

# Three Decades of Neoliberalism in Mexico: The Destruction of Society

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## **Abstract**

Neoliberalism has been implemented in Latin America for about three decades. This article reviews Mexico's neoliberal trajectory to illustrate the political, economic, and social alterations that have resulted from this process. It finds that representative democracy has been perverted through fear, putting central political decisions in the hands of power groups with special interests. The border between the state of law and the state of exception is blurred. Economic structural adjustment with liberalization and privatization has provoked recurrent crisis, but has been maintained, leading to the destruction of the national productive structure in favor of supra-national corporations, particularly financial capital. The association between criminal economy and economic criminality is also discussed. The privatization of social benefits and services requires state subsidies and allows the privatization of profits and the socialization of losses. The social impact of this process has been devastating, with a polarized income distribution, falling wages, increased precarious jobs, rising inequality, and extreme violence. Health conditions have also deteriorated and disorders associated with violence, chronic stress, and a changing nutritional culture have become dominating. However, in Latin America, massive, organized political and social mobilization has broken the vicious neoliberal circle and elected progressive governments that are struggling to reverse social and economic devastation.

## **Keywords**

Neoliberal reform, Mexico, Latin America, poverty, state violence, narcotic cartels

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In November 2014, the world became acutely aware of the atrocities occurring in Mexico when 43 student-teachers from Ayotzinapa, Guerrero, were picked up by local police and supposedly handed over to a drug gang before disappearing. This terrible event also involved political authorities and happened some miles away from an army detachment specializing in drug intelligence and combat. But it is just the tip of the iceberg. Tens of thousands have been killed and thousands of forced disappearances have been reported since 2007.

There is a growing awareness in Mexico that these events are the result of three decades of neoliberalism, including the North American Free Trade Agreement (NAFTA) between Mexico, the United States, and Canada. The reason for this interpretation is that the adoption of fiscal adjustment and structural reform has destroyed the country's industrial and agricultural productive structure as well as its public social institutions. The process could be understood as a second wave of original accumulation that incorporates criminal economic transactions. This process has polarized society between a miniscule group of extremely rich persons and an increasingly impoverished vast majority. The hardest hit are young people who cannot get a job or a chance for education. Simultaneously, mass media have promoted extreme individualism and consumerism, cataloguing people as "losers" or "winners" based on personal wealth and power in congruence with neoliberal ideology.

The purpose of this article is to analyze the trajectory of neoliberalism in Mexico and its political and social consequences that are paradigmatic for Latin America and contain lessons for other regions. It will also make reference to other Latin American countries when relevant, particularly those that opposed neoliberalism with popular insurgences and instituted left governments and "transitional states" (1).

## **Capture of Political Life and Representative Democracy**

Mexico has not experienced military dictatorships like most Latin American countries, but it was for all practical purposes a single-party system until 2000. The student and popular movement in 1968, which was brutally repressed, seriously challenged this political system. In order to respond to popular clamor for democracy, a number of electoral reforms have been adopted, but have commonly given more power to political parties and elites without functioning mechanisms for popular self-representation (2).

The construction of this political elite has been a process that combines economic and legal privileges, corruption, influence trafficking, patronage, and other factors. Of course, not all political leaders have fallen into these traps, but mass media have strongly contributed to discredit all politicians and political parties. The effect is a subjective reaction of what neoliberal ideology promotes: don't trust anybody but yourself.

## **Neoliberalism and Political Conflict**

The first agreement with the International Monetary Fund (IMF), signed in 1983, divided the ruling party (Institutional Revolutionary Party, or PRI in Spanish) that had been in power for more than 50 years. The left wing of the party opposed the implementation of the neoliberal/neoclassic model in Mexico. Headed by the son of Mexico's great reformer Lázaro Cardenas, the National Democratic Front participated in the presidential election in 1988. By now, there is a consensus that Cárdenas won but that extensive fraud put Carlos Salinas into power (3). Salinas (1988–1994) was the first “technocratic” president of Mexico and he rapidly turned Mexico into a showcase of quick neoliberal reform. This fraud was followed by a second and third fraud in 2006 and 2012, when the oligarchy,<sup>1</sup> composed of national and transnational capital and a small political elite, feared that its interests and power were at stake.

The capture of political power and the weakening of representative democracy have been a complex process marked by corruption, repression, violence, and state terrorism. For instance, about 500 members and local leaders of the National Front, later the Party of the Democratic Revolution (PRD in Spanish), were murdered after the 1988 electoral fraud.

The Zapatist armed rebellion in 1994 was a forceful expression of massive popular resistance against neoliberal reform and NAFTA and it was supported by millions of Mexicans all over the country. It should, however, be understood that the massive claim for change and justice was also for peace and rejection of state violence, a position that the Zapatists recognized and honored. But violent conflicts also shook the ruling political elite. When the PRI presidential candidate took an indirect stand against Salinas's neoliberal policies, he was assassinated, as was the congressional PRI leader, two political crimes that were never satisfactory clarified.

The next president, Ernesto Zedillo (1995–2000), followed the neoliberal course, particularly after the economic crisis in late 1994, which led to new agreements with the IMF and the World Bank. He likewise used violent repression to curb popular dissent even in its nonviolent forms. The best-known cases are the massacres at Acteal, Chiapas, with 45 killed, and Aguas Blancas, Guerrero, with 17 murdered. In those massacres, illegal paramilitaries, supported by the regular army, were involved and so were local authorities and caciques. Zedillo, however, dissociated himself from the PRI and did not interfere in the presidential election in 2000 that was gained by the right party, the Party of National Action (PAN in Spanish), and candidate Vicente Fox (2000–2006).

<sup>1</sup>“Oligarchy” seems more adequate than “ruling class” because it does not even include all of the dominant fraction of finance capital.

Although PAN had run on a platform promising new democratic rules and the end of corruption, it did not act in accordance. On the contrary, the new government and leading figures of the party soon adopted PRI's political culture, conferring on themselves new privileges such as high salary increases and expansion of top government positions. They also got involved in corruption and influence trafficking, acting with total impunity despite accusations based on solid evidence. It should be recognized that Fox allowed public mass demonstrations and did not use direct visible repression, but maneuvered by coopting leaders and creating patronage. He even stepped back in his attempt to impede Mexico City's governor, López Obrador, from taking part in the 2006 presidential election when faced with the biggest demonstrations ever seen in Mexico.

A second PAN affiliate, Felipe Calderon (2006–2012), strongly supported by the two main TV channels and a hatred campaign against López Obrador, took office after a huge fraud but was opposed by prolonged and massive protest. To gain legitimacy, Calderon took a crucial step toward state terrorism in Mexico, declaring a “war on drugs.” He did not gain legitimacy but instead provoked immense bloodshed, with at least 55,000 murders and about 24,000 reported forced disappearances from 2007 to 2012. With an army trained and licensed to kill on the streets replacing the police, drug cartels controlling large parts of the territory, and total impunity for reported crimes, terror took a grip on the country and its people.

The social and economic disaster was such that the ruling oligarchy set out to make a television puppet PRI candidate for the presidential election, Enrique Peña, to counter López Obrador's program for progressive change in face of the enormous disrepute of PAN. With massive purchase of votes and threats at the grassroots level, Peña Nieto was declared president in the election. It is convenient to recall that the third institutional power, the judicial, has not played its role in the division of power in Mexico.

Back in power, the PRI and Peña tuned down violence and crime in mass media, but there was no real change. They launched a reform program to conclude pending structural neoliberal change, to the satisfaction of transnational corporations and supranational organizations such as the IMF and the World Bank. Those reforms caused widespread but fragmented popular protests. Nepotism, corruption, and influence trafficking continued as always. This was the situation when the huge mobilizations for the Ayotzinapa students took the national and international scene.

As mentioned, Mexico has never suffered a military coup, but recurrent electoral frauds could be thought of as the equivalent, because electoral fraud impedes the exercise of the people's sovereign right to elect their government. One might wonder, who has the power after three decades of neoliberal assault? To answer this question, it is necessary to take a closer look at the reform agenda and its impact on economic growth and productive structure.

## **Economic Neoliberal Reforms, Growth, and Productive Structure**

There are three necessary points of departure to understand Mexican neoliberal reforms. One is that the Mexican Revolution—the first social revolution in the world—led to: a profound land reform, expropriating the rural oligarchy and distributing land to villagers and indigenous communities; oil expropriation in 1938; progressive labor legislation; public social security for formal workers; and extensive free public education. The second is that Mexico's gross domestic product occupied the 14th place in the world in 2013, just below Spain, and the country has a wealth of natural resources such as oil, gas, metals, minerals, fertile land, and rich biodiversity. The third is that Mexico is the border country and buffer between Latin America and the United States and part of the U.S. policing regime, under a regional security framework that Ashby (4) calls "NAFTA-land Security," alluding to "Homeland Security."

The 1983 debt crisis marked the beginning of neoliberal structural adjustment, when the Mexican government accepted a two-stage orthodox IMF prescription. The first aimed at reducing inflation and stabilizing public finances and the second aimed at achieving growth by structural reforms. Trade liberalization was also initiated.

The fiscal adjustment caused a dramatic redistribution of available income between capital (48% to 64%) and labor (42% to 29%), a 30 percent to 40 percent decrease in wages and salaries, and a significant rise of unemployment and precarious jobs by 12 percent (3, p. 18). These trends have not changed until today, despite recurrent government promises and further structural reforms. Social and labor protests were repressed or controlled by PRI loyal unions. Total public expenditure also dropped and about 60 percent was channeled to pay debt, while social public expenditure was reduced by about 35 percent between 1982 and 1988.

The second step of the agreed-upon structural adjustment did not occur because of speculation with government bonds at the stock market and against the peso, which forced a new devaluation and caused a second financial crisis in 1988.

Salinas's fraudulent government set out to accelerate structural reforms and promised to turn Mexico into a "First-World Country" in six years to counter his illegitimacy. His agenda was basically that of the Washington Consensus combined with investment in infrastructure. During his government, most public companies were privatized; land reform was reversed; higher public education could legally be charged to students; and Mexico became a member of the Organisation for Economic Co-operation and Development. The cherry on the cake was NAFTA with the United States and Canada, which meant deregulation and liberalization of capital flows, but not of labor, among other conditions unfavorable to Mexico.

Economic growth was achieved, about 3.5 percent a year, but much slower than under the “import substitution” economic model, with an average yearly growth of 6.8 percent. One intention of liberalization was to attract foreign investment, which increased rapidly. However, it mostly bought existing financial assets and did not create new companies (5), causing the denationalization of economy. During Salinas’s presidential period, a new compact oligarchy<sup>2</sup> was formed, mainly through privatization of public assets at very low cost. For legitimacy and political control, he implemented the program *Solidarity*, adopting the World Bank’s targeted “War on Poverty” policy.

In late 1994, the Mexican economy collapsed, again as a result of financial speculation with government bonds and unrestricted capital flight, which caused the “Tequila effect” on the global financial market. Mainly, the IMF and the U.S. Treasury quickly created a \$50 billion (all dollar amounts in U.S. dollars) bailout fund. It was conditioned to compliance with NAFTA and the continuity of neoliberal economic policy, such as strict control of public finances, free commerce, floating exchange rate, and further privatizations. Some economic activities that had been restricted for national capital were deregulated, such as railroads, gas, and financial services.

With a 100 percent devaluation and soaring interest rates, families and small and medium businesses could not pay their debts. As a result, Mexican banks went bankrupt, but were rescued by the government with a special fund of \$552 billion. It was formalized as public debt in 1998 (i.e., to be paid by all Mexicans), while banks and large corporations never contributed (6, 7). The bailout loan was also paid ahead of time in 1997. In contrast, families lost their homes and businesses lost their assets while being forced to continue to pay their loans (8). Europeans hit by the 2008 crisis will recognize the scheme.

Although slow growth was achieved after the crisis, productive and social consequences were immense. Much of the local industry was destroyed during the following years and manufacturers who rescued some money turned to commerce, marketing imported products. The new industry, mostly on the U.S. border, assembled imported parts for U.S. industries (with very few Mexican components) that were exported back over the border. Apparently, Mexico was a successful exporter, but the balance of trade had a systematic deficit because imports grow much faster (5).

The devastation of agriculture also began, since peasants could not compete with U.S. capital-intensive and subsidized agribusiness. The process culminated in 2008, when the NAFTA protective tariff for basic foodstuff such as corn and beans ended. However, Mexico had turned into a net importer of agricultural products even earlier (9) and had lost its food security. One could also assume

<sup>2</sup>For instance Carlos Slim, who now competes with Bill Gates for the first place among the richest persons in the world, bought the telephone company that gave birth to his corporate empire.

that drug cartels expanded cultivation of opium puppy and marijuana when traditional crops collapsed.

The end of the PRI governments did not change the economic model that continued with Fox and Calderon. The denationalization of the financial system was hastened from 2000 onwards and by 2002, 95 percent of banking assets were held by large, foreign financial groups (5). Transnational corporations did create new investment, but did so to use Mexico as an export platform and to profit from low wages. Looting extractivism was also accelerated and one-third of the national territory was licensed, primarily to Canadian mining companies, from 2000 to 2010 (10). A third characteristic was that economic immigration skyrocketed, with about 500,000 immigrants to the United States yearly from 2001–2006, whereby remittances from immigrants equalized Mexico's balance of payments.

The criminal economy also started to play a growing role when PRI's control system of cartels disintegrated and a sort of *Narco-State* emerged (11, 12). Criminal economy is dedicated not only to narcotics, but also to human trafficking (migrants, women, and children), blackmailing and arms smuggling. Its monetary value is unknown (9, pp. 17–18), but the U.S. Drug Enforcement Agency estimates that the U.S. drug market corresponds to \$65 billion, with \$22 billion going to Mexican cartels. The U.S. Congress estimates that annually, \$19 billion to \$29 billion from illegal activities pour into Mexico, while the nongovernment organization No Money Laundry estimates that Mexican cartels' yearly profits are \$59 billion and the Mexican Ministry of Finance registers a \$10 billion surplus in the financial system. Other data suggest that 78 percent of economic sectors are infiltrated by cartels and that they employ around 468,000 persons (13).

These data suggest some important consequences. One is that the financial system is heavily involved with the criminal economy or, in the words of the People's Permanent Tribunal (14, p. 18), "criminal economy and economic criminality are associated." A second is that criminal economy plays an important role in keeping the Mexican economy going in the face of one of the lowest growth rates in Latin America. This would explain why the "war on drugs" has not "followed the money" to capture cartels. And third, those are important facts for understanding the making of the *Narco-State* and of widespread violence.

The returning PRI government set out to conclude neoliberal structural reforms, backed by a pact with the three largest political parties. The most important constitutional changes, rushed through Congress and ignoring extensive popular opposition, were the privatization of oil (a symbol of national dignity) and electricity and new restrictive labor and educational legislations. PRI apparently believed that its old mechanism to control cartels could work, underestimating their power. These were the drops that filled the glass and spurred the nationwide protest with international resonance against the forced disappearance of 43 Ayotzinapa students.

## Neoliberal Social Policy

In general terms, Mexican social policy has undergone two general transformations. On the one hand, targeted and means-tested programs for the poor have substituted for general subsidies and the protection of income, employment, and free access to health and educational services (15). On the other hand, public social security and individual health and educational services have been commodified and employment and wages have been submitted to market forces. This type of social policy was imposed in almost all Latin American countries during the 1990s, following the example of Chile under the Pinochet dictatorship, which made the first neoliberal/neoclassic reforms in the late 1980s, directly conducted by Friedman and his Chicago Boys (16).

### *Targeted Poverty Programs*

The Mexican poverty programs, despite the change of names—*Solidarity*, *Progress*, *Opportunity*, *Prosper*—are all cash transfer programs conditional to the adoption of prescribed behaviors and targeted to the poorest families. Program leaders make discretionary decisions concerning who to include, so programs are very vulnerable to political patronage and have been used to condition votes. This program covers close to 6 million families or 20 percent of all families (17). In Mexico, the national council for evaluation of social programs, *CONEVAL*, found in 2010 that the program showed some impact on educational advance for children. However, the stated goal of breaking intergenerational poverty is not assured. And, even more important, the program has not led to steady poverty reduction, particularly when the economic growth stopped (17). By now, there is a literature on the inconveniences of this World Bank policy from different parts of the world (18). It should also be stressed that the Brazilian cash transfer program, *Bolsa Familia*, was combined with significant redistributive measures such as a significant increase of the minimum salary, and most analysts believe the wage increase played a central role in the rapid decrease in poverty (19).

### *The Privatization of Pensions*

The process of public social service commodification started in 1995 with the largest public social security institute (IMSS in Spanish). The first target was its pension system (20), which changed from a pay-as-you-go system to individual capitalization following the World Bank prescription (21). This meant that management of the funds was transferred to large, private financial groups, while the state assumed the cost of transition (i.e., continued to pay the existing pensions and those of the workers who had started to contribute before the reform).



This handover of control over the large and growing funds, corresponding to 14 percent of gross national product (GNP) in 2014 (22), increased the economic and political power of finance capital. The arrangement also means that workers pay an administrative fee and bear losses caused by stock market variation. Actuarial studies show that the system will provide a pension of about 30 percent of pre-pension income, which means that the large majority will receive a state-guaranteed, legal minimum wage that is below the poverty line. An identical pension reform was also done at the social security institute for public employees (ISSSTE in Spanish) in 2007 (23), despite massive protest. It is interesting to note that the Argentinian president Cristina Fernández nationalized the privatized pension funds in 2008.

The only public social security institutes that have not passed through neoliberal reform are those of the armed forces. On the contrary, the armed forces had a general salary increase and their pension is a pay-as-you-go system with known benefits. Although, evidently, this is explained by the armed forces' growing importance in state terrorism in Mexico, no Latin American country has reformed military social security to fit the neoliberal model.

### *Regressive Health Reform*

A health service reform was also introduced following World Bank prescriptions (24). The basic scheme was to introduce market competition for personal medical services, to restrict the role of the state to public health actions, regulation, and planning, and to subsidize a package of essential health services (25). The institutional arrangement adopted was basically managed competition, renamed structural pluralism (26), as a necessary step to introduce market forces. The Mexican model is similar to the health reforms of Chile and Colombia.

The first public institution reformed was again the IMSS in 1995 (25). The social security law was changed to allow a payer/provider split, to give autonomy to decentralized IMSS providers, and to introduce private fund managers and service providers. This caused a massive protest movement, particularly among IMSS workers and university scholars, which managed to force some modifications in the proposed law. This reform, however, did not succeed, primarily because it could have caused a service collapse for about 40 percent of the population and because most IMSS directors and the workers did not support it. The modified contribution scheme, however, diminished incomes by about 7.5 percent, despite a new state subsidy corresponding to around 30 percent of the IMSS budget. Furthermore, IMSS continues to provide medical services for pensioners, since pension funds only manage pensions with a high cost for the institute. The financial situation of IMSS is getting worse each year, which has led to long waiting lists, insufficient supplies, and a declining quality of services.

Despite these well-known problems, a similar reform was introduced in the ISSSTE (23). An additional disadvantage is the creation of a special financial body, which has legal authority to reduce the services offered by the institute. This means that a restrictive service package can be imposed on beneficiaries that would eliminate part of their social rights. This should be considered in the analysis of today's proposal to implement a National Universal Health System. More than 1 million public employees presented a demand for constitutional protection against this new law, but the adverse Supreme Court ruling exhibited the lack of division of powers in Mexico.

The Ministry of Health (MOH), which is supposed to provide health services to those who do not have public labor-related medical insurance, has also gone through a two-step reform process. Decentralization to the state level was concluded in 1997. The federation kept its regulating and planning functions and, as service providers, the national institutes of health and some federal hospitals. It also declared that "universal coverage" had been reached in the country, despite the fact that this coverage referred to an essential package of 18 interventions (25).

The second step was implemented during the right-wing government and legislated in 2004. The minister of health, Julio Frenk, designed it with the principles of structured pluralism. This reform, known as Popular Health Insurance (PHI) and used as a showcase for Universal Health Coverage, consists of a voluntary health insurance for uninsured Mexicans with a limited, explicit health package. It is modeled on structural pluralisms, with a payer/provider split that in principle includes private providers and is subsidized by fiscal resources. The PHI was used to put external pressure on the public social security institutes to force them to fully commodify. This led to a change in power relations between the MOH and public social security institutes, such that the latter were for the first time submitted to the former. This situation was also politically built through the appointment of convinced neoliberals to manage these institutes. This new power dynamic allowed the MOH-PHI to prevail in the distributive struggle for financial resources over public social security. While MOH-PHI had a 110 percent budget increase between 2007 and 2012, the IMSS budget only rose 28 percent and the ISSSTE had 38 percent growth (27).

The political victories of MOH-PHI, however, were not so evident in looking at insurance coverage, access to services, and sufficient financing (28). The MOH claims that universal insurance coverage was reached in 2012, whether through PHI, public social security, or private insurance. However, the 2012 national health survey found that about 25 percent of Mexicans are uninsured. Access to needed services is quite limited for PHI affiliates because the service package excludes common high-cost diseases and only covers about 15 percent of guaranteed social security services. There is also a lack of health facilities and needed personnel are usually employed by temporary contracts that do not offer legal benefits.

Public health expenditure has increased with 0.36 percent of GNP, favoring mainly the PHI. However, the PHI budget is lower than the legal specifications and the service package is heavily underpriced. This explains why private health expenditure as a percentage of total expenditure has not varied much and why PHI affiliates' out-of-pocket payments are larger than the whole PHI budget.

Finally, it should be mentioned that the private insurance-provider complex has so far not grown much. The 2012 national health survey showed that 83 percent of all hospital care was public, 61 percent of ambulatory consultations were public, and only about 7 percent of the population had private health insurance. This indicates that neoliberal reform has not yet culminated, mainly because of the dominance of the public system, despite its corrosion, and because the private system could not easily replace it. The resistance of health workers has also played a role. But neoliberal reformers never surrender and the present government is maneuvering to implement a National Universal Health System that basically means PHI for all Mexicans and a complementary insurance for those who can afford it. This model would eventually favor finance capital and hospital corporations.

### *Educational and Labor Reforms*

Although the Constitution was changed more than two decades ago to allow a charge for higher education, student mobilizations have successfully opposed it at public universities. However, those universities have been subjected to performance-led reforms, which means that salaries and research grants depend on academic quantitative productivity, not only in Mexico but in most Latin American countries. The exceptions include Venezuela, Bolivia, and El Salvador, which have launched massive higher education (29). One result is that the social popular movements have lost most of their organic intellectuals who used to play an important part in left political action (30). Simultaneously, private, low-quality universities have boomed, essentially to provide certificates for employment purposes, and will enroll about 40 percent of all university students in 2010 (31).

Basic and middle education has followed two directions. Public education is now primarily for children and youth from the impoverished majority, while upper- and upper-middle-class families send their sons and daughters to private schools or abroad. Public education (32) has been modeled on the neoliberal paradigm prescribed by the World Bank, in Mexico and most of Latin America. The same author characterizes this process as "destroying education to appropriate the state" and analyzes how international, standardized quantitative performance tests have destroyed national historical consciousness and the capacity of critical thinking. This process has also degraded the role of teachers, particularly rural ones, as cultural community leaders and bearers of national history and struggles.

The recent Mexican educational reform also has an important component of labor reform, with the purpose of reducing employment stability and collective rights. This affects primarily rural teachers, who have undertaken a prolonged struggle against the new model.

The recent labor reform is a law that legalizes what has been the practice for decades in Mexico. This practice involves multiple forms of precarious work such as subcontracting and the elimination of employment security and social security benefits, of decent pay, of limitation of working hours, and of legally established payment for extra hours and night work, and introduces payment by the hour, among others. Employers are enthusiastic with reform, but the assurance that it would create more employment opportunities has not materialized. In fact, approval of this reform has not changed the insufficient trend of formal job creation.

## **Social and Health Impacts**

The Latin American lost decade, the 1980s, corresponds to the period when structural adjustment was imposed and poverty rapidly increased in almost all of these countries. Broadly speaking, Latin American countries have used two strategies to improve life and working conditions for the people. Progressive governments brought to power by organized mass movements, such as in Brazil, Venezuela, Ecuador, Bolivia, and El Salvador, have abandoned the structural adjustment model and adopted redistributive policies, together with policies to strengthen industrial and agricultural activities and amplify internal national markets. In general, the results in terms of economic growth, decline of poverty, and popular well-being have generally been satisfactory. However, these governments have been put under strong political pressure, internally and externally.

Other governments have maintained the neoliberal paradigm despite recurrent crisis, with the argument that structural changes have not been sufficient and should be deepened. This is the case of Mexico.

The social consequences of neoliberalism and liberalization have been severe and given rise to a new social scene with an extreme polarization of wealth; decreasing or stagnated wages; mounting informal activities and precarious or criminal jobs; massive domestic and international migration; and, as a result, high poverty levels.

### ***Poverty and Indigence***

Poverty is frequently considered a kind of residual phenomenon, which could be substantially lowered through targeted programs that improve human capital.

Twenty-five years of poverty programs in Mexico have had a very modest impact on poverty and extreme poverty or indigence.

Income corresponding to indispensable needs is used as the indicator, wherein extreme poverty is defined as having an income below the cost of necessary food and poverty as an income that is lower than the cost of food, clothing, housing, health, education, and transport. Extreme poverty went from 21.4 to 19.7 percent between 1992 and 2012, with a maximum of 37.4 percent in 1996 and a minimum of 14.0 percent in 2004. Poverty went from 53.1 to 52.3 percent between 1992 and 2012, with a maximum of 69.0 percent in 1996 and a minimum of 42.9 percent in 2004 (33, p. 38). The variations illustrate the country's susceptibility to "external shocks," which is a direct effect of liberalization and dependence on the U.S. economy.

### *Employment and Income*

The persistent poverty, which has not been diminished by poverty programs, is related to employment and income. The restructuring of the Mexican economy with export-led, slow growth has not created the necessary jobs. An estimated 1.2 million new jobs a year are needed to allow new generations to enter the labor market. At best, 800,000 new jobs have been created each year, which means that there has been an accumulation of missing jobs each year (34). Mexico does not have unemployment insurance or a social assistance program for the unemployed, so people have to find a way to survive, which explains low open unemployment data.

The two main survival strategies are emigration, mainly to the United States, and informal activities, mostly in commerce or services (34). Emigration grew rapidly starting in the 1990s, but slowed down with the Great Recession. A calculated 12 million Mexicans live in the United States (35), which corresponds to approximately 10 percent of the Mexican population. According to the national employment survey, around 58 percent of the economically active population was employed in the informal sector in 2014 (36). This situation explains in part why the criminal economy is an alternative in poor rural and urban areas.

Low wages is the other explanation of poverty. The export-led economy has used low wages as a comparative advantage, and labor cost by hour was 20 percent lower in Mexico than in China in 2013, according to Bank of America. The average yearly GNP growth was 1.2 percent from 1990 to 2012, much lower than in preceding decades. However, the average income from work stagnated between 1992 and 2010 (17, p. 27), which indicates a regressive income distribution, and pre-neoliberal wages were never recuperated. The minimum wage has fared even worse, decreasing 26 percent from 1994 to 2014, according to official data (37) and was \$5.5 a day in 2014.

*Inequality*

The Gini coefficient is a much-used indicator of income inequality, with 0 corresponding to perfect equality. It is problematic to have comparable data over time, but reconstructed data for Mexico (38) show that the Gini was the same for households in 1984 and 2010 (0.445) and almost the same for individuals (0.492 and 0.495, respectively). However, it changed over time for individuals (0.546 in 1994 and 2000, 0.526 in 2006, 0.526 in 2008) and dropped to 0.495 in 2010. This means that income inequality was higher during the implementation of structural adjustment than before it. The decline between 2008 and 2010 is attributable to the crisis of 2008, presumably due to the loss of income by the upper-middle class. The calculation of this coefficient is based on income deciles and therefore says nothing about the incomes of the 1 or 0.1 percent richest, which would reveal large inequalities even within the highest decile. Significantly, Mexico does not provide information to the World Bank register on this question.

*Health Impacts*

Thirty years is a long period, especially when it coincides with a demographic transition, which is the Mexican case. One should therefore be cautious using population data, especially when they correspond to national averages.

The most striking impact on mortality is, not unexpectedly, on deaths related to violence. As is observed in Table 1, homicide among men almost tripled between 2007 and 2011, a period that corresponds to the drug war. The increase is particularly high among men aged 15 to 44 years, with increases of 267 percent

**Table 1.** Violent Deaths Among Men, 2000 to 2012, México.

Year	Total	Age group (years)				
		15 a 24	25 a 34	35 a 44	45 a 64	Others
2000	9,442	2,044	2,671	1,823	1,722	1,182
2005	8,610	1,839	2,404	1,769	1,701	897
2006	9,143	1,866	2,811	1,968	1,764	734
2007	7,776	1,552	2,195	1,762	1,588	679
2008	12,574	2,691	3,905	2,858	2,203	917
2009	17,838	3,869	5,410	4,209	2,948	1,402
2010	23,285	5,398	7,562	5,262	3,450	1,613
2011	24,257	5,693	7,322	5,234	3,544	2,464
2012	22,986	5,554	6,662	4,838	3,479	2,453

Source: Sistema Nacional de Información, Ministry of Health.

in the age group 15–24, 233 percent in men aged 25 to 34, and 197 percent in men aged 35 to 44 years and a decline to 123 percent among men aged 45 to 64 years. This means that mortality from aggression became the first cause of death among men aged 15 to 44 years in 2010 and after. Male life expectancy declined from 73 to 72 years between 2000 and 2010, with six months of that decrease attributable to violence and the rest to diabetes and ischemic heart disease (39).

Violent deaths among women also increased during this period, but were not among the 10 principle causes of mortality. However, a wave of femicides occurred at Ciudad Juarez, a U.S. border city with a large assembly industry, with predominantly female workers and chaotic growth. This city is the place where criminal violence has been the highest in all of Mexico. A considerable part of the population has fled and should be considered displaced.

Two characteristics of the Mexican neoliberal model with an impact on health are a state of chronic social and individual stress and the destruction of traditional dietary habits, which have been replaced by a junk food culture promoted by mass media and associated with migration. These characteristics show up in mortality data, with a rapid increase of ischemic heart disease and diabetes. In this manner, the diabetes mortality rate per 100,000 grew from 46.3 in 2000 to 77.3 in 2012 and the mortality rate for ischemic heart disease grew from 43.5 to 67.3 (40). However, this situation will likely continue to aggravate because Mexico occupies a prominent position in the obesity epidemic, with first place in the world for child obesity and the second for adult obesity (41).

Comparative, age-adjusted mortality data for Latin American countries with a similar level of per capita GNP (Argentina, Brazil, and Chile) also show that Mexico had the highest rate of ischemic heart diseases and close to four times a higher death rate from diabetes in 2013. The same comparison also shows that Mexico has much higher death rates from malnutrition and anemia. The maternal mortality ratio almost stagnated between 2002 and 2009 and was 50.5 by 2012 (42), precisely during the years PHI was implemented, despite its emphasis on maternal and child health. This failure is shared with most countries, but is an indirect indicator of a health system's performance. The corresponding Millennium Development Goal, which stated that the maternal mortality ratio should descend from 89 to 22, will not be reached.

## **Concluding Reflections**

Mexico has some peculiarities, but occupies a vantage point to show the results of global neoliberalism with a kind of magnifying glass. This is important because neoliberalism made its general rehearsal in Latin America and is now advancing in Europe.

Neoliberal ideology promotes the disqualification of representative democracy with the aim of transferring crucial decisions to formal or informal

undemocratic structures. This distortion of politics can take on different forms, and the Mexican case is perverse. However, the role of widespread fear—whether of terrorism, violence, immigrants, the poor, the delinquent, or any unspecified “threatening other”—seems to play an important role in disciplining the population. This serves to make acceptable the restriction of civil, political, and social rights, masterly analyzed by Naomi Klein in her book *The Shock Doctrine* (43). There is now a floating border between state of law and state of exception, for instance, with the U.S. Patriot Act. The Mexican situation is especially dangerous because formal state institutions are permeated with organized crime to create what some analysts (12) consider a *Narco-State* that practices state terrorism.

The ideology of individualism, power, and consumerism has a damaging influence that tends to destroy social values such as solidarity, humanism, and respect for human life. This ideology turns particularly toxic in the absence of the possibility of getting a decent job or access to education. The exaltation of power, money, consumerism, and violence by mass media seems to play an important role in the making of extremely violent criminals under conditions of what Valencia Triana (44) named *Gore* capitalism.

This phenomenon is also associated with the return to hyper-exploitative capitalism and ruthless extractivism that devastates nature and people. The neoliberal globalization and free trade agreements also destroy national productive structures, exposing nations to the logic of transnational corporations and external shocks. But there is also a connection between criminal and legal economic activities, particularly in the financial sector as it profits from money laundering.

Global neoliberal competition compels governments to try to use competitive advantages, such as lowering wages and making employment precarious, even within large economies like that of Mexico. It should be stressed, however, that Latin American countries with progressive governments that have broad social support have performed much better than Mexico. Impoverishment and precarious jobs also have a negative impact on economic growth, because they lead to a regressive distribution of income that chokes the internal market.

The privatization of public services and benefits such as education, pensions, and health services is a major goal of neoliberal economics because these make up an important part of GNP. Private administration of pensions transfers the control over large amounts of capital to the financial sector, which increases its power even more. The commodification of education and health nevertheless need public subsidies and use fiscal resources. The overall logic in those areas is to privatize profits and socialize losses. But it should also be recognized that strong public health systems are more resistant to privatization, as can be observed in Mexico.

The neoliberal model is destroying social well-being and even society itself. The vicious circle of social exclusion, lack of social solidarity, growing inequity, and extreme polarization of wealth leave us with a society that not even the



richest can enjoy because of fear. The gated communities, armored cars, and private bodyguards speak by themselves.

Finally, Mexico's situation as the world champion of emigration informs us about the extreme tensions and crime provoked by the new walls that are built around rich countries to keep economic refugees out. The border between Mexico and the United States is one of the most violent in the world, which also reveals the cost in human lives from the Mexican government's acceptance of shielding the U.S. border against migrants from Central and South America.

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