

# *Introduction*

## HOW COULD MEXICO MATTER?

WHO GOVERNS THE GLOBAL ECONOMY? Who establishes the agenda, makes the decisions, and structures the institutions that set the rules of the game? According to the conventional wisdom, such governance has been largely the purview of the most powerful nations and empires in the world. Rich countries set the rules, and the poorer and weaker ones are compelled to follow them. In this story, the idea that a country like Mexico could influence the governance of the global economy seems a dubious proposition. Wracked by devaluations and debt crises, Mexico experienced a thorough reorientation of its economy in the last decades of the twentieth century, as the United States and international financial institutions prescribed privatization, liberalization, and austerity as conditions for debt relief. At the other end of the twentieth century, Mexico endured more than a decade of fractious and bloody social revolution, in which property was destroyed or expropriated and debt ignored or repudiated. In the decades in between these extremes, Mexico pursued an inward-looking development strategy based on import-substitution industrialization, with high tariffs and state subsidies providing protection from the outside world. What role could such a country play on the world stage?

Against the conventional narrative, this book presents the little-known history of how officials in Mexico seized moments of profound international change during the twentieth century to assume a leadership role in the struggle for a different kind of world economic order. The Mexican vision for global economic governance was one that afforded *representation* to the countries of what would become the Global South and enabled *redistribution* of the surplus capital of the Global North.<sup>1</sup> As they looked to reconstruct their war-torn country in the aftermath of the twentieth century's first social revolution, Mexican leaders quickly came to understand that their national economic

progress was deeply dependent on the rules and institutions that governed global capitalism, and they therefore set out to change those rules to favor their country and others like it. In so doing, they advanced early demands for institutions to promote international economic development—and compelled the powerful countries of the world to respond. They argued for new multilateral agreements, outlined innovative new international institutions, and fought during crucial global negotiations for both the rights of the poorer states and the duties of the richer ones. This fight, waged over more than five decades, was Mexico's revolution in development. In important ways, these Mexican officials won key victories: while some of their more radical proposals were rejected or deflected, many were in some form co-opted into Northern plans for international institutions and agreements, as US officials came to recognize the utility of, for example, multilateral development lending. Even when their more radical proposals were stymied by the interests of Northern bankers and industrialists, Mexican officials and their allies won important concessions from the world powers, using a politics of immanent critique to hold the United States accountable to the promises of multilateral liberalism.

Mexico's revolution in development was, I argue, a vision that transcended the boundaries of the national developmentalist project, seeking not just to transform the domestic economy but to devise new rules and institutions for managing the *global* economic systems into which Mexico was increasingly integrated. It is a dream that still echoes to this day: that the global capitalist economy, managed under the proper institutions and rules, could allow the poorer, weaker, indebted countries of the world to overcome their structural disadvantages and enjoy a share of the returns of capitalist progress.<sup>2</sup> As debates about reforming international financial institutions continue today, however, the unintended consequences of Mexico's vision need to be underscored, as the pursuit of this dream ultimately led its leaders to defend precisely the institutions that would be used to dismantle the country's state-led developmentalist project during the crisis of the 1980s. This history, then, should serve as a cautionary tale for today's dreamers.

## THE SOUTH IN INTERNATIONAL POLITICAL ECONOMY

Under what circumstances could a country like Mexico have an impact on the creation of international institutions and the reform of global gover-

nance? Such a question can't be adequately answered with ahistorical theoretical abstraction, but rather requires paying careful attention to the specific historical circumstances in which Mexican actors and their allies sought to change, or to reinforce, the prevailing system.<sup>3</sup> The conditions of possibility for the formulation and reformulation of theoretical perspectives have, of course, been deeply shaped by the way that history has itself been understood; theorizing what *could* happen is a function of how we understand what *did* happen. Rather than positing general conditions under which weak states can influence strong ones, therefore, the chapters that follow demonstrate that disputes over the shape of the international economic system helped to define how strength might be exercised and how weakness would be understood. Mexico's advocacy of a fairer system of governing the global capitalist economy, undertaken in an often uneasy alliance with others from throughout Latin America and the rest of the Third World, defined important contours of legitimacy within which the United States managed its rise to power and conditioned US responses to the decline of that power.

In many prevailing historical and theoretical explanations for the development of the twentieth-century international order, however, the actions of countries like Mexico matter little. In the conventional historical narrative of the creation of the Bretton Woods institutions, for example, visionaries in the United States and Great Britain imagined a world order through a North Atlantic lens and conjured innovative new institutions—the International Monetary Fund (IMF) and the World Bank—to realize their vision. Given that this narrative was written from the archives of state power in the Global North, it is perhaps unsurprising that it often reflected the attitudes of actors for whom the interests, ideas, and demands of the poorer and weaker states were an afterthought, at best, if they were considered at all.<sup>4</sup> During the negotiations in the lead-up to the Bretton Woods Conference in early 1944, for example, a British Treasury official, incensed at the inclusion of so many Latin American delegates in the planning process, expressed a view often echoed in most of the subsequent historiography: it was “silly to make the pretense that the Mexicans . . . and the Brazilians would discuss ‘at the expert level’ a document which the American Treasury was endorsing.” They were there, he argued, “to sign in the place for the signature,” nothing more.<sup>5</sup>

Although few scholars would embrace such explicit paternalism today, some important theoretical perspectives have nevertheless precluded the possibility of the story in these pages, based on their understandings of the US rise to power. Some world-systems theorists, for example, have argued that

the United States arrived on the world stage in 1945 able to “impose on the world an order of its own choice,” with the result that “U.S. hegemony was built from the top down” through the creation of new multilateral organizations.<sup>6</sup> The varied institutions of the United Nations were thus established, in Immanuel Wallerstein’s words, as a mere “fig-leaf” for US power.<sup>7</sup> In these narratives, the rising United States had to contend with other great powers, the interests of capital, and the struggles of labor and social movements, but much less with the demands or aspirations of the weaker and poorer states.<sup>8</sup> A similar story has been told in some Gramscian and historicist theories of international political economy; in Craig Murphy’s conception, for example, the “liberal learning” that US leaders accomplished in the interwar period came largely from the teachings of European theorists and Northern business interests, whose lessons shaped the establishment of the “free world order.”<sup>9</sup> The result, Robert Cox similarly argued, was the creation of a “consensual, homogenous, hegemonic” US-led world order, the “Pax Americana.”<sup>10</sup> In this world order, “Third World elites do not participate with the same effective status as top-level elites in the formation of the consensus.”<sup>11</sup> Under conditions of hegemonic consensus, then, representatives of less-powerful states could act, but not under conditions of their own choosing—and not usually in ways that could be consequential for the larger system.<sup>12</sup>

If these frameworks precluded the possibility that Global South actors could have been influential in the *creation* of the postwar systems of global economic governance, however, the forceful demands of the Third World in response to the crisis of the 1970s demonstrated that the apparent hegemonic consensus was fraying. The “revolt against the West” begged new theoretical explanations.<sup>13</sup> Following the struggle for the New International Economic Order (NIEO), for example, Steven Krasner adapted the concept of “meta-power behavior” in the early 1980s to argue that it was not *despite* massive relational power asymmetries but *because* of those asymmetries that Third World states sought to “alter the principles, norms, rules and decision-making procedures that condition international transactions”—to change the rules of the game.<sup>14</sup> The conditions under which Third World states could have some leverage in changing global governance systems, Krasner argued, were first, when US power was in relative decline; second, when Third World states had high levels of access within international institutions; and third, when those states were able to construct a coherent ideological program, overcoming disparate interests and goals. But these explanations were less general theoretical conditions than they were a perceptive description of the

particular historical conjuncture of the 1970s. As such, Krasner joined other scholars who have identified the 1970s as the moment when the Third World “learned to aggregate their voting power,” as Cox put it: when decolonization created the possibility of influence, which, these theories implied, had not existed previously.<sup>15</sup>

Despite this newfound aggregating power, however, what followed was not increased Third-Worldist agitation but the “lost decade” of structural adjustment at the behest of the international financial institutions (IFIs), followed by the founding of the World Trade Organization (WTO) as a new forum for implementing the so-called Washington Consensus of liberalizing, market-oriented reforms. In this era, the ability of the Global South to resist Northern imperatives, let alone change them, seemed further diminished. Scholars and policy makers began therefore to theorize the nature of global governance itself, initially concerned more with the eclipse of the state by new global forces than with the role of the poorer and weaker states in managing the institutions of the global economy.<sup>16</sup> But especially after the streets of Seattle exploded with protestors angry at the exclusionary nature of the IFIs—joining a social movement wave of Zapatistas, *piqueteros*, water warriors, and others fighting against programs backed by the World Bank, the IMF, and the US government—scholars began to posit a “democratic deficit” within international institutions, arguing that their undemocratic nature was undermining their very legitimacy.<sup>17</sup> Concern that global organizations were “stifling the voice of the South” became widespread, and calls for reform became perennial.<sup>18</sup> Subsequently, when the “pink tide” of leftist leaders in Latin America began to reject the oversight of the IFIs, and when leaders in Brazil, India, China, and then South Africa began to self-consciously organize together as the BRICS consortium, theorists began to explore the possibilities for “South-South cooperation,” asking how rising powers might build new institutions and linkages that would bypass Northern-dominated institutions altogether.<sup>19</sup> That the countries of the South could matter no longer seemed in dispute.

Renewed contention from the Global South has therefore opened new space for scholars to return to the historical record on which our theoretical perspectives have been built—looking back, for example, to the Bandung moment to trace antecedent lessons for contemporary South-South cooperation.<sup>20</sup> In doing so, however, scholars have found that they have to contend with the enormous condescension of Northern historical actors themselves. Tracing North-South contention within the United Nations back to the late

1940s, for example, John Toye and Richard Toye noted the need to counter the arrogance, bias, and paternalism that pervades the US and European archival record, making an explicit methodological case for “treating seriously the developing countries’ view that differences in the level of economic development are relevant to the obligations that countries should be asked to assume in international trade and financial relations.”<sup>21</sup> They clearly anticipated skeptical readers, however, assuring their audience that “in principle, this is a perfectly respectable argument,” thereby demonstrating the tenacity of theoretical understandings to the contrary. Taking up the methodological challenge posed by Toye and Toye, Eric Helleiner went even further back to uncover the “forgotten foundations” of the Bretton Woods institutions in the ideas and demands that actors from the Global South, and from Latin America in particular, brought before US and European officials.<sup>22</sup> Helleiner’s work rereads the US archival record on which so much previous scholarship had been based to demonstrate that in fact, Global South concerns had not only been present at the creation of the post-1945 world order, but they had anticipated and shaped it in profound ways—not least by introducing a demand for development.

Despite these advances, however, relatively few scholars have written the history of international institutions and the order they sustain “from the outside in,” using sources from and centering perspectives beyond those of the United States and Europe.<sup>23</sup> Reacting to histories of “governing the world” that continue to exclude the South, Amitav Archaya has recently argued against the persistence of a “parochial and one-sided view [that] ignores the extent to which foundational ideas of what we know today as ‘global governance’ were far from an American or Western monopoly.”<sup>24</sup> As Adom Getachew has recently demonstrated, actors from Africa, the Caribbean, and the worldwide Black diaspora could be “worldmakers” in their own right.<sup>25</sup> Against theories that posit unidirectional North-South norm diffusion or that limit Third World ideas about development and progress to the purely domestic, inward-looking sphere, Getachew reminds us that leaders in the Global South have long imagined new ways of ordering the world and have organized to bring them into being.

Following the insights of this interdisciplinary range of thinkers, the chapters that follow revise the historical narrative and reveal the role that Mexico played in the creation and reform of the institutions, agreements, and organizations that together comprise our system of global economic governance. Methodologically, this requires returning to the archive and reading

Mexican sources—state records from the office of the presidency; the Secretaría de Relaciones Exteriores (SRE), Mexico’s foreign ministry; and the Secretaría de Hacienda y Crédito Público, Mexico’s finance ministry; as well as the personal papers of Mexican economists, diplomats, and political figures, and the Mexican press—along with and against the grain of US and European archival sources. Bringing these sources together often reveals contention that has been hidden by the exclusive reliance on Northern records, uncovering multidirectional influences disavowed by powerful actors seeking to legitimate that power. What emerges from this methodology is less an intellectual history of Mexican economic thought than a reconstruction of theorizing in practice, as Mexican officials tested precocious ideas about the global economy and their place within it during active negotiations about treaties, trade agreements, and international institutions.

Theoretically, in working from the outside in, my analysis departs from perspectives that seek to explain the rise of US hegemony as a *consensus* project. Instead, following William Roseberry, I understand the construction of US hegemony as characterized by “contention, struggle, and argument.”<sup>26</sup> Antonio Gramsci argued that understanding hegemony required not simply explaining the actions of the dominant classes but also uncovering the actions of the subaltern classes, “their active or passive affiliation to the dominant political formations, their attempts to influence the programmes of these formations in order to press claims of their own, and the consequences of these attempts in determining processes of decomposition, renovation, or neo-formation.”<sup>27</sup> Using such a perspective to understand global economic governance requires a conception of the US rise to power as structured by what Julian Go and George Lawson call the dynamics of “interactive multiplicity,” in which the mechanisms for the projection of US power were “formed and reformed through interactions with actors assumed to be external to or subordinate to them.”<sup>28</sup> This book looks through a Mexican lens to demonstrate that US hegemony—rather than being “built from the top down”—has in fact been shaped by iterative, repeated struggle from subordinate states, *themselves* shaped by internal social struggles over property, access, and representation. Paying close attention to these processes requires using the concept of hegemony, as Roseberry implored, “not to understand consent but to understand struggle.”<sup>29</sup> Such an understanding is important to illuminate not only the alternative possible futures that were imagined by actors in the Global South, but to reveal precisely how those alternative paths were foreclosed—and therefore to serve as a lesson for contemporary efforts

at reform. Mexico's historical struggle, therefore, and its complicated, contradictory, and surprising consequences are the subject of this book.

#### THE MEXICAN CASE

Having established a broad framework for approaching the study of interventions by Global South actors in international political economy, the question remains: Why Mexico? A country defined by its "revolutionary nationalism," Mexico might seem to be a strange candidate for *internationalist* leadership.<sup>30</sup> Given that there was no Mexican equivalent to the Comintern or to the programs of Fidel Castro's Cuba seeking to export Mexico's brand of revolution abroad, historians have argued that the Mexican revolutionary process was not internationalist as such.<sup>31</sup> But an exclusive focus on Mexican nationalism in the postrevolutionary period has obscured the ways in which nationalism and internationalism frequently represent two sides of the same coin—or two aspects of a single, integrated process.<sup>32</sup> In the Mexican case, the world's reactions to the policies pursued in the name of economic nationalism made an internationalist project necessary. As one scholar has argued, in the twentieth century, "The Mexican revolution was the first important challenge to the world order of the industrial-creditor, and capitalistic, nations made by an underdeveloped nation trying to assert control over its economy and reform its internal system."<sup>33</sup> Mexico's challenge to the world order, however, was more than simply an attempt to more effectively control what happened *inside* its borders. It was also, this book shows, a struggle to redraw the economic and financial map within which those borders were delineated. For the postrevolutionary Mexican state, therefore, "the common front was to be an internationalism of the underdeveloped countries based on a vital nationalism which articulated common aspirations for development and independence."<sup>34</sup>

This common front meant that Mexican leaders were not alone, of course, in their advocacy, and in fact they needed to cultivate allies from the rest of Latin America and the Third World and to actively build coalitions among like-minded states to advance their vision. If the ideas and policies that Mexican officials pursued in these pages were shared, what is distinctive about the Mexican case? Three factors make Mexico's interventions particularly important. First, the physical proximity with the United States not only facilitated close exchange between Mexican and US representatives over long

periods, creating deep working relationships that would be drawn upon as US officials formulated policy, but also made Mexico of particular importance to many US geopolitical goals. Mexican officials would repeatedly use this fact in their favor, leveraging their position between the United States and others in Latin America and the Third World to extract concessions. Second, the revolutionary process itself provided an important ideological justification for Mexican advocacy. Mexican economic ideas were rooted in the juridical force and ideological weight of Mexico's 1917 constitution, which redefined property and subsoil rights as vested not in the individual but in the nation. Of course, putting the constitution's lofty provisions into practice domestically was a long and contested process, subject to the same social struggles that had marked the constitutional convention itself, as workers and campesinos on the one hand and industrialists and landholders on the other pressed their claims upon the state. Nevertheless, a rhetoric of historical duty deriving from the revolution pervaded Mexican internationalist advocacy; having overseen the process of crafting the "world's first fully conceived social-democratic charter," Mexican leaders repeatedly argued that their country had a responsibility to carry that vision to the world stage.<sup>35</sup> Such rhetoric could serve as merely a justification for some other interest, material or political, but it was one that, as the chapters that follow show, was repeatedly invoked.

Finally, and perhaps most important, the interventions of Mexican leaders traced in these pages were profoundly shaped by Mexico's access to—and exclusion from—the international financial system. In 1914 Mexico defaulted on existing debt from before and during the revolutionary struggle, and the postrevolutionary state spent the next three decades negotiating Mexico's reinsertion into the system of international finance, public and private. Intense pressure from US and European bankers and bondholders, who organized into collective associations and allied with the more powerful states, established real constraints on postrevolutionary state building, and therefore shaped Mexican ideas about the nature of sovereignty itself. Isolated from international capital markets even as other countries experienced a lending boom, Mexican officials began to theorize the insufficiencies of *political* sovereignty in the absence of *economic* sovereignty. As the dust settled on the revolutionary struggle, Mexican political figures recognized that their economy did not exist asynchronously at a different and unrelated developmental stage from that of the United States or Europe, but rather came to understand that Mexico's development prospects were deeply constrained by a rapidly

globalizing economic interdependence. Decades before either modernization or dependency became codified bodies of theory to explain Mexico's place in the world, Mexican officials grappled with such ideas in practice, in negotiations over Mexico's access to capital and markets. Mexican leaders therefore actively sought to create an international framework—and not just an inward-focused, national policy—conducive to reinserting Mexico into the global financial system on equitable terms. As the chapters that follow make clear, it was precisely the struggle over access to capital—over the legal structures that might govern it and the institutions that might provide it—that shaped the patterns of how Mexico intervened in debates over global economic governance.

*Revolution in Development* uncovers these patterns in Mexican advocacy, which began at the close of the First World War, as world leaders debated the purview of the new League of Nations, and culminated in the late 1970s, when Mexican president Luis Echeverría spearheaded the writing of the Charter of Economic Rights and Duties of States, the agreement that would underpin the creation of the NIEO. Across these six decades, Mexican representatives repeatedly intervened in international negotiations to call for the creation of new institutions or the reform of existing ones, insisting on not only the rights of what were variously called the small, poor, weak, or debtor states, but on the responsibilities of the rich and powerful ones as well. Throughout the period, they sought not only *representation* in multilateral institutions—foreseeing and attempting to forestall the “democratic deficit” that would come to be criticized later—but also *redistribution* of productive capital from North to South, especially through long-term, concessional lending.

This is not, however, a story of unbroken continuity over six decades, but rather one of a dialectical evolution over time. Each instance in which Mexican ideas and proposals were rejected, deflected, or co-opted into international governance structures shaped how Mexican actors approached subsequent moments. Excluded from international financial markets, Mexican leaders in the 1920s and 1930s called for the wholesale revision of the system of international debt and credit. As Mexico slowly regained access to international lending in the 1940s, Mexican proposals sought to reshape the rules of new commercial and financial institutions being proposed by the United States and its Northern allies, to make sure they would benefit debtors as well as creditors. As credit finally started to flow to the country in the 1950s and 1960s, Mexican actors reversed their critical course, defending