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CIDE

NÚMERO 29

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RECASTING BUSINESS-GOVERNMENT RELATIONS IN MÉXICO: THE EMERGENCE OF PANISTA ENTREPRENEURS
Introduction

At the end of the 1980s, Mexico’s political landscape experienced dramatic changes as the conservative opposition party, Partido Acción Nacional (PAN) started to win important local elections in several states, particularly in the north. By 1993, the PAN controlled the government in three states, as well as in 103 cities, turning this party into the strongest and most consistent opposition to the ruling party, the Partido Revolucionario Institucional (PRI). The wave of Panista victories in one of the most urbanized and economically dynamic regions of the country represented a serious threat to the still uncontested hegemonic rule of the PRI.

The strength of the PAN in general, and particularly in the north, has been largely the result of the support this party has received from a growing number of entrepreneurs, particularly small and medium-sized entrepreneurs, who since the nationalization of the banks in 1982 have become actively involved in the party. Entrepreneurs revitalized an opposition party that since its creation in 1939 had never competed effectively in the electoral arena, thus transforming the PAN into a viable political alternative. They infused the PAN with new leadership, strategies, tactics, financial resources and organizational capacities. More importantly, they played a critical role in the organization of the campaigns and became candidates for office.

The overt and active involvement of entrepreneurs in electoral and political affairs represents a radical departure from Mexico’s political traditions. Entrepreneurs traditionally refrained from participating overtly in the electoral arena and until the 1980s, they did not develop an explicit interest in democracy. They restricted their political involvement to the policy-making process, ignoring larger social and political issues. Although entrepreneurs in general supported the PRI, this support was discreet and behind the scenes. They accepted a tacit division of labor between economics and politics. That is, in exchange for a safe and profitable business environment, entrepreneurs accepted to abstain from participating in party politics, refrained from expressing

1 Until the 1988 presidential elections, the strongest electoral challenge to the PRI came from the PAN. But in 1988, the Frente Democrático Nacional (FDN), a coalition of left-wing parties, citizen movements, and Prista dissidents led by Cuauhtémoc Cárdenas, was able to mobilize the masses and win a substantial percentage of the vote. In 1988 the FDN became the strongest electoral challenge to the PRI. The real electoral figures are not known, because the government tampered with the electoral results. However, it was officially recognized that the FDN won in the Federal District, politically and economically the most important region in the country. The FDN later became the Partido de la Revolución Democrática (PRD), a party that since its foundation has been plagued by internal divisions and has also been subjected to selective government repression. Although the violent rebellion in the southern state of Chiapas in 1994 appeared at first sight to strengthen the PRD, this party was not able to gather as much electoral support as it did in 1988. In fact, it is possible that the coincidences between many of the rebels’ demands and the PRD’s scared a large portion of the electorate.

their political views in public, and tolerated the PRI’s revolutionary ideology and rhetoric.³

Starting in the late 1970s, however, but more profusely during the 1980s, entrepreneurs acquired an increasingly conspicuous political role as a growing number of small and medium-sized entrepreneurs gave their support to the PAN, criticized the government and the PRI in public, and demanded the introduction of democratic reforms.

What explains the change in entrepreneurs’ political behavior? How has the entrepreneurs’ political involvement been justified? What is the legacy of the political activation of entrepreneurs during the 1980s? And what are its political consequences?

I. The Political Choices of Entrepreneurs: Pressure Behind the Scenes or Organization in the Opposition

The nationalization of Mexican banks in 1982 opened a new chapter in the relations between entrepreneurs and the government. The attack against the most powerful sector of the business community alienated entrepreneurs, unleashing a conflict of unprecedented dimensions. For the first time in forty years, the conflict between entrepreneurs and the government spilled over to the electoral arena and did not subside, despite the efforts of President Miguel de la Madrid to regain the confidence of the private sector. Throughout his administration, the PAN received unparalleled support from a growing number of entrepreneurs, particularly small and medium-sized entrepreneurs from the north, who challenged the exclusion of business from political life and organized in opposition to the government and the PRI.⁴

Paradoxically, large entrepreneurs and the bankers, who had been most affected


⁴ There are different ways to measure the “size” of a firm. Some studies rank firms according to their value of production and others rank them according to the number of workers. Throughout this study, I decided to employ the latter definition of size, which is the most accepted and commonly employed, and is also the one used by Nacional Financiera, the government’s development bank. According to this definition, large firms are those that employ more than 250 workers; medium-sized firms less than 250 workers but more than 100; and small firms less than 100 workers. See Instituto Nacional de Geografía y Estadística, Nacional Financiera, and Instituto Latinoamericano de Estudios Transnacionales (ILET), Estadísticas industriales. Información por tipo de empresa e índices de concentración, 1988.
Mizrahi / Recasting Business-Government Relations in Mexico

by the nationalization of the banks, and who traditionally had been the most outspoken faction of the business community during times of confrontation with the government, did not adopt a politically belligerent attitude. They remained loyal to the government and the PRI, adopting an accommodationist position and solving their differences with the authorities behind closed doors. In contrast, small and medium-sized entrepreneurs, particularly in the northern states of the country, whose interests had not been directly affected by the nationalization of the banks, adopted a more confrontational position. In their view, the nationalization of the banks represented a direct attack against private property and a clear illustration of how damaging the unconstrained power of the executive could become. They intensified their attacks against the government, criticized the vast discretionary power vested in the executive, and demanded the introduction of democratic reforms to subject the government to the rule of law, make it accountable for its actions, and ensure an effective division of powers. To that end, they considered it necessary to challenge the government and the PRI in the electoral arena and overtly gave their support to the Partido Acción Nacional.

The different response of entrepreneurs suggests that they are by no means a homogeneous political actor and consequently, that they have different ways of expressing their discontent towards the government and the PRI. Which one they choose depends to a large extent on three factors: 1) entrepreneurs’ structural position in the economy, that is, the extent to which their businesses depend on government contracts, subsidies, credits, purchases, and other privileges the government distributes in a highly discretionary fashion; 2) entrepreneurs’ capacity to organize, which essentially depends on their ability to engage in collective action and to overcome the free-rider problem, which in turn depends on the size of the business community, their ability to communicate, define common goals, plan and coordinate strategies, monitor and enforce decisions, and punish defectors; and 3) entrepreneurs’ perception

5 Entrepreneurs had in the past supported the PAN because the party’s general principles and objectives coincided in great extent with those of the entrepreneurs. What was unprecedented during the 1980s was the number of entrepreneurs who decided to take a more politically active role and challenge the PRI in the electoral arena. The flow of entrepreneurs to the PAN created severe divisions between the more traditional wing of the party, which advocated “educating” people into the doctrinal principles of the party rather than winning votes, and the so-called “neo-panista” wing, supported by entrepreneurs, who advocated a more confrontational position. Winning votes in the electoral arena whether or not the voters were convinced of the party’s principles. See Abraham Nuncio, El PAN: alternativa de poder o instrumento de la oligarquía empresarial, Mexico City, Nueva Imagen, 1986; Leticia Barraza and Ilan Bizberg, “El Partido Acción Nacional y el régimen político mexicano,” Foro Internacional, Mexico City, El Colegio de México, Vol. XXXI, No. 3, January-March, 1991; Soledad Loaeza, “El Partido Acción Nacional: de la oposición leal a la impaciencia electoral” in S. Loaeza and R. Segovia (eds.), La vida política mexicana en la crisis, Mexico City, El Colegio de México, 1987; Van Sauer, The Alienated “Loyal” Opposition. Mexico’s Partido Acción Nacional, New Mexico, University of New Mexico Press, 1974; and Carlos Arriola, “La Crisis del Partido Acción Nacional (1975-1976),” Foro Internacional, Mexico City, El Colegio de México, Vol. XVII, No. 4, April-June, 1977.
of the chances of success in adopting any given alternative. This involves an evaluation of the particular situation and of the opportunities for strategic action.\(^5\)

For many years, Mexican entrepreneurs refrained from adopting an overt political role. This was one of the central elements of the pact between business and government in Mexico. Entrepreneurs were formally excluded from the PRI, they did not run as candidates for office, and were largely excluded from the bureaucracy. Their political role was formally constrained to their business organizations, legally defined as "organs of consultation with the state."\(^6\) However, informally and behind the scenes, businessmen, and particularly the most prominent ones, exerted a powerful influence. Whenever the relations between the government and these entrepreneurs came under strain, they used a combination of strategies ranging from negotiating with the authorities behind closed doors —either individually or through the business organizations which they controlled— to putting pressure on the government by shipping their capital out of the country and withholding their investments. Small and medium-sized entrepreneurs, on the other hand, in general remained apathetic, deferring any action to the largest entrepreneurs who, they believed, were more capable of defending the interests of the private sector and of exerting pressure on the government. But starting in the 1980s, a growing number of norther small and medium-sized entrepreneurs departed from their traditional apolitical behavior and adopted a different and more independent course of action, that is, they decided to organize in opposition to the government and challenge the PRI in the electoral arena.

The political radicalization of northern entrepreneurs stems from their conviction that the traditional pact between entrepreneurs and the government discriminated against them. In contrast to large entrepreneurs, small and medium-sized entrepreneurs did not benefit economically from the government and consequently, they believed they had little to lose and much to gain from expressing their views in public and openly challenging the PRI in the electoral arena. Being relatively more autonomous, these entrepreneurs were less vulnerable to the government’s possible retaliation against them. Moreover,

\(^5\) For an elaboration see my Ph.D. dissertation, "A New Conservative Opposition: The Politics of Entrepreneurs in Chihuahua (1983-1992), Department of Political Science, University of California, Berkeley, 1994. The perception of the chances of success explains the timing of entrepreneurs’ decision to organize in the opposition. In the case of Chihuahua, the perception of the chances of success is critical in explaining the entrepreneurs’ waves of political mobilization and demobilization. When they perceived that they could defeat the PRI in the electoral arena and that the government would recognize the electoral results, they mobilized in support of the opposition. After the fraudulent elections of 1986, entrepreneurs were disappointed and believed that their political participation was futile. They therefore retreated from the electoral arena. But by 1992 the political situation in the country had changed. The government had tolerated the victory of the opposition in Baja California and it had to confront strong post electoral mobilizations in Guanajuato and San Luis Potosi, where the electoral process was controverted. Entrepreneurs rightly perceived that the government this time would respect the electoral results. They participated again actively in support of the opposition and the PAN won the gubernatorial election.

these entrepreneurs were also largely excluded from the process of decision-making and considered that they could exert greater pressure from without. However, their discontent translated into active opposition only where these entrepreneurs had the capacity to organize. In the north, in contrast to the central region, small and medium-sized entrepreneurs were able to organize because first, they had easier access to preexisting organizations, most importantly, their business chambers, which enabled them to engage in collective action. Second, these entrepreneurs, and particularly the younger generation, share common educational and socialization patterns. This facilitated their ability to communicate and to define common goals. Finally, business communities in the most important cities of the north are typically small. Entrepreneurs know each other; they can more easily coordinate collective strategies and are also better able to identify and punish defectors.

Since the 1970s, small and medium-sized entrepreneurs, and particularly the younger generation, began to acquire leadership positions within their local business organizations in many northern cities. As leaders of their business organizations, they sponsored training courses on ideological and political matters encouraging business organizations to adopt a more assertive political role and to define ideologically the political position of business. The ongoing process of politicization increased the flow of information and communication among these entrepreneurs, strengthening their collective identity and their conviction to defend their interests in a more independent way. The nationalization of the banks was only a catalyst of entrepreneurs' reaction. It was perceived as an extreme example of the dangers of living under a political system that granted the executive vast discretionary powers which could be turned against the interests of business. It also revealed how powerless these entrepreneurs were to prevent such actions and to control the power of top authorities. In their view, it was necessary to create institutional mechanisms to formally check and balance the government, make it accountable for its actions, and prevent top authorities from consistently benefiting their political clienteles. In short, it was necessary to fight for the introduction of democratic reforms. The formal commitment of president Miguel de la Madrid to respect electoral results convinced these radical entrepreneurs, particularly in those regions where the PAN had a traditional basis of support, that if they participated in the electoral arena, they had a good chance of defeating the PRI.8

II. Entrepreneurs in the Opposition: The New Advocates of Democracy

One of the novelties of the opposition movements throughout the 1980s was, as I argued above, entrepreneurs' commitment to democracy. What is the logic behind this commitment?

Since the end of the 1970s, a new generation of small and medium-sized entre-

8 One of the promises of Miguel de la Madrid on taking office was to respect electoral results. This was part of his "moral renovation" campaign, designed to combat the severe legitimacy crisis the PRI and the government were confronting in 1982.
entrepreneurs emerged who questioned the traditional rules governing the interaction of business and government. Although the government had proven its commitment to private capital and had shown its capacity to ensure favorable conditions for capitalist development, small and medium-sized entrepreneurs believed large entrepreneurs gained most of the benefits. They enjoyed privileged access to top officials and were thus in a stronger position to influence the process of decision-making. Moreover, large entrepreneurs also had greater access to government purchases, credits, contracts, subsidies, and other “special favors”. Small and medium-sized entrepreneurs considered not only that Mexico’s political institutions failed to represent their interests but also that these institutions consistently discriminated against them. In their view, the authoritarian characteristics of Mexico’s political system, which had so successfully ensured the development of the private sector, were becoming a liability. Being powerless to change Mexico’s political system from within, they decided to organize outside the tutelage of the PRI and the government and demanded the democratization of Mexico’s political system. Their attachment to democracy responds to two fundamental reasons.

First, democracy is perceived as a political system that curbs uncertainty in fundamental ways because it lays down constitutional restrictions on how government officials can use their authority; it institutionalizes detailed rules of popular control over top authority, and provides mechanisms for impartial enforcement of the law. The lack of effective controls on the authority of government officials, the absence of formal mechanisms to make them accountable for their actions, and the weakness of the rule of law, leaves those entrepreneurs without special connections to top officials vulnerable to their potential arbitrary behavior. The nationalization of the banks was only an extreme example of the risks of authoritarianism. Unlike large entrepreneurs, small and medium-sized entrepreneurs do not have sufficient economic power or political influence to prevent the authorities from harming their interests and/or to come to a favorable settlement after being affected by the government. Authoritarianism thus generates high degrees of uncertainty and risk. Although uncertainty is in a way inherent to democracy, because the outcomes of democratic procedures cannot be pre-determined, small and medium-sized entrepreneurs believed that this type of uncertainty is less threatening than that generated by authoritarianism because in a democratic regime there is at least predictability in the rules of the game.

It is precisely for this reason that large entrepreneurs, in contrast to small and medium-sized entrepreneurs, prefer a more authoritarian political system. Their special and

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11 In large part, this is due to the weakness of the left in the north. Entrepreneurs believed that democracy could only work in their favor because the PAN is the strongest opposition party.
more informal access to top government authorities makes them more capable of curbing
the uncertainties of authoritarianism. In fact, democracy represents an actual threat to
their privileged position because it binds the government to formal and general rules.

Second, a more democratic political system increases the representativeness of
government because it creates more spaces to express one’s interests and to influence
the process of decision-making. The strengthening of the legislature and the judiciary
offers those entrepreneurs without direct links to the executive a greater opportunity to
strengthen their political presence and thus, protect their property rights.\textsuperscript{12}

Far from revealing their moral integrity or their advocacy of higher principles,
small and medium-sized entrepreneurs’ commitment to democracy revealed their high
degree of pragmatism. They supported democracy for expedient reasons; democracy
seemed to protect their interests better than authoritarianism. This is how their com-
mitment to democracy has to be understood and evaluated.

\textit{The Rationale for Supporting Democracy}

Throughout Latin America, entrepreneurs have supported democratic regimes whenever two conditions are present: first, when there is no better alternative, that is, when the costs of continuing to support an authoritarian regime exceed its benefits, and second, when business elites can insure their capacity to exert a powerful influence on the process of decision-making, and are thus able to effectively curb the demands of the popular sectors. That is, when they can significantly reduce democracy’s inherent degree of risk.\textsuperscript{13}

In Mexico, in contrast to other Latin American countries that have introduced democratic reforms, the existence of these two conditions is not quite evident. On the one hand, the PRI still constitutes a viable alternative, able to guarantee economic growth and political stability. For large entrepreneurs, it is more rational to support the status quo, which means continuing their support for the PRI. Although the Mexican political system is clearly not a repressive authoritarian dictatorship, it is far from being democratic. When political stability is not at stake—like in other Latin American countries—large entrepreneurs do not see the need to choose a political alternative.

\textsuperscript{12} This is of course predicated on the assumption that the winners of a democratically elected government favor capitalist development. Although the Mexican Left advocates greater state intervention in the economy and is committed to extensive social reforms, it is not opposed to private property. Coupled with the weakness of the Left in the north, the absence of any organized attack against private property within the political arena minimizes the entrepreneurs’ risks of gambling on democracy.

Indeed, what is at stake for them is the preservation of their privileges. Small and medium-sized entrepreneurs, on the other hand, are more inclined to choose a political alternative because they have less to lose.

On the other hand, even though workers and peasants do not have an independent stronghold of power and therefore do not represent a threat to business, their political weakness stems precisely from being traditionally controlled by the PRI. A high degree of uncertainty exists about the potential mobilization of these sectors in the event of the defeat of the PRI. On this regard, small and medium-sized entrepreneurs seem to coincide with large entrepreneurs. The rebellion in the southern state of Chiapas in January 1994, heightened this fear among the business community. Although entrepreneurs are divided between their support for the PRI and the PAN, they are united in their opposition against the leftist opposition party the Partido de la Revolución Democrática (PRD). It is possible to suggest that entrepreneurs in general prefer to support the PRI if the alternative springs from the left.

For those small and medium-sized entrepreneurs who support the PAN, one of the ways to reduce this level of risk is precisely to confine their support for the opposition to the local level, while maintaining their support for the PRI at the federal level.

At the local level, the political system at large is not at stake; nor are the macro-economic policies introduced by the Salinas administration, which entrepreneurs have in general endorsed. Furthermore, confining their political participation to the local level gives Panista entrepreneurs greater chances to gain access to high level positions of power in the local administration and to advocate a more gradual political change.

Many analysts, scholars and journalists have viewed with skepticism the efforts of some entrepreneurs to fight for the introduction of democratic reforms. They argue that entrepreneurs’ support for democracy is timid, and that it is divorced from the question of social justice and economic equality, and that consequently, it has limited political repercussions. Although it is true that small and medium-sized entrepreneurs support democracy for procedural rather than substantial reasons, their commitment to democ-

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14 This contrasts with Leigh Payne’s arguments that the majority of entrepreneurs in Brazil are indifferent to authoritarianism or democracy as long as stability and a good business environment is guaranteed. As the case of Mexico shows, when a more authoritarian political alternative exists, large entrepreneurs endorse it because it guarantees their privileges better than a democratic regime. Leigh Payne, Brazilian Industrialists and Democratic Change, Baltimore, The Johns Hopkins University Press, 1994.

15 One of the characteristics of the Panista administrations in Baja California, Chihuahua, and Guanajuato is that entrepreneurs occupy many high level positions in the administration.

racy, however limited their understanding of democracy is, cannot be underestimated. Entrepreneurs have played a critical role in strengthening the opposition and have greatly contributed to changing the political landscape of the country. Moreover, entrepreneurs' support for democracy is aimed directly against the most conspicuous characteristics of Mexico's political system: presidentialism, centralization, and corruption. A government subjected to popular control and bound to the rule of law is less prone to distribute privileges in a discretionary manner, allow the illicit enrichment of government officials, tolerate arbitrariness, and "forget" its commitment to the public.

The procedural understanding of democracy also has important economic consequences. Democracy protects individual liberties against government arbitrary intrusion. This is why they advocate economic liberalism and believe that the state should regulate but not intervene in the economy. An interventionist state without an adequate system of checks and balances cannot ensure an equal treatment for all because it inevitably creates political clienteles who benefit from government privileges. This in turn, creates more opportunities for corruption, making the state less efficient in both the design and implementation of economic policies.

III. A Decade of Political Participation: Legacies

When President Salinas came to office in 1988, he had two main objectives in sight. Since the elections were strongly contested and the electoral results seriously questioned, Salinas had to first gain legitimacy and credibility. He believed he could achieve this goal by ensuring a successful economic performance while at the same time, weakening and deactivating the left—embodied in the PRD—that so effectively and unexpectedly challenged him in the presidential elections. The other objective was to construct a new and more solid alliance with Mexican entrepreneurs and to sever their ties with the opposition. To that end, he adopted many of the economic and political programs traditionally endorsed by the PAN17 and showed more flexibility in accepting Panista electoral victories in some states.18

17 Examples of these are a reform to Article 130 of the Constitution which regulates the government's relationship with the Church, a reform to Article 27 of the Constitution which allows the privatization of ejido lands, a reform to Article 3 of the Constitution which enables religious groups to impart primary education, the privatization of parastatal industries and reducing the government's intervention in the economy. The government also changed its political discourse explicitly rejecting any association with populism. Moreover, the most advertized social program of President Salinas, the Programa Nacional de Solidaridad, borrowed its name from one of the oldest ideological doctrines of the PAN: Solidarismo. I thank Gabriel Díaz for bringing this last point to my notice.

18 The PRD became the main target of government criticisms and attacks. During the elections, the government relentlessly refused to recognize the PRD's alleged victories. Many of its most active members have also been subjected to the government's selective repression. The efforts to isolate and weaken the PRD were perceived by the government as necessary to prevent a possible alliance between the PAN and the PRD, which in 1988 seemed possible.
While Salinas’s strategy paid off in terms of moderating the aggressiveness of the PAN, ensuring the party’s collaboration in drafting and approving the new electoral law, and above all, preventing an alliance between the PAN and the PRD, it did not stop small and medium-sized entrepreneurs from continuing to support the opposition. The most evident case is that of Chihuahua, where entrepreneurs actively participated in support of the PAN during the 1992 elections. In part, the stubbornness of these entrepreneurs is explained by their conviction that the administration’s commitment to economic reform without a parallel democratic opening is not enough to create more certainty, guarantee their interests, or increase their representativeness in the political process. But more importantly, in their view, Salinas’s efforts to build a new alliance with business has been directed towards the most prominent entrepreneurs, who have in fact strengthened their economic and political power. As in the past, small and medium-sized entrepreneurs have been largely ignored, both economically and politically.

According to official data, during the Salinas administration, the unequal distribution of income intensified as only the richest 20 percent of the population, which includes large entrepreneurs and public officials, increased their concentration of income from 53.55 percent in 1989 to 54.18 percent in 1992. The rest of the population (80 percent) decreased their participation in total income. Furthermore, the privatization of parastatal enterprises has benefited the most prominent entrepreneurs and has fostered the creation of at least 50 big economic groups, who despite economic slowdown, have experienced increasing profits.

In contrast to large enterprises, small and medium-sized enterprises have confronted increasing difficulties; they do not have easy access to credits and many have been forced to close down as they are unable to compete with the wave of foreign imports. According to Salvador García Linan, Director General of the Instituto Mexicano de la Mediana y Pequeña Empresa, 150 thousand small and medium-sized enterprises have gone out of business during the past six years.

Although large enterprises have usually benefited disproportionately from their access to policy-making, during the Salinas administration their influence has become more evident. The relationship with the most prominent entrepreneurs started during Salinas’ presidential campaign, where he systematically met with the largest entrepreneurs in every state he visited. Once in power, Salinas allowed large entrepreneurs to have a more visible role. For example, Claudio X. González, a prominent entrepreneur, became presidential advisor. Large entrepreneurs were also formally involved in the NAFTA negotiations, while small and medium-sized entrepreneurs were ignored. But

\[19\] The data is from the Instituto Nacional de Estadística, Geografía e Informática, quoted in El Financiero, December 13, 1993.


\[21\] El Financiero, October 13, 1993.

perhaps the most revealing sign of the new alliance with prominent businessmen is their invitation to participate in party politics and to support the PRI financially. The dinner party organized by Senator Miguel Alemán Velasco, PRI Finance Secretary, with the most prominent entrepreneurs and attended by the president, is the most conspicuous example. Entrepreneurs were asked to contribute 25 million dollars each to the presidential campaign. When the event was leaked to the press, it became a scandal. The PRI was later forced to rectify this and impose a limit on private contributions to political parties. What remained clear, however, was that in contrast to the past, the government, the president, and the PRI were less scrupulous in revealing their alliance with the most prominent businessmen.

The increasing electoral difficulties confronted by the PRI in local elections during the Salinas administration fostered another, yet less perceptible change in large entrepreneurs' political behavior. Since 1988, but especially in 1994, large entrepreneurs have contributed significant financial resources to the PAN. Although the PRI guarantees and protects their interests, large entrepreneurs believe it is expedient to strengthen the conservative opposition. They rightly perceive that the government's determination to adopt pro-business policies and abandon its traditionally populist rhetoric derives in large part from the strengthening of the PAN in the electoral arena. More importantly, the PAN represents a safety valve in case the left unexpectedly wins more power. According to José Luis Salas Cacho, PAN's General Campaign Director for the 1994 presidential elections, large entrepreneurs have contributed financial resources to the PAN because "they see this party as the second best alternative should something happen to the PRI. Their financial support is however, discreet. Large entrepreneurs do not want to be openly associated with the PAN because their businesses have many economic links to the government."25

The political participation of entrepreneurs has changed the unwritten rules governing the interaction between business and government. Entrepreneurs are now actively involved in party politics, both in support of the PRI and the PAN. The PRI has tried to play by the new rules, trying to make public a relationship with business that has always existed. However, in some respects, and in particular with relation to the political participation of large business, these changes are more formal than substantive. Large entrepreneurs still exert their most powerful influence behind the scenes. Their


24 Apparently, the request to contribute so much money to the PRI angered some entrepreneurs so much that they leaked the story to the Press. It is significant that this dinner party was organized by the party, it did not originate from business' initiative. The justification in asking business for such a high contribution was that the PRI needed to become independent from the government and that by contributing to the PRI, businesses were paying the party for having secured an economically profitable and politically stable environment. For a deeper analysis of this incident, see Carlos Elizondo, op. cit.

25 Personal interview, Mexico City, February 18, 1994. José Luis Salas Cacho is himself a medium-sized entrepreneur from Nuevo León. He was General Campaign Director of Manuel J. Clouthier, an entrepreneur who ran as PAN's presidential candidate in 1988.
political participation is timid, they are still largely excluded from the bureaucracy, and they are not perceived by society at large as legitimate political actors.

**IV. Conclusions**

The overt participation of entrepreneurs in the electoral arena has changed the traditional relationship between business and government. Entrepreneurs are today more visible political actors. More importantly, entrepreneurs' overt participation in support of the PAN has greatly contributed to strengthening the opposition, making elections increasingly more competitive, at least at the local level. In contrast to the past, where elections were basically used by the PRI as mechanisms to mobilize support for the party, as well as to ratify the party's revolutionary ideology and its commitments to the popular classes, elections are now becoming events that increasingly threaten to delegitimize Mexico's traditional political institutions. To many people, elections represent a real —and often the only— opportunity to express their discontent with the government, even in those cases where the opposition has not been "allowed" to win. As more people demand clean elections and mobilize in opposition to electoral fraud, the electoral process itself —and not just the results— has increasingly become a subject of controversy.

What is the impact of entrepreneurs' political participation in an eventual transition to democracy? Although the experience of opposition governments is too short to evaluate the role of entrepreneurs, some dilemmas have become already apparent. The entrepreneurs' commitment to democratic procedures seems to face a limit when their interests begin to be affected. Even though entrepreneurs played such a critical role in support of the PAN in Ciudad Juárez, for example, they have been alienated by the sharp increases in the cost of local services and taxes. The most evident demonstration of discontent was their refusal to attend a Panista meeting with Diego Fernández de Cevallos, PAN's presidential candidate. According to Francisco Barrio, governor of Chihuahua, the disenchantment of business also stems from their displeasure at being treated as equal as everyone else: "Business still feel they want to be the power behind the throne."

Moreover, once entrepreneurs become public officials in an opposition government, their commitment to democracy also becomes problematic. Once in power, one of the most important tasks of an opposition government is to ensure an efficient and honest administration of resources and to secure an adequate flow of financial resources from federal to the state government. As a result, the democratic ideals that were so fundamental during the campaign give way to concrete administrative tasks.

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26 Since President Salinas took office in 1988, elections have become a subject of controversy, particularly in those states where the opposition —PAN and PRD— have a strong basis of support. In Guanajuato, San Luis Potosí, Michoacán and Yucatán, the electoral results were seriously questioned and the final outcome was solved at the negotiating table.

27 Personal interview, Mexico City, January, 1993.
Although democracy still remains a fundamental principle, opposition governments know that their future depends in large part on their performance. But this performance is in turn conditioned in great part by the amount of resources the local government is able to procure from the central government. Since the states depend to a considerable extent on the resources they get from the federal government, securing an adequate flow of these resources is of vital importance. To that end, it remains crucial for state government officials to have good relations with the central authorities, and in particular, with the president. Governor Barrio, himself an entrepreneur, knows this well and on this respect, has agreed to play by the old rules of the game. In his own words:

One of the reasons why I have had no problems in the allocation of resources to the state is that President Salinas and I get along extremely well. We have a good understanding, which started even before I became governor of the state. As part of this cordial relationship, I have agreed with several Ministers not to discuss our differences in public.\textsuperscript{28}

In a way, this might be a clear indication that nothing has substantially changed in Mexico, that entrepreneurs’ commitment to democracy is rhetorical, and that even opposition governments do not have the power to challenge Mexico’s political institutions. Personal relations, good connections, and behind the scenes negotiations count more than formal procedures. But this might also indicate that a transition to democracy cannot occur overnight, that it inevitably implies a realistic appraisal of the possibilities for change and the readiness to deal with old political traditions to achieve concrete ends. As any other government, opposition governments remain dependent on the allocation of resources by the federal government. The power of the federal government to “punish” undisciplined governors remains very much intact. Governor Barrio acknowledged this when he said that “once one is in power, one realizes how limited is the room for maneuver to bring about significant political changes.”\textsuperscript{29}

While opposition governments might not be able to introduce changes that have national political implications, they can effectively promote significant political changes inside each state. They can manage the state’s finances honestly and efficiently, fight against corruption, secure clean electoral processes, guarantee freedom of expression, and foster a greater democratization of society within the state. States ruled by the opposition may then become critical “testing grounds” of democratic experiences which can eventually reach the national level.\textsuperscript{30} But for that end, it is important not only that opposition governments perform well, but that entrepreneurs remain committed to democratic procedures and continue to support the party in power. A critical condition

\textsuperscript{28} Interview with Francisco Barrio, Mexico City, May, 1993.
\textsuperscript{29} Interview with Francisco Barrio, Mexico City, May, 1993.
\textsuperscript{30} Analyzing the performance of “opposition governments” is one of the most fruitful grounds for further research.
of democratic life is that political parties remain strong and that they overcome their overriding tendency to mobilize people only during elections. That is, it is important that they maintain a political presence between elections, penetrate civil society on a more permanent basis, keep a permanent check on the performance of the government, and continually press the national political regime into opening the political system. In all these respects, entrepreneurs' commitment to the party once it is in power and their determination to foster a greater democratization of society is of vital importance. Entrepreneurs' control of critical economic resources makes them crucial actors in any transition to democracy as, more than any other actor, they have the power to destabilize a democratically elected government.