the character of development. While places have particular biophysical characteristics as well as social arrangements, the processes that create, maintain, transform, or destroy them are anchored in their relationship to the wider society in which they are embedded (Biersack and Greenberg 2006; Greenberg and Park 1994; Robbins 2004; Whiteford and Whiteford 2005; Greenberg and Heyman, this volume). Flows of commodities are among the most salient processes that connect local to global economic systems, so the authors in this book focus on particular commodities—grapes, coffee, corn, limes, shrimp, as well as natural resources such as water and timber—to ground their discussions of neoliberalism in the ways these policies have altered their production, movement, and consumption (Walsh et al. 2003). This vantage point allows us to ask how neoliberalism changes the flows within the commodity chains that previously sustained specific places (Biersack 2006; Cunningham and Heyman 2004; Greenberg and Heyman, this volume). By selecting commodities from different regions of Mexico, in effect we produce a multi-site ethnography (Marcus 1995:96). By focusing on commodities, the authors ground their ethnographies of particular places within their economic articulation of the wider world, allowing them to explore how the social relations of power in which these places are embedded shape these commodity flows.

Our focus on commodities stems in part from a well-established tradition in anthropology that has produced many classic works (Bonfil Batalla 1982; Douglas and Isherwood 1996; Mintz 1985; Wolf 1982) and continues to inspire contemporary studies (Foster 2008; Gibbon and Ponte 2005; Myers 2004; Roseberry, Gudmundson, and Samper Kutschbach 1995; Van Willigen and Eastwood 1998; Walsh et al. 2003). Commodities, however, are not just things—labor in a capitalist world is also a commodity, subject to allocation, appropriation, sale, and migration. Thus our concentration must include labor and its uses and the forces that induce people to enter the market and to move in search of work. Since the world economy is made up of “commodity chains” that constitute forward and backward connections in the processing of a commodity within and across regions, the connections between places cannot be understood apart from the channels through which goods flow (Gereffi and Korzeniewicz 1994; Stanford 2000:79; Topik and Wells 1998:4–5). In our analysis, we find the concept of a commodity value chain especially useful. Such value chains are composed of anything produced in a marketable quantity that creates added value to the original resource (Bestor 2001). This concept draws attention to specific resources, goods, or services—from processes of production or extraction of a natural resource
through distribution and consumption, including the many processes, sites, and hands that may be involved in the financing, processing, transforming, transporting, and marketing of commodities.

The concept of a commodity value chain, in an important way, also leads us to the many sites that are part of such chains in which living human beings earn livelihoods, make decisions, and cope with the ever-changing conditions of the particular industries and markets in which they take part. Arjun Appadurai (1986, 1990, 1996) talks about the dimensions of these sites and processes within global flows using the metaphor of different kinds of “scapes:” ethno-scapes, techno-scapes, finance-scapes, media-scapes, and ideo-scapes. Appadurai emphasizes irreducible disorientation and fragmentation, but Josiah Heyman and Howard Campbell (2009) critically reinterpret his work to focus on analytically comprehensible processes of culture and place making, reproduction, erosion, and destruction. As implied by Pierre Bourdieu’s (1972) dynamic interplay between structure and practice, these scapes constitute transnational, national, regional, and local structures within which immediate agency and meaning are exercised. The people inhabiting such scapes experience particular dimensions of global processes, which shapes their view of the world, rather than directly experiencing an abstract globalized neoliberalism (see Greenberg and Heyman, this volume).

CHAPTER THEMES

The application of neoliberal policies in Mexico created both winners and losers. To assess this differential success, the authors in this collection examine the ways neoliberal policies play out in commodity chains. They look at a range of neoliberal policies dealing with trade agreements, privatization, environmental degradation, social programs, and foreign investment, as well as World Bank policies. Special attention is focused on themes such as NAFTA, as well as agricultural commodities such as corn, coffee, fruits and vegetables, table grapes, and forests.

Robert Alvarez, Rebecca Carter and William Alexander, Alvaro González Ríos, Robert Emanuel, Paola Sesia, and others describe the state of agriculture under NAFTA. Unfortunately for Mexico, under the terms of NAFTA, US agricultural imports were allowed to enter Mexico at the expense of Mexican production. The livelihoods of many rural farmers were ruined, and many were forced to migrate to urban areas in Mexico or the United States in search of work.

Free markets are supposed to operate through mutual agreement of the governments involved to reduce tariffs and subsidies for commodities such as agriculture. Clearly, this offers an advantage to the economy with the best technology, financing, transportation, and information—making its products cheaper and putting sectors that produce the commodities in importing nations at a
disadvantage. Trade agreements formed with technologically advanced countries reflect an uneven power balance and can be violated at will. For example, the United States can continue to subsidize agriculture while demanding that developing countries reduce or eliminate subsidies by threatening to increase tariffs on other necessities such as technology and finance. While some may argue that this is simply the way an efficient market works, social issues revolve around the great price that must be paid and by whom.

During the first years of NAFTA, US exports increased by 23 percent, with a surplus of $1.8 billion and 130,000 new jobs, while Mexican exports increased by 22 percent. This mutual growth and development, however, did not last. The treaty permitted the distribution of fruits and vegetables to US markets, and what began as a market for ethnic clientele in the Los Angeles region became a major distribution center for the rest of the United States. Nogales, Arizona, another major nucleus for American brokerage firms, has become the most important US source for winter vegetables (see chapter 3 by Alvarez and chapter 4 by Carter and Alexander).

The lower Rio Grande valley port of McAllen, Texas, also ships cantaloupes and fruits from agricultural regions of northeast Mexico (Josling 1992). While Alvarez argues that NAFTA clearly increased the export of fruits and vegetables to markets in the United States, much of the literature on globalization and neoliberalism focuses on the inequities and economic dimensions of free trade and ignores the offshore capacity of the dominant nation-state as participant in and organizer of regional-, national-, and local-level producers and distributors (Alvarez 1994). Specifically, Alvarez addresses the ways neoliberalism has redefined state sovereignty and how fruits are produced and distributed. Alvarez illustrates how, in the case of tropical crops, specific US infrastructures penetrate offshore cultures of production and distribution, producing dramatic social and cultural changes. By documenting the extension of the US Department of Agriculture’s presence and control over production processes within Mexico, part of Alvarez’s argument is that the US offshore involvement needs to be viewed as a component of a specific global process that defines transnational states.

González Ríos demonstrates that neoliberal agricultural policies under NAFTA pursue basic objectives of creating larger farm units by privatizing the ejidos and communal lands (so peasants can rent or sell their lands or lease them to agribusinesses) and weaning peasants from planting subsistence crops so they can grow more profitable cash crops. As part of a systematic attack on peasants’ livelihoods, public spending on the rural sector was slashed, creating the social conditions that forced peasants to sell and lease their lands and permitting foreign capital to enter. González Ríos contends that NAFTA’s allowance of corn imports gives the United States a commercial monopoly, noting that as corn was domesticated in Mesoamerica over the millennia, thousands of local variet-
ies were developed—each adapted to specific ecological conditions. The massive importation of corn threatens to destroy the historical pillar of peasant culture and reproduction. Furthermore, the introduction of genetically modified corn seed may mean the loss of genetic varieties that provide food security through adaptation during periods of severe climatic conditions. Throughout Mexico and beyond, a worldwide broad-based social movement under the banner “La Via Campesina” has recently emerged and is gaining traction in countering neoliberal hegemony over the issue of what is called “food sovereignty.” The movement’s position is that every country and its people are entitled to the right and the ability to define their own food, farming, and agricultural policies. Arguing that food and farming are about far more than trade and that production for local and national markets should take priority over production for export, the movement is fighting to protect domestic agriculture and public-sector budgets for agriculture; and it opposes genetic modification, seed patents, commodity dumping, and related issues of food security (Martina-Torres and Rosset 2008).

Carter and Alexander look at the harvesting of table grapes on a water basin basis, with emphasis on the social relations of production and the political economy of labor. At first glance their chapter appears to be a poster child for the way neoliberal reforms have transformed Mexican agriculture from a heavily state-supported sector unable to compete in global markets into one that is both lucrative and highly competitive. The authors document how La Costa de Hermosillo, a region that once produced wheat and cotton, switched to table grapes (which require less water) when faced with falling water tables, rising pumping costs, and neoliberal cuts to government subsidies. They show that table grape growers have adapted successfully to take advantage of a market niche when grapes are not available from Chile or California. While growers rely on distributors for the credit required to produce table grapes, they nevertheless retain considerable power and profits in dealing with foreign distribution firms, and they maximize profit through savings on worker benefits, housing, and wages. Migrants and women are preferred over local male employees, who often move to obtain improved pay and working conditions. Female workers are stable residentially and work for lower wages than males. Moreover, local workers are less manageable than migrants because of local family support during times of unemployment. The authors claim that although NAFTA has brought growers new opportunities, their workers have not benefited to the same degree (see Olivera 2005).

Mexico is the fifth-largest producer of organic coffee in the world, and Oaxaca is second only to neighboring Chiapas in production. There is a great difference between what producers receive compared with corporate gains. Corporate production and marketing do not consider the gains for the environment when coffee is grown organically in the shade by subsistence coffee growers. Greenberg
demonstrates that the demise of the international quota system in the late 1980s caused prices to fall and threw the coffee sector into crisis (the so-called coffee paradox, as booming popularity in consuming countries coexists with falling earnings for producers; Daviron and Ponte 2006). The liberalization of the coffee market has seen world prices remain flat, resulting in marginal earnings with the exception of a few good years in the mid-1990s. Although smallholders’ livelihoods do not rest entirely on coffee, continued poor earnings have created an enormous crisis for the coffee economy. In response, networks of organic coffee producers participating in the Fair Trade Movement, along with indigenous women’s collectives and pro-democracy organizations, have become components of what Alice Swords (2008) calls “neo-Zapatista network politics” in which alternative practices of participatory democracy and autonomist development in southern Mexico arose in support of the Zapatista Army of National Liberation (EZLN) and then took lessons from the group.

Government social and economic programs are discussed extensively by Sesia, González Ríos, and Nahmad and prominently in many other chapters. Formerly, social programs constituted production loans to subsistence farmers; today they are viewed as programs that offer assistance, with poor families redefined as a social sector and new welfare programs instituted to help them. González Ríos, Sesia, Emanuel, Nahmad, and Greenberg provide a close look at the operation of such programs as PROGRESA (Program for Education, Health, and Nutrition) and PROCAMPO (Program for Direct Support to Farmers), while Emanuel also discusses PROCEDE (Program for the Certification of Ejidal Land Rights and the Titling of Urban House Plots). PROGRESA is the Mexican federal program designed to combat extreme poverty in rural places and is closely aligned with World Bank directives.

Sesia examines the economic and nutritional impacts of government programs in two coffee-producing indigenous communities in Oaxaca within the wider context of the current international coffee crisis. Attention is drawn to the economic dependency these programs generate among local producers and their families. Sesia holds that nutritional status is not related to whether the communities “grow” cash or subsistence crops but rather is linked to specific conditions created by the state. Prior to the advent of neoliberalism and structural adjustment, government policies included provisions for technical assistance and market opportunities, the creation of stocking and distribution infrastructures, and, above all, the assurance of payment to peasant producers that guaranteed a steady flow of income during the “lean” season. The pillaging and destruction of these programs under neoliberalism, Sesia maintains, has decidedly worsened these populations’ nutritional status. The local response has been massive out-migration, a phenomenon also attested to in Greenberg’s chapter on coffee (see also Nevins 2007).
Sonora’s proximity to the arid US Southwest and its important products would seem to position it favorably to benefit from access to markets. This is evident in Carter and Alexander’s discussion of grapes, Vásquez-León’s chapter on fisheries, and Weaver’s piece on forestry. Water, cattle, and land rights are important topics in the contributions of Browning-Aiken and Emanuel. Under neoliberalism, groundwater has essentially been privatized, and the implications of the old aphorism of water flowing toward money are a natural concern (Romero Lankao 2001; Whiteford and Melville 2002; Wilder and Whiteford 2006).

Browning-Aiken looks specifically at neoliberal water policy in relation to water management. Under the 1917 constitution, water belonged to the nation, and water management was centralized. Browning-Aiken contends that, in line with neoliberal ideologies of local control, Mexico began to decentralize control over water under President José Luis Portillo (1976–1982). This was taken a step further under President Salinas de Gortari (1988–1994), with the creation of the National Water Commission and the passage of the National Water Law (Ley de Aguas Nacionales) in 1992. In keeping with neoliberal policies, the federal government ended water subsidies, incorporated market forces, and made water both a public good and a commodity. Under the new water law, groundwater, while belonging to the nation, could be sold once pumped. The new law also encouraged users to administer and finance water systems at a basin scale.

The intent of these policies, Browning-Aiken states, is to increase local autonomy over the governing of resources and to improve economic efficiency and profit. Her discussion describes the challenges of restructuring and examines how, in the context of falling water tables and a new “culture of water,” communities in rural and urban regions have had to address problems of fiscal support, equity, economic development, pollution, and public health. Browning-Aiken also examines the ways international market prices, free trade agreements, and the presence of transnational corporations affect water and land use by private producers and ejiditarios and argues that the latter are more affected by market fluctuations and free trade agreements than are large private producers.

Emanuel, in his chapter on a cattle ejido that lies near the US border in northern Sonora, argues that neoliberal policies concentrate property in the hands of a few and lead to degradation of rangeland and erosion. In his review of problems that impact water, land, and cattle on this ejido, Emanuel dissects Mexico’s decade-old neoliberal efforts to privatize water and rangelands and looks at their serious implications for environmental sustainability in agrarian communities. His historical and ethnographic data reveal dramatic changes in the community’s socioeconomic structure, such as the concentration of capital, land, technology, and livestock in the hands of elites. Emanuel also documents the long-term ecological costs—such as erosion, riparian habitat destruction, and the loss of “in-stream flows”—associated with the commoditization of communal water and
rangeland resources. As a result, fields have been abandoned in the once irrigated floodplain. Under the new water laws, although well owners cannot sell water belowground, they can sell rights to it. This legal transformation has turned groundwater into a commodity that has been sold to nearby mining operations.

Privatization policies have allowed expanded foreign ownership of businesses and property that in the past was limited by requiring majority ownership by citizens or that they be set up through trusts with Mexican partners. These limitations were extended to include ownership of communal and ejido lands in 1992, with changes to Article 27 of the 1917 constitution to allow sale, leasing, mortgaging, and private ownership. Many indigenous communal and ejido holders, however, maintain traditional ownership.

Among the impacts of neoliberalism, the most important long-range effect is its environmental costs. The theme of environmental destruction is reflected in many chapters. The potential damage to the environment was an issue raised from the start of negotiations over NAFTA. Environmentalists charged that Mexico’s environmental law appears strict, but its enforcement has been lax. They feared US and Canadian companies would move polluting industries south. Since that time, writers have attempted to assess NAFTA’s environmental implications (Corliss 2000; Gallagher 2004; Liverman and Vilas 2006; Liverman et al. 1999; Nadal 2000; Sanchez 2002). These environmental costs are assessed by Browning-Aiken, Emanuel, Vásquez-León, Weaver, and Nahmad in their respective chapters. Vásquez-León specifically mentions the impact of government policy on Sea of Cortez fisheries; the policy ignores local sustainable practices, creates poverty, and is destructive to the environment. Weaver explores the impact of careless exploitation of forestry on the environment. Emanuel also addresses this issue in his focus on communal land, cattle, and water. Nahmad provides evidence that the neoliberal emphasis on development of the urban-industrial sector has ignored environment impacts. Mexico has some of the strongest laws and created the first agency in the world devoted to balancing conservation and development, with regulations in place to protect the environment with the goal of achieving sustainable resource use. But laws are contradictory, enforcement is arbitrary, and regulatory efforts have been ineffective in curtailing the rapid decline of the environment and of natural resources.

As the forces of neoliberal privatization have played out in Mexico’s fishing industry, similarly serious questions about its consequences have arisen (Cruz-Torres 2001, 2004; Greenberg 2006; Ibarra, Reid, and Thorpe 2000; McGuire and Greenberg 1993; Vásquez-León 1999). The chapters by Vásquez-León and Greenberg and Heyman examine this issue. Vásquez-León contends that under neoliberal policies, both the lives of fishermen and the state of fisheries have worsened as a result of over-fishing, poor management, and environmentalists’ misunderstanding of local adaptations to the multiple uses of fisheries. The marine
ecosystem of the Sonoran fishing communities on the Sea of Cortez has been the basis of subsistence for local populations of Seri Indians and Mexicans for the better part of a century. The region is characterized by semiarid conditions, little rainfall, and no access to river drainage from the interior. Examining the impact of the government’s policy of privatization on fisheries, Vásquez-León argues that neoliberal policies have not only impoverished fishermen but also moved control over fishing out of their hands and into those of middlemen. Since middlemen are driven by short-term profits and have few incentives to employ sustainable fishing practices, this result has been environmentally destructive. Local populations have no other means of subsistence. Weaver makes a similar argument regarding forests in Chihuahua.

The exploitation of Mexico’s forests has come under increased scrutiny as neoliberal policies reorient the economy toward production for export (Emanuel and Greenberg 2000; Klooster 2000, 2003; Segura 2000; Taylor and Zabin 2000; Weaver 1994, 1996, 2001; Works and Hadley 2004). Weaver’s chapter on forestry in Chihuahua also takes up the impact of careless exploitation on the environment. Weaver argues that although Mexico’s forestry laws are among the best in the world at balancing conservation and development—and that they attempt to achieve sustainable resources with regulations aimed at protecting the environment—under neoliberalism their teeth have been pulled, and enforcement has become spotty, arbitrary, and politically motivated. As a consequence, regulatory efforts are ineffective in curtailing the rapid decline of commercial forest stocks. Weaver claims that timber as a commodity has been embedded in a long chain of social relations among provincial, national, and international elites that have placed the bulk of the value into their treasure chests. Political and social institutions, informal agencies of *caciquismo* (political bosses), and drug lords add to the existing inequality. As a result, Weaver contends that not only have neoliberal policies degraded the environment but that forest exploitation in Chihuahua has increased the poverty and social ills of rural and indigenous people.

Nahmad discusses forestry and elaborates other themes, such as the World Bank–inspired neoliberal reforms that over the past twenty years have recommended macroeconomic, agrarian, and environmental policies that purport to sustain economic growth, improve life, and combat poverty. He reasons that these policies have had the opposite effect and have ruined peasant livelihoods. Following the recommendations of the IMF, the World Bank, and the Inter-American Development Bank, the Mexican state instituted neoliberal reforms that dismantled government programs that provided support to peasants and indigenous peoples, substantially weakening those communities. Nahmad notes that even the World Bank acknowledges that over 45 million Mexicans live in poverty and that extreme poverty is found in rural areas at greater levels than existed prior to the implementation of these reforms.
Nahmad also discusses how efforts to decentralize forestry and return control to local communities have undermined the enforcement of forestry regulations and promoted deleterious and intensive exploitation that has further impoverished indigenous and rural communities. He argues that this systematic weakening of peasant communities is part of the Plan Puebla-Panamá (PPP) launched by the Inter-American Development Bank and other financial entities in 2001 to build hydroelectric dams, railroads, and ports and create an industrial corridor from Mexico to Panama that would absorb millions of indigenous people (O’Donnell 2004). In post-Zapatista Mexico, opposition to the PPP was swift and coordinated. A massive interregional protest movement (Foro Mesoamericano) saw the plan as paving the way for expanding abuses of NAFTA, challenged the central government, and contested the idea of infrastructure as “development” (Spalding 2008). Nahmad argues in this regard that the Zapatistas’ demands for respect for their indigenous culture and rights must also apply to people living in the region of the Plan Puebla-Panamá.

The impact of neoliberal policy on the rural poor and on indigenous communities in Oaxaca is taken up in the chapters by Nahmad, Sesia, Greenberg, and González Ríos, which review the production of forests, corn, and coffee in Oaxaca. They also shed important light on rural out-migration and argue that neoliberal policies have deliberately sought to ruin peasant livelihoods and to create a class of proletarian workers ready to offer cheap labor to capital. While the economic development talk may be about the PPP, the real beneficiary of this dispossession will be the United States. In this time of cynical rhetoric directed against Mexican migrants in the United States, it is good to remember that Mexico’s neoliberal policies were shaped by an American agenda. If the migrants are “illegal” here, it is only because we attracted them here and have kept them in an illegal status to prevent them from demanding better wages and social services.

Greenberg addresses the fundamental subject of how neoliberal policies have changed the way credit is provided to coffee producers in Oaxaca. Tracing the history of the world coffee market and the Mexican government’s involvement in and support of coffee production and trade, Greenberg describes various credit programs aimed at small growers and the complex relationship between these programs and “coyotes” (independent buyers who exploit small growers through various credit arrangements). He shows how neoliberal and post-neoliberal policies have shaped capital mobilities and transformed coffee production.

Greenberg and Heyman investigate the discretionization of capital. Houses, land, factories, and infrastructure are less mobile than stocks, bonds, and futures; therefore, neoliberal policies have a different effect on the mobility of capital and flows of goods and people. Credit in this form creates disembodied, abstract financial vehicles that permit, for example, the transfer of titles, even when land itself cannot move. The authors contend that the basic thrust of neoliberal pro-
grams is to allow capital to move freely in and out of local markets and to pry loose assets from their place to redirect flows of capital, labor, and commodities into internal and external markets.

In chapter 14, Weaver picks up the theme of forms of resistance and accommodation to neoliberalism and the efforts of those at the bottom of the economic scale to use capitalist mechanisms to move “up the mode,” the mode being capitalism. Post-neoliberalism, he observes, is a world consciousness protest against the negative impacts of neoliberalism that finds expression in antiwar demonstrations, environmentalist activities, protest writings by academics and reformed capitalists, and other forms of resistance by poor and indigenous people. At a regional level, in recent years populist governments in Venezuela, Bolivia, and Ecuador have made political gains in rejecting neoliberalism by nationalizing industries and reclaiming resources—agonizing foreign powers in the process (see MacDonald and Ruckert 2009). To a far lesser degree, other states (Brazil and Argentina, for example) have made substantial efforts to lessen their dependency on international lending institutions and attempted to form a regional counter-hegemony within the world market (Hershberg and Rosen 2006). Given the current global crisis, the extent to which this shift will increase or expand to other parts of Latin America remains to be seen.

The concluding chapter provides a critical assessment of neoliberalism and resource commoditization by focusing on the questions and issues raised in the individual chapters, including: What has been the impact of neoliberalism on Mexico and on small communities? What has the Mexican government done to help or hinder the welfare of those communities? Does this differ when one looks at different commodities? How much of a part has the much-ballyhooed NAFTA played in these neoliberal transformations? What are the advantages of our commodity-smallholder approach? What are the challenges to people producing particular commodities as a result of neoliberal policies? What is the relationship of our study to the broader study of neoliberalism, both empirically and theoretically? What lessons can we draw from our study that provide lucidity to the debate on neoliberalism?

NOTES

1. Target programs included the Instituto Mexican de Café (INMEXCAFE), which promoted coffee; the parastatal company CORDEMEX in the Yucatan, involved with henequen; the parastatal company CONASUPO (Compañía Nacional de Subsistencias), which guaranteed farm prices on basic commodities to small farmers and, through its chains of small stores, sold such items at low cost; the state-controlled corporation PROFORTARH, which focused on forest production in the Tamahumara region of Chihuahua; and government-backed banks that provided credit and financial services to rural producers, such as Banrural, Banco Agrícola, Banco Ejidal, and BANPESCA.
James B. Greenberg, Thomas Weaver, Anne Browning-Aiken, and William L. Alexander

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