



EJW

ECON JOURNAL WATCH
Scholarly Comments on
Academic Economics

ECON JOURNAL WATCH 13(1)
January 2016: 129–167

Liberalism in Mexican Economic Thought, Past and Present

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[LINK TO ABSTRACT](#)

Adam Smith has long been liberalism’s best representative, and he captured the essence of liberalism when he expounded the principle of “allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty and justice” (1976/1776, 664). Liberalism revolves around the idea of liberty that we may associate with John Locke’s “natural rights” or Smith’s “natural liberty.” It holds a presumption in favor of liberty: Anyone who proposes a contravention of the liberty principle bears a burden of proof.

It must be recognized, however, that Smith’s philosophy also gives considerable presumption to the status quo. Any practical reform movement must bargain with the status quo, and the colonial status quo characterized by a skepticism of economic competition has been a major challenge to the adoption of liberal ideas in Mexico and much of Latin America.

At one point in *The Wealth of Nations* Smith describes his discourse as a contribution to “the science of a legislator” (1976/1776, 468). Such instruction presupposes a legislator, and a legislator presupposes a stable political system, a stable polity. It is unclear what Smith’s “liberal plan” has to say in a realm without a stable polity, without a meaningful process of law or lawmaking, without a regular legal system. Absent those things, what does it mean to speak of a “science of a legislator”?

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Moreover, Smith's work speaks to a legislator who is open to liberal ideas, and who is prepared to advance liberal reform, even at personal sacrifice. Smith himself advanced the "plan" of allowing the individual to pursue his own interest his own way within a context in which people had much understanding of and allegiance to "equality, liberty, and justice" as he also understood those terms. Liberalism developed in Smith's time and thereafter, especially in countries where the political system was stable, where people shared an understanding and allegiance to liberal notions, and where the people manning the government were willing to see and to act on the merits of liberal reform.

Liberalism advanced less well in certain countries, including those in Latin America, not so much because instituting liberal reforms in those countries would not be beneficial, but more because 'instituting liberal reforms' was not possible, or even meaningful. The cultural conditions for wide adherence to liberal sensibilities and for consequent liberal reforms were much less well established. Conditions in Latin America have always made the region liberalism-challenged.

Many authors have written on the history of Mexican economic and political thought (e.g., Armstrong 1989; Cosío Villegas 1955; 1957; Guerra 1995; Hale 1968; 1989; Silva Herzog 1967; Reyes Heróles 1974; Haber et al. 2008; Vázquez 1969). In recent years, María Eugenia Romero Sotelo (2013a; 2013b) and Fernando Escalante Gonzalbo (2015) have discussed Mexican economic orthodoxy, which Romero and Escalante often condemn as "neoliberal."

In this paper I outline the development of economic and political thought in Mexico, with an emphasis on the fortunes of liberalism. The term *liberal* came to be used in quite disparate ways. Part of the disparity can be understood as plain differences in understanding of the essential meaning of the term. But part of the disparity arises, I think, from differences in attitude about how to approach the underlying problem, which was that Mexico did not have the background conditions for Adam Smith's "liberal plan." Such background conditions include a national identity, a stable polity, a broad cultural allegiance to liberal principles, and a corresponding sense of law. Some of the thinkers treated here emphasize the basic liberal formulas and formulations, such as individual liberty and mutual gains from voluntary exchange. Others were, perhaps, more concerned to establish the background conditions, and, again perhaps, favored statist policies to realize the background conditions, to arrive at a state in which liberalism can be more meaningfully advanced. I discuss the leading figures in 19th century Mexican economic and political thought, and focus in the 20th century on issues of the economics profession, reforms of the 1980s and 1990s, and disputes about 'neoliberalism.' Finally, I list individuals and organizations in Mexico who represent the aspiration for a more classical liberal state today. Where I quote from Spanish-language sources, I provide my own English translation.

Colonial roots of liberal thought

Liberal ideas existed in New Spain well before independence in 1821. I mention two men. Bartolomé de las Casas (1484–1566) was a Spanish Dominican priest who vigorously defended the rights of the indigenous people in New Spain. In his *De regia potestate*, las Casas pointed out that justice is not equivalent to enforcement of the law in the books. He argued that the law is binding for all the individuals as well as the governor and that within the rule of law the medium by way of which people can communicate with the governor is referendum (Beuchot 1996, 75). Tomás de Mercado (1525–1575) was a scholastic doctor who belonged to the School of Salamanca, which understood value subjectivism and the implication that voluntary exchange produces mutual gains. Mercado, having spent a great deal of time writing and thinking about New Spain’s problems, intuited the supply and demand mechanism and the quantity theory of money. It is worth mentioning his two fundamental treatises, *Tratos y contratos de mercaderes* (1569) and *Suma de tratos y contratos* (1571).²

Charles Hale, an influential and widely recognized scholar of the history of Mexico, points out that Spanish-domain liberals were influenced especially by the writings of Jean-Baptiste Say. Say’s *Traité d’économie politique* was translated in its entirety in 1803, just one year after it had been published, and spread quickly. The first Spanish edition of the Adam Smith’s *Wealth of Nations*, meanwhile was translated by José Alonso Ortiz, who was a mercantilist; the book “emerged mutilated, abridged and full of qualifying footnotes” (Hale 1968, 252). One prominent Spanish liberal of the time who was heavily influenced by Smith and other British sources was Gaspar Melchor de Jovellanos (1744–1811) (see Polt 1964). Jovellanos’s treatise on agriculture “provoked a considerable reaction” due to which he fell into a royal disregard (Hale 1968, 252).

An example from colonial times of liberal reform is the trade reforms implemented by Charles III of Spain who in 1774 liberalized intercolonial trade and in 1778 tamed the mercantilist restrictions on trade with Spain. The Spanish-empire-wide Cortes de Cádiz (“*cortes*” were Spanish legislatures) and the Spanish Constitution of 1812, regarded one of the first examples of a classical liberal constitution, continued the Bourbon reforms that had turned against corporatist privileges, guilds, and local jurisdictions, thus advancing liberal ideas throughout the empire.

2. On the late scholastics, see Grice-Hutchinson 1952; Schumpeter 1954; Popescu 1997.

Independent Mexico

Mexico became independent from Spain in 1821. Independence did not produce a stable polity—far from it. From independence until 1876, Mexico would have more than 70 presidents and suffer two foreign invasions. Mexican presidents would often be appointed by unconstitutional means and serve multiple times; General Antonio López de Santa Anna, for example, served eleven non-consecutive terms.

The challenges included nurturing a national identity and economy, regional obstacles to internal commerce “divided the country into a set of fiscal territories and hampered the circulation of merchandise” (Riguzzi 2009, 358). Other huge challenges included overcoming the norms and structures of Spanish colonial rule and subjecting the church and the military to the rule of law.

Marcello Carmagnani suggests that “liberal principles had circulated in Mexican society since the promulgation of the Constitution of Cádiz, the introduction of free international trade, and the establishment of the federal republic in 1824” (2005, 286). The consolidation of a body of liberal thought, which happened between 1840 and 1860, was most prominently manifested in the 1857 Federal Constitution of Mexico. I proceed to treat some of the leading figures of this period: Lucas Alamán, José María Luis Mora, and Manuel Ortiz de la Torre.

Lucas Alamán

One of the defenders of political and economic interests of New Spain was Lucas Alamán (1792–1853), who in 1821 represented the province of Guanajuato at the Spanish Cortes. Alamán defended the freedom of press, the right of national representation (which he believed should complement taxation), and the liberty of the individual. Coming from a family of wealthy landowners, the young Alamán, himself an entrepreneur, was passionate about free trade and called for dismantling some of the barriers to the circulation of goods. In a proposal of the congressional mining commission, Alamán even mentions Adam Smith on the “natural tendency” of foreign capital to seek profitable investment: “They will direct their investment here without needing further encouragement” (quoted in Hale 1968, 265).

Historians have long considered Alamán—who in 1849 founded the Conservative party—to be a reactionary conservative with monarchical sympathies, a man of enterprise, and a mercantilist statesman of Mexican economic development who urged government intervention in the economy. Some authors have lately

highlighted Alamán's more liberal aspects, pointing especially to the importance of his liberal constitutionalism (Andrews 2007; Aguilar 2010).³

Alamán believed that private property has moral implications in terms of the political economy of a country. According to him nothing could contribute to a spiritual and material development of an individual as much as ownership and the inclusion in the process of production. Property has a tendency to cultivate a man, to civilize him, and to make it possible for him to live in a society; to make him a stakeholder, to colonize him, and to make him useful. For Alamán, the key moral implication of secure property rights was therefore not individual autonomy, but rather raising the owner's own awareness of a greater public good. Alamán thought deeply about order, governance, and stability.

Catherine Andrews (2009) argues that there are reasons to believe that by 1834 Alamán's concern for political stability involved some liberal tendencies. He admired the separation of powers established by the U.S. constitution, and he did not hold in high estimation the French and Spanish constitutions. Alamán—seemingly following William Blackstone, Edmund Burke, and the French Anglo-philosophes like Montesquieu—“espoused...the separation of powers and representative government” (Andrews 2007, 16). Andrews writes that Alamán's disenchantment with the 1824 Federal Constitution of Mexico stemmed from two main points. First, he suggested that “Mexico found itself in ‘anarchy’ because, by establishing the Federal Republic, it had elected to destroy ‘all that had previously existed’” (ibid.). Second, he held that the 1824 Constitution

did not institute an adequate division, or the appropriate balance, between the different branches of government. ... [A]lthough the constitution ostentatiously modelled itself on the US charter, in reality it followed the ideas of the first French constitution of 1791 by way of its Spanish imitation: the 1812 Constitution of Cádiz. (Andrews 2007, 17)

Alamán felt that the constitution was an eclectic transplant not well aligned with historical circumstances of the newly born Mexican nation. The reforms that Alamán proposed revolved around four institutional features: the division of powers, the powers of emergency, attributes of the Congress, and the nature of representation (Aguilar 2010, 91). In particular, Alamán felt the 1824 Constitution gave strong powers to the legislative branch and constrained the executive too

3. Aguilar (2010, 87) argues that although we might find consistency in Alamán's thought, the schisms in his thought seem to be crucial. The idea of “two Alamánes” is often adopted, where one side of Alamán's thought shows a liberal centralist, whose thought on constitutional reform is of immense importance, and the other presents a voracious mercantilist defending clerical interests. The difficulty of understanding Alamán is amplified by the changing character of his thinking.

much. He therefore called for a more stable and secure executive power venerating “the provisions of English law that allowed...the principle of habeas corpus to be suspended at times of emergency” (Andrews 2007, 28–29).

José Antonio Aguilar Rivera suggests that there is a Machiavellian aspect to Alamán’s meditation on the difference between a dictatorial authority established by irregular means and an institution that would permit an orderly concentration of powers in the hands of a dictator during the times of a crisis to prevent a greater harm (Aguilar 2010, 99–100). Aguilar reproduces a quotation from a document probably authored by Alamán:

The form of government is nothing but an organization of its powers and these powers are in themselves nothing but a guarantee of liberty. It is not a result of natural law that all the governments should be constituted by one chamber or two chambers, by an elected and a temporary president, by two consuls or a directorate. ... What really matters is to properly apply general principles to particular circumstances...in order to avoid the tyranny of the government, the tyranny of the parliament, the demagogical tyranny or the judicial tyranny. (quoted in Aguilar 2010, 118–119; also Andrews 2006, 100)

Despite his favor for property and liberal constitutionalism, Alamán inclined toward protectionism (Hale 1968, ch. 8). As a minister of foreign relations, Alamán sought to revive the Mexican mining industry through domestic and foreign investment. Furthermore, he wanted to set up a system of customs that would put the domestic industry in a “just equilibrium” with other international firms. In 1830, he established Banco de Avío, a program that would ensure that credit flowed into those industries that could make best use of it. He believed that public money should be spent to spur technological change and industrialization. From 1835, to protect the domestic cotton industry, he tried to influence the Mexican commercial policy so as to block cotton imports.

At the same time, Alamán continued to defend private property as a natural limitation on state intervention, and to promote the “spirit of enterprise” (“*espíritu de industria*”). The apparent contradictions in Alamán’s thought illuminate a recurrent aspect of Mexican thought and experience: the resort to statist means to create a stable nation-state, so as to make subsequently viable movement toward Adam Smith’s liberal plan.

José María Luis Mora

The most prominent proponent of liberal ideas in the post-independence period was José María Luis Mora (1794–1850). Mora was educated in theology and rationalist philosophy. According to Hale, Mora was influenced by French consti-

tutional liberals, physiocrats, and Benthamite utilitarianism. Hale says that we find Mora “speaking in 1827 of ‘the wise [Jeremy] Bentham’ and agreeing that ‘not only is utility the origin of all law, but also the principle of all human actions.’” Hale adds that “throughout Mora’s anticlerical writing runs the thread of utilitarian ethics. It appears that Mora’s general attack on corporate privilege is carried through in the name of utility rather than from the natural rights position” (1965, 206).

Unlike Alamán, Mora saw the main problems of the new country to be the privileges of the Catholic Church and the military class. Mora thought that the concentration of land tenure in the Church was a major obstacle to economic prosperity because land remained unproductive, locked in the possession of “dead hands” (“*manos muertas*”). Mora would accuse the privileged groups of “forming small societies that frequently conspire against the interests of the general public” (Mora 1950, 101–102; quoted in Romero Sotelo 2005, 23). He said that

the major challenge against which the public prosperity of nations must fight is the tendency to pool, accumulate, and monopolize eternally the land and capital. ... This result is due uniquely and exclusively to political bodies and a nation where these bodies get to multiply; even if small in numbers they become pervasive in society and have opened an abyss where the public interest must disappear. (Mora 1950, 189–190; quoted in Romero Sotelo 2005, 24)

On such grounds, Mora proposed the confiscation of clerical property.

When in August 1827 the legislature of the State of Mexico proposed the expulsion of Spaniards, however, Mora was against the expropriation of the Spanish private property. In his *Discurso sobre la expulsión*, he argued that

the wealth of a country is a function of the capital goods employed since these carry the value of the primary resources and labor, the industriousness and workmanship of the man; their beneficial inflow makes the land more productive and maintains its commerce. A nation without capital cannot strive toward prosperity. (quoted in Romero Sotelo 2005, 25)

Mora feared that, as a consequence of political persecution of Spaniards, which had just started, Mexico would scare away capital. He wrote that

until now [November 28, 1827] the events have confirmed all our predictions, the distrust grows apparently ... the toll on income both from maritime and land trade has fallen considerably. A loan will not be given at all or under conditions very beneficial to the lender and dear to the nation. (quoted in Romero Sotelo 2005, 26)

Mora also wrote on public finance. Influenced by Say, Mora sought reform that would result in “the greatest possible savings, and in the smallest possible tax” (quoted in Romero Sotelo 2005, 27). Mora had in mind “a transition from the regime of strong intervention to a liberal regime” (ibid., 27–28), but he understood quite well that a social conflict will most likely prevent such transition.

Manuel Ortiz de la Torre

Manuel Ortiz de la Torre, “a native of Sonora and a professor at the Colegio de San Ildefonso,” was perhaps Mexico’s “most vigorous exponent” of liberal doctrine in the 1820s (Hale 1968, 256). Robert S. Smith considers de la Torre to be a forgotten economist who would in his two *Discursos* refer to the “profound” Adam Smith, the “judicious, profound and well instructed” Thomas Malthus, to “the most profound and instructed genius” Richard Cantillon, and to Bentham, Say, Étienne Bonnot de Condillac, and David Ricardo (R. Smith 1959, 513). In *Discurso de un diputado*, published in 1823, Ortiz criticized import restrictions, saying that that it is commonly believed that without protectionist measures “the manufacturing industry will not flourish...[and that] many hands will stay unoccupied.” But if this were true, argues Ortiz, “Why don’t we apply the same principle among the provinces of the country?” (quoted in R. Smith 1959, 512).

Ortiz anticipated the objection that England did not fully adopt free trade, saying that England grew rich not thanks to remaining restrictions but in spite of them. Ortiz believed that the economic development of Great Britain should be attributed to the protection of private property, to its political constitution, to the merchant fleet, and to “the singularly industrious genius of its inhabitants” (quoted in R. Smith 1959, 512).

In his second *Discurso*, of 1825, Ortiz argues that “the wealth of a nation will be augmented through individual productive activities, and thus the government should be limited to guarantee freedom of production and the highest possible security in the enjoyment of the products” (quoted in R. Smith 1959, 514). Ortiz acknowledged the possibility that in some economic activities, such as public works, construction of canals, bridges, and roads, public administration may be more appropriate than private enterprise. He warns, however, that the government should stay out of the production of consumption goods or any other activity that is generally better served privately (R. Smith 1959, 514).

The 1857 constitutional moment and the Restored Republic

The efforts of Mexican liberals materialized in a new constitution, drafted in 1857, that targeted “the corporate rights and special jurisdictions (*fueros*) of the

military, the Catholic Church, economic guilds, and Indian communities” (Aguilar 2012, xxvi). The enactment of this document was met with a violent conservative opposition that attempted to establish a monarchical rule in Mexico and which eventually invited foreign intervention. Napoleon III of France provided military support for a puppet regime of the Archduke Ferdinand Maximilian—an Austrian prince and a younger brother of Franz Joseph. Ferdinand Maximilian became the first and the last monarch of the short-lived Second Mexican Empire (1864–1867), which was overthrown by Benito Juárez, who restored the Republic in 1867.

Daniel Cosío Villegas (1898–1976), a Mexican economist and historian, formulated a somewhat romanticized interpretation of developments following the 1857 constitutional moment (Cosío Villegas 1957). Cosío’s interpretation holds that a consolidation of liberalism in Mexico had been largely achieved under the Restored Republic. Here is how Enrique Krauze, Cosío’s biographer, explained the interpretation:

[F]or ten years (1867–1876) under the presidency of Benito Juárez and Sebastian Lerdo de Tejada...there were no parties within the liberal group, only factions. There was, however, a true division of powers, a fanatical respect—and what else is needed?—for the rule of law, full sovereignty of states, elections free from the shade of fraud, independent magistrates, and an absolute liberty of opinion which translated into a proactive and intelligently vigilant press. People loved the political liberty. (Krauze 1984, 5)

Cosío’s picture of Mexican liberalism should be read in light of his “anti-clerical sympathies” and his “rejection of nineteenth-century liberalism in socioeconomic matters” (Hale 1974, 485). His argument that those ten years were a liberal period has been challenged by the view that a liberal order crucially depends on the existence of a suitable body of citizens. That body was absent in the Restored Republic—“imaginary” in the words of Fernando Escalante Gonzalbo (1992)—because more than half of the population lived in indigenous villages, where patterns of communal ownership prevailed, or lived and worked on land that belonged to someone else. Impersonal market exchange, self-interest, and autonomy were not significant factors in the understanding of the indigenous self—communitarian habits, compulsion, and hierarchy were. Reforma assumed autonomous, equal and self-interested men that were mostly not there (Armstrong 1989, 51–53). Furthermore, Cosío’s romantic interpretation downplays the importance of the liberal transformation under Porfirio Díaz, to which I now turn.

Positivism and the transformation of liberalism

In 1867, when foreign intervention was repudiated and the conservatives were wiped off the political and intellectual map, liberalism came to be “irrevocably identified with the nation itself” (Hale 1989, 3). Liberalism, argues Hale, “became transformed from an ideology in combat with an inherited set of institutions, social arrangements, and values into a unifying political myth.” Factions multiplied within the broad liberal group, giving rise to a movement of ‘new’ liberals. Continuity with the old liberalism was weakened largely by the search for a “scientific politics,” strongly marked by Comtean positivist philosophy. Positivism had a strong impact on the Mexican education system and later on political ideas (ibid.). From the later part of the nineteenth century, as has been the case in the Anglosphere, the so-called liberals were often a far cry from Adam Smith.

Hale speculates that positivism in Mexico was prefigured by Mora’s utilitarian liberalism. Mora’s “vision of a secular society, directed by middle-class property owners who would be the beneficiaries of a state-controlled educational system” (Hale 1965, 226) could be seen as introducing some ideas of the ‘new’ liberalism of ‘new’ liberals. Hale stresses, however, that in the search for continuity within the nineteenth-century tradition we should not forget that the earlier liberals, “despite their ultimate reliance upon a strong state to attack corporate power, always kept alive the struggle for liberties, free political institutions, and the basis of political democracy” (ibid.). This was not always the case with the nineteenth-century positivists and their notion of scientific politics administered by the group of *científicos* (scientists), whom Cosío considered to be “the country’s first technocrats, dedicated to the idea that the nation should be guided by a scientifically oriented apolitical elite” (Hale 1989, 124).

Gabino Barreda

The pioneer of Mexican positivism was Gabino Barreda (1818–1881), the minister of education in the Benito Juárez government. Barreda had been a student of Auguste Comte, whose lectures he had attended in Paris. In 1867 in Guanajuato, Barreda called for a universal doctrine that would unite all the intellects in one common synthesis (Hale 1989, 5). As explained by Hale, Barreda held that “economic development, a scientifically-based education, and more political order were to replace the anarchical and utopian character of the earlier liberalism” (ibid., 225). Barreda believed that education had only one purpose, that of establishing and maintaining permanent social order. According to Barreda, “Education should be an instrument in the service of order,” because, following the positivist doctrine,

“social or material order depends on spiritual order” (Zea 1974, 125). Leopoldo Zea elaborates:

When he [Barreda] said that preparatory instruction was free, he meant that all the sciences taught in the preparatory schools could be demonstrated. Everything taught in the preparatory schools was demonstrable, which meant that it could be accepted freely by everyone. Everything that could be demonstrated must be accepted by all; here there was no room for freedom in a negative sense; no one could deny that which could be demonstrated beyond any doubt. This is what was accomplished in the preparatory schools: to teach the positive, that is, the demonstrable, which meant that one was free only to affirm, not to deny. (Zea 1974, 126)

Barreda wanted to produce something that the Jesuits failed to generate, namely, a kind of civic conscience wrapped in common knowledge. The civic conscience should be effectuated by a kind of total education, according to Barreda’s new model for education. The power to design and shape this model should be commended to a new social group, a new caste of positivists (Zea 1974, 130). Such a ‘liberalism’ would seem to be very far from David Hume, Adam Smith, and Edmund Burke.

Against this new power, against its creation, rose an opposition formed by Mexican liberals belonging to the so-called “romantic generation,” including Mariano Otero, Ponciano Arriaga, Ignacio Ramirez, and Guillermo Prieto.

Guillermo Prieto

A liberal follower of Mora’s outlook, Guillermo Prieto (1818–1897) challenged Barreda’s proposal of educational reform on the grounds of the constitutional principle of freedom of speech and a derived principle of academic freedom. Barreda replied: “I recognize and proclaim that my friend Mr. D. Guillermo Prieto is, in my judgment, the best lyric poet in my country...but I cannot give him credit for subjects that he is not familiar with, subjects that he has never studied” (quoted in Zea 1974, 132). More importantly, Barreda saw Prieto and the other romantic liberals as “unrealistic, that is, they had an impractical education. Their education had made them impractical idealists and dreamers” (Zea 1974, 128).

Prieto was a colorful character, perhaps best known for the moment during the Reform War (*Guerra de Reforma*) when he shielded Benito Juárez with his own body, reputedly proclaiming that “brave men do not murder... you are Mexicans, this is the representative of the law and of your nation... You want blood? Spill mine!” (Sierra 1948, book XIII; Fernández Ruiz 2006, 163). Apart from being a poet, Prieto was an active journalist, statesman, and classical liberal who influenced

the course of Mexican public life throughout four decades. In 1851 he was made a minister of finance. Prieto contributed to the consolidation of Mexican fiscal policy necessary to avoid the bankruptcy of the treasury, and he pushed through the abolition of some internal customs (*alcabalas*) that hampered the emergence of a national market.

Prieto condemned “unequal, unjust, and immoral indirect taxation” (1871, 385), finding it damaging for Mexican public finance. He called instead for a system of taxes that would not be confiscatory or immoral, not “protecting or liberating some industries” but instead being general, uniform and known in advance (*ibid.*). He wrote that “a tax is an obstacle between production and a consumption...if this obstacle is anticipated, its influence is less pernicious; if it comes unexpectedly, it destroys the circulation; if it is not uniform, it interrupts it, it takes away the freedom” (*ibid.*, 385–386).

Prieto’s book on *Political Economy* consists of lectures given in 1871.⁴ The book is an excellent overview of classical political economy. Prieto takes on the ever-present mercantilist contention that “if a society exports more than it imports, it wins; if it imports more than it exports, it loses” (1871, 289). To counter this thesis, Prieto reminds us that “when two persons exchange, they are brought together by a common interest” (*ibid.*), and same goes for international trade. Prieto salutes “Quesnay, Turgot, Smith, and Say, who famously fought this barbaric system,” which presupposes “hatred between nations, a conspiracy to impoverish foreign countries in order to come upon elements of national prosperity” (*ibid.*, 291). Besides Smith and Say, it is Frédéric Bastiat to whom Prieto (1871) refers most frequently; the book opens with a lecture on “Property and Property Rights” that strongly follows Bastiat’s reasoning. Prieto praises Bastiat for “analytical precision” that has “made most important contributions to the economic science” (*ibid.*, 4).

Prieto (1871, vii) writes: “Without a study of morality, property would be theft and not an extension of individual faculties, the flesh of our rights, the right which in itself appeals to the guarantee of law since propriety exists before the law, it gives it life.” Prieto considers property a natural extension of human faculties: Without property there is no guarantee to the fruits of one’s labor, without property there is no liberty, no responsibility, no consistency in exchange. Property is exclusive use of the thing. Whenever two or more individuals with their own desires and tendencies compete, the recognition of property becomes key: “Possession is useless, even if exclusive, unless recognized by the others... The recognition, in other words, the strengthening of possession, the right, cannot take place

4. The original title of Prieto’s book is *Lecciones elementales de economía política, dadas en la escuela de jurisprudencia de México en el curso de 1871*.

outside of a society” (Prieto 1871, 5–6). Prieto’s rhapsodic case for the morality of property is worthy of extended quotation:

We have said that property is a powerful incentive for saving and capital formation. Whenever we examine the tendency of men to improve and advance, we find a desire to search for the good and avoid the bad.

The future-oriented inclination of present work, this tender heritage bequeathed into the hands of coming generations by generations that had left, signals one of the constituent features of the limitless progress that elevates us to perfection.

For this reason the rights that arise from property are the most transcendental ones. (Prieto 1871, 12)

An unhampered labor market and free enterprise will eradicate the root of monopolies in commerce but also in education. Free enterprise, argues Prieto, conveys a new outlook on a society—it “kills the contagion whereby the few live at the expenses of many” (Prieto 1871, 12). He was quick to add, however, that free enterprise embedded in and reinforced by the presumption of liberty rests on necessary restrictions that are imposed on individual self-interest:

When this interest of the individual is opposed to the general interest; when the fulfillment of this desire or when the satisfaction of that fancy hurts other rights or harms the community, in that case a restriction is just; but it cannot be justified otherwise. (Prieto 1871, 12)

Prieto lived through the 19th century transformation of Mexican liberalism into a unifying political ideology influenced by the philosophy of positivism. He clearly understood the presumption of liberty and he applied it throughout his life as a journalist, statesman, and teacher. During the last years of his life he went on to contribute to the formation of a “national conscience,” writing an epic poem called *Romancero nacional*. His *Lecciones de historia patria* were reprinted several times by the government of Porfirio Díaz (Ludlow 2005, 203).

1876: The beginning of the Porfiriato era

The term *Porfiriato* refers to the regime, 1876–1911, of Porfirio Díaz. The regime faced regional interests that “divided the country into a set of fiscal territories and hampered the circulation of merchandise” (Riguzzi 2009, 358). Through “rigging elections” and “forging a coalition with Mexico’s wealth holders by granting them special privileges” (Haber et al. 2008, 21) Díaz managed to maintain a stable polity and to extend the national market.

But that “the state promoted the construction of markets does not mean that this was done properly, and it failed, in fact, on criteria such as the rectification of spatial inequality and economic and distributive efficiency” (Riguzzi 2009, 359). The Porfirian policy of economic development was above all a program of “‘defensive modernization’...aimed at controlling and reducing the impact of the international on the domestic economy,” and as such the Porfirian modernization “fed the roots of economic nationalism” (ibid., 356).

Mexico managed to achieve degrees of political stability predominantly through the creation of patronage relationships and coalitions. Stephen Haber (2002, 42) argues that although a patronage system is not the best solution to the commitment problem that any government faces, it has its benefits. Since it is often next to impossible to jump from an unstable polity to a limited government operating under the rule of law and upholding universal political and economic rights, governments may solve the fundamental commitment problem by integrating favored asset holders in the political process and convincing them their interests will be protected. Any kind of authoritarian regime built around such rent-seeking coalitions is, however, prone to generate a schism between a privileged stratum and an underdeveloped sector with weak property and contract rights.⁵

Justo Sierra

Justo Sierra (1848–1912) and the ‘new’ liberals felt that the formulas proposed by the generation of romantic liberals were inadequate. The ‘new’ liberals felt that the 1857 constitution envisioned a “generous, liberal utopia” (Hale 1989, 49)—that it was not grounded in the reality of Mexican life. The constitution emphasized individual rights, “which Sierra and his colleagues regarded as an exaggerated, arbitrary, and socially disruptive dogma, based on faith rather than on experience and science” (ibid.). Hume and Smith, alert to the inadequacies and dangers of simplistic formulas and simplistic formulations, perhaps would have had some sympathy for Sierra.

Although some of the Mexican positivists called for “honorable tyranny” by a benign despot, Sierra was more careful in his rhetoric.⁶ He envisioned a “conser-

5. The historical role of Porfirio Díaz is far from settled. Garner (2003) argues that the Porfirian historiography can be divided into three chronological categories, each one having particular biases: the “porfirism,” the “antiporfirism,” and the “neoporfirism.” A favorable image of Díaz dominates before 1910; what followed the Mexican Revolution destroyed the Porfirian cult and substituted for it an equally powerful myth of antiporfirism. During the 1990s emerged a new, perhaps more balanced, consideration of Porfiriato.

6. Francisco G. Cosmes appealed for authoritarian government in September 1878 in *La Libertad*, which was a ‘new liberal’ outlet (see Hale 1989, 34).

vative” and “strong government” which would establish a stable polity; “weak governments,” claimed Sierra, “are the sure symptoms of death” (quoted in Hale 1989, 34). This was in contrast to the views of José María Vigil and some of the ‘old’ liberals, who seem to have embraced the notion of popular sovereignty, which, however, essentially boils down to unconditional democracy.

Sierra and the new liberals proposed a constitutional Leviathan hoping it would, eventually, bind itself. Their Leviathan would come to be personified in Porfirio Díaz, who to a large extent embodied Sierra’s thesis that “the best way to avoid the violation of guarantees and the abuse of the law is to suppress law and guarantees” (Hale 1989, 65). Sierra—who believed that a stable polity, so much needed for the emergence of voluntary private cooperation, would not emerge spontaneously through consensus—compared a society to an organism. Hale writes that Sierra “identified in the development of the organism the gradual dominance of the nervous force over the muscular force...the nervous force would have a directive role analogous to the spiritual power in society envisioned by Auguste Comte” (1989, 33). The central nervous force that would permit a strong and healthy constitution was to be strengthened by way of “rudimentary strengthening of public authority” (ibid.).

José María Vigil

Although the positivist thinkers of Mexico called themselves liberal, their doctrine derived from the collectivist philosophy of Comte, Saint-Simon and Fourier. Such philosophy plainly lacked liberalism’s understanding of individual liberty as a natural set of focal conventions upon which spontaneous forces, if not obstructed, generally function to good effect.⁷ In 1878, via the columns of *La Libertad* and *El Monitor Republicano*, José María Vigil (1829–1909), defending liberty as an absolute principle, challenged Sierra on the meaning of freedom on these grounds. Later on he would even argue that “positivism ... degrades the man ... and leads necessarily to skepticism, materialism, atheism, and despotism” (quoted in Hale 1989, 189).

Some developments in higher education

The discussions between Prieto and Barreda and between Vigil and Sierra point to the key role of higher education in the transformation of liberalism in Mexican economic thought. The Colegio de San Ildefonso, a sixteenth-century

7. Friedrich Hayek developed this line of criticism in his *Counter-Revolution of Science* (1952, esp. part two, chs. V and VI).

Jesuit college that had raised up many important Mexican scholars, morphed, on December 2, 1867, into the Escuela Nacional Preparatoria (ENP). The first director of the ENP was Barreda, who created a positivist curriculum to facilitate a moral development without which “liberty, considered as a right, cannot be instituted” (Hale 1989, 34). Individuals had to have a proper moral outlook, based on positive truths, drilled into them. The curriculum brought up a generation of positivists that would influence the political life of the Porfiriato.

Sierra, who became a teacher at ENP, exemplifies the tension between liberalism and positivism and the “complex and tangled relationship between scientific politics and constitutionalism” (Hale 1989, 102). Hale argues that “Sierra and his colleagues’ claim to being constitutionalists must be taken seriously despite their apparent support for authoritarian government” (ibid.). Perhaps it is not in spite of but *because of* Sierra’s support for a strong government in times of an unstable polity that his contributions to Mexican constitutional liberalism should be taken seriously.⁸ Sierra also contributed to the emancipation of the school from the state and from the Church. Later on, he founded the Universidad Nacional de México (today’s UNAM). UNAM’s school of economics was founded in 1935, and it became the cradle of the economics profession in Mexico.

1910 and after

Porfirio Díaz, whose 35-year authoritarian regime began in 1876, had created and maintained a stable polity. “By the time Díaz was forced into exile in 1911, Mexico had a sizable banking system, a manufacturing sector that produced a broad range of consumer and intermediate goods in large-scale factories, and a 12,000-mile railroad system” (Haber et al. 2008, 21). This economic transformation resulted from a system of patronage that granted special privileges to large landowners, bankers, and industrialists.⁹

Díaz failed to recognize the right moment to limit his political powers, however, and a violent revolution fomented by the coalition of reformist elites and

8. Consider for example Hale’s discussion on Sierra and the 1893 debate on the irremovability of judges (Hale 1989, 108–122, 247).

9. Haber, Maurer, and Razo (2002) consider Porfiriato an “archetypal case of a crony system.” Stanislav Andreski (1966, 140–145) talks about the revolutionary regime that followed in terms of “bureaucratic oligarchy.” Both the crony rent-seeking system and the bureaucratic oligarchy are historical examples of patronage systems, political schemes that distribute fiscal, budgetary, and political benefits in exchange for financial and political support. Luis Carlos Ugalde (2014) has recently argued that after the 1980s, instead of an evolution toward a liberal democracy with a government that would guarantee a rule of law and protect individual liberties, Mexico got stuck with a patronage democracy.

peasants forced Díaz into exile. Glimpses of the political instability after 1911 are given in the following newsreel offered by Stephen Haber:

Díaz was overthrown in 1911 and fled to exile in Paris. His reformist successor, Francisco Madero, was overthrown by Díaz's generals within fifteen months of taking office. They, in turn, were driven from Mexico City by a coalition of reformist elites, peasants who clamored for the return of lands that had been confiscated during the Porfiriato, and an increasingly militant working class. That coalition broke apart as soon as it achieved victory in 1914, ushering in three years of civil war. The political victor of that civil war, Venustiano Carranza, was assassinated by his own generals in 1920. His successor, Álvaro Obregón, faced a military uprising led by his own secretary of the treasury in 1923. Obregón was himself assassinated in 1928, the day after he won a second term in office in a rigged election. (Haber 2002, 43)

The new Constitution of Mexico of 1917, which is the current constitution, reversed the Porfirian policies designed to create secure and clearly defined private property rights in land, intellectual property, and the subsoil. With Article 27, the government of Mexico acquired “original ownership” over all the land and subsoil within the national territory. Private property became a privilege that could be revoked by a government acting in the public interest. The constitution set a maximum workday of eight hours, limited the workweek to six days, limited child labor, and restricted the rights of employers to fire workers; it endorsed the principle of a minimum wage, and it gave workers privileges in striking.¹⁰ The Constitution rolled back institutional patterns of land tenure and labor relations. Furthermore, it significantly limited freedom of contract while elevating the pursuit of social justice (Armstrong 1989, 84). With the aim of protecting the most vulnerable members of Mexican society from abuse, it rekindled conservative colonial paternalism, characterized by a profound distrust of economic competition driven by private economic power.

A new stable political equilibrium emerged in the 1930s, under Lázaro Cárdenas. One element was succession: there emerged a “more credible selection mechanism by which a president appointed his successor and then permanently and completely retired from the political arena” (Haber 2002, 61). In addition, the new equilibrium integrated more social groups (workers and peasants) into the coalition, but the new political system continued and even strengthened the involvement of political actors in lucrative private activities through direct participation in state-owned institutions. Thus there was an essential continuity: A

10. See also Andreski (1966, 216–223) for the account of Mexican Revolution in the context of upheavals in Argentina, Bolivia, Colombia, Guatemala, and Cuba.

patronage system “was employed by both Porfirio Díaz, the dictator who ruled Mexico from 1876 until 1911, and the forces that claimed victory in the Mexican Revolution (1910–1920) and monopolized political power until the electoral defeat of the PRI [Partido Revolucionario Institucional] in the year 2000” (Haber et al. 2008, 9). In effect, “the basic Porfirian game remained intact, and Mexico regained stability in 1934–88 under conditions similar to those that had prevailed in 1876–1911” (Haber 2002, 61).

From the 1920s on, the regimes realized they had to integrate economic elites into the political process and allow them to shape the policies that affected their interests. In 1925, the bankers essentially wrote legislation that would establish high barriers to entry in the banking sector, limiting competition. The manufacturing sector came to be protected behind a wall of tariffs, quotas, and heavy regulation of foreign investors. Also, the post-revolutionary governments “sheltered favored firms from domestic competition by establishing regulatory barriers to market entry and by granting them preferential access to subsidized credit from government-owned development banks” (Haber et al. 2008, 14).

This alliance—also generally known as the ‘alliance for profits’—between the party that emerged from the revolution, the Partido Revolucionario Institucional (PRI), and the most prominent business interests stimulated economic expansion and rapid industrialization, but it also deepened the traditional fiscal problem and bred state cronyism. The public sector became severely underfunded compared to other developing countries and thus failed to generate public goods, services, and infrastructure. Yet, there was one major benefit to the system of unofficial rent payments: The system of patronage provided for some Mexican firms “a modicum of protection against the possibility of expropriation or other arbitrary government actions” (Haber et al. 2008, 40).

The economics profession in Mexico

Before the Mexican Revolution (before 1910 that is) there were no professional economists in Mexico. “The closest thing to a group of professional economists was a famous clique of wealthy government officials,” writes Sarah Babb (2001, 26). These *científicos*, “the most famous of whom was José Limantour—Porfirio Díaz’s minister of finance from 1893 to 1911,” were predominantly lawyers or engineers who were self-educated in economic matters. The first economics program as such started within the Universidad Nacional de México (UNAM)’s Law School in 1929. Six years later the program turned into a full-blown school, the Escuela Nacional de Economía, intended to produce “a cadre of state bureaucrats who could take charge of economic policymaking” (ibid., 27).

Babb suggests that the origins of Mexican economics are best understood by examining the demand for economic expertise. As she puts it: “the success of a profession fundamentally rests upon its support by a constituency—in other words, a group with the resources to support the practice of expert knowledge. Professions need not generate widespread belief in their expertise; it is sufficient to find a group that is willing to pay for it” (2001, 20).

The principal demand for economic experts came clearly and unambiguously from the government sector. The announcement for the new UNAM program in 1929 read: “Licenciados [B.S.] in economics can assume the administrative posts of greatest importance in the Federal Government and in the local governments because their knowledge qualifies them most especially for that end” (quoted in Babb 2001, 32). Cosío, one of the founders of the economics program, lobbied for a law that would reserve certain administrative positions for students of economics.

A mastermind of the UNAM School of Economics, Jesús Silva Herzog, put it this way: “Politics is the easiest and the most profitable profession in Mexico” (quoted in Hansen 1971, 125). Since the mid-1930s the prospect of social mobility through inexpensive education in economics and an expanding public administration has driven the numbers of economic experts up. Babb writes that “graduates in economics from UNAM were confronted with a sort of virgin territory within a growing government bureaucracy so desperate for economic expertise that its officials were willing to hire students before they finished their coursework” (2001, 40). She quotes Cosío commenting on the redundancy of the set-asides he had lobbied for: “the appetite of the country for economists shortly thereafter led institutions like the Banco de México to establish an ascending salary scale for economics students, which began with those in their first year” (Cosío Villegas 1977, 141–142, quoted in Babb 2001, 40–41). Mexican economics was “probably the single most state-centered profession within a system of state-centered professions” (Babb 2001, 45–46). Practically all of UNAM’s School of Economics graduates ended up in public administration, principally the Ministry of Finance (Hacienda) or the Central Bank (Banco de México).

The emergence of ITAM and AMC

As shown by María Eugenia Romero Sotelo (2013a; 2013b), a professor of history of economic thought at UNAM whose interpretations come across as anti-‘neoliberal,’ the demand for economic expertise would not originate purely in the government sector. The decades of 1930s and 1940s had given birth to another stream of thought, which would develop into what Romero calls “orthodox liberal thinking” (2013b, 122). But arguing that the latter ‘orthodoxy’ (or ‘neoliberalism’) can be traced back to this “conscious act by a sector of Mexico’s élite, intended to

create an alternative to what has been called economic nationalism, which emerged with the Mexican Revolution of 1910” (ibid., 119), Romero seems to ignore the prominence of economic nationalism during Porfiriato. She writes:

My personal view is that this school of thought is a continuation of the liberalism that prevailed during the reign of Porfirio Díaz at the end of the nineteenth century, updated with new developments from the liberal school of the nineteen-twenties, in particular the Austrian School, put forward by Friedrich von Hayek and Ludwig von Mises. This approach was adopted and promoted in Mexico by Luis Montes de Oca and Miguel Palacios Macedo, who believed that price stability should be the foremost objective of economic policy. (Romero Sotelo 2013b, 122)

Events from the late 1940s were recounted by the classical liberal Aníbal de Iturbide who had been the director of the Banco de Comercio since 1945. He recalled that the “ideas of the government of General Cárdenas,” which were of an agrarian-socialist kind, “still had an important influence in the ideological development of Mexican life and politics”:

[In 1946] *cardenista* ideology, in our opinion mistaken, was still very much in effect. ... [W]e thought that to encourage the industrial development in Mexico we had to try to change people’s mentality, because it was predominantly a socialist, leftist mentality, which is what predominated in the political sphere ... This was essentially the reason that impelled us to create the Mexican Technological Institute, having as its goal the creation of a School of Economics from which would graduate the men who would in the future manage both the private and public economies in Mexico. ...

The idea began to take shape during the government of General Lázaro Cárdenas, when we saw that his policies did not coincide with what we thought.

We believed that with the *cardenista* ideology in full effect there did not exist sufficient encouragement for the investment of the capital that would initiate the process of transformation of an agricultural-mining country to an industrial one ... The School of Engineering was discarded because we arrived at the conclusion that we could not be efficient if we tried to include too many branches. We decided on three of four, giving preference always to the School of Economics, because in our opinion it was the base upon which the future of Mexico would turn. (Iturbide 1988, 9–10; quoted in Babb 2001, 72)

The Instituto Tecnológico de México (today known as ITAM), with its School of Economics at its center, was founded in 1946. Directly related was the founding, also in 1946, of Asociación Mexicana de Cultura (AMC), whose first board brought together entrepreneurs, bankers, and academics. Both the ITAM

School of Economics and the AMC were “the creation of a group of businessmen who were explicitly interested in providing an alternative to what they perceived as the leftist slant of the UNAM” (Babb 2001, 71). Ideologically, the AMC was a mixture of business interests, conservatives, and classical liberals. The AMC had the power to appoint the ITAM director for an indefinite term. From 1946 to 1967 the president of the association was Raúl Baillères, a banker and a businessman. As Romero puts it, Baillères believed that “Mexico needed a free society with private enterprise as its engine of economic development” (2013b, 143).

It is unlikely that the founding of ITAM and AMC would have taken place had Aníbal de Iturbide not introduced Baillères to Luis Montes de Oca, a classical liberal, a Secretary of Finance (1928–1932), and a Director General of Mexico’s central bank (1935–1940). “I was the one,” said de Iturbide, “who brought them together. Luis was the ideas man, and Raúl the one who provided financial support” (quoted in Romero Sotelo 2013b, 143). Eduardo Villaseñor, who served as a Director General of the Banco de México from 1940 to 1946, recollected:

With regard to economics, he [Montes de Oca] was a classic liberal and he was faithful [to that viewpoint] in theory and in practice. He maintained correspondence with several prominent economists, some of whom he invited to Mexico to give conferences. These caused great interest, and motivated students and government officials alike to study and reconsider the problems that concerned us all. (Villaseñor, quoted in Romero Sotelo 2013a, 3)

Montes de Oca finished his translation of Walter Lippmann’s *The Good Society* (1937) into Spanish in 1940. He thought Lippmann’s book necessary to “revive the discussion about political and economic, intellectual and moral liberalism, that was the product of the greatness of the proliferous, magnificent, exuberant 19th century” (quoted in Romero Sotelo 2013a, 3–4).

Montes de Oca invited Ludwig von Mises—whose work had already been recognized by “a group within the Mexican élite”—to lecture in Mexico; this group “much admired the contributions that Von Mises had made to economic theory” (Romero Sotelo 2013b, 125). The first lectures, given February 1942 at the Universidad Nacional de México (UNAM) and at the Escuela Libre de Derecho, were attended by a small group, with only some eight to 14 students present. Montes de Oca interpreted from English. During their private conversations, “Mises expressed again and again his pessimism about the future of society. Montes de Oca, on the other hand, insisted on his optimism. He believed that it was not too late to fight for freedom and was firmly convinced that Mexico was the ideal place to start.” (Romero Sotelo 2013b, 125). Two organizations, La Asociación de Banqueros de México and La Cámara de Industria Minera, asked Mises to stay for a longer period. Mises wrote to Hayek: “really amazing is the fact that there are

some people—of course a small elite only—who have a very keen insight into the problems involved and try to educate the intellectuals” (Hülsmann 2007, 815). In 1946 Mises returned to Mexico to lecture in Monterrey, Guadalajara, and Mexico City. In the same year, Hayek, invited by the newly established AMC, spoke in Mexico City on “Employment and Public Expenditure” and on “The Meaning of Competition.”

In 1950 Montes de Oca published a set of essays addressing policy trends “in the opposite direction to the principle of freedom in the field of economics” (Romero Sotelo 2013a, 5). Mises highlighted this paragraph in endorsing Montes de Oca’s message:

If we really wish to make Mexico a great country, to hasten the day when our people may enjoy a higher standard of living and to bring about lasting abundance, we should abolish all the paralyzing restrictions now prevailing in our relations with the outside world. Perhaps most European nations—oppressed as they are by an economic and social philosophy which is annihilating them—could enrich Mexico, in these times so adverse to them, with their agricultural experience, their technical knowledge, and their capital in flight from insecurity and destruction, if only they could find us ready and able to make our nation into the free port of the world, where undreamed-of wealth and prosperity would flourish in the coming quarter of a century. (Montes de Oca, quoted in Mises 1953, 702)

Montes de Oca died in 1958 as he had been about to submit the first Spanish translation of Mises’s *Socialism*. The final review of the translation was carried out by Gustavo Velasco, himself a liberal “strongly influenced by Machlup, Simons, and Knight” (Romero Sotelo 2013a, 7). In the preface, Velasco wrote that there is a risk of carrying out

socialising experiments whose only result must be shortage and poverty in the field of economics, and abuse and tyranny in the field of politics, instead of the paradise on earth promised by collectivist writers. That is why this book is so necessary... (Velasco 1959, XXI; quoted in Romero Sotelo 2013a, 7)

Romero (2013a, 7) adds that “Velasco published numerous translations and articles on legal and economic matters relating to liberalism. ... He translated and wrote a prologue for the classic book *The Federalist* by Alexander Hamilton, James Madison and John Jay. ... He actively participated in three meetings of the Mont-Pèlerin society, in 1958, 1959 and 1978.”

Mises had received an offer to settle in Mexico City, to start the International Institute proposed by Montes de Oca, but he declined. Still, Mises, through his writings and correspondence as well as his visits, had an impact on a number of

liberal economists. One was Faustino Ballvé, a “lawyer and economist who had studied in England and Spain and who took Mexican nationality” (Romero Sotelo 2013a, 8), and who was hired by ITAM in 1948. Ballvé had come to Mexico in 1939 from Spain and attended the talks given by Mises in 1942 and 1946. Afterwards he maintained “lively correspondence for many years with Mises” (ibid.). Ballvé wrote *Diez Lecciones de Economía* (1956), which Velasco hailed as “a necessary book. A short, simple, intelligible book. A book that had to be written and has been. A book that must be read and will be” (quoted in Romero Sotelo 2013a, 8). Ballvé’s main premise was that “the economy is human activity aimed at satisfying needs on the basis of freedom of choice. Economic science is, in turn, the study of man’s economic activity” (quoted in Romero Sotelo 2013a, 9).

Romero says that the work of Montes de Oca, Baillères, de Iturbide, Velasco, Ballvé, and others is part of “the roots of orthodox thinking in Mexico, as well as its development and the consolidation of its power during the last century” (Romero Sotelo 2013b, 123). According to her,

The renewal of the liberalist project, *neoliberalism*, has its roots in the nineteen-thirties. The revitalisation of the movement was undertaken by a group of intellectuals of different nationalities, among whom von Mises and von Hayek played an important role. The intellectual core of the movement aimed to *reform the State, by establishing institutions to strengthen the free market and to create an elite capable of directing these institutions, which in turn would strengthen the State that created conditions for market development and the correct functioning of price mechanisms.* ...

By the nineteen-eighties, when the neoliberal model became established in the country, all of them had died. Nonetheless, *they were shrewd enough* to have prepared their replacements: an elite that would modify the institutions of the Mexican Revolution and steer the country toward liberal economic and social policy. Neoliberalism has deep roots in Mexico: it grew throughout the 20th century, during which time it was in constant tension with the Mexican Revolutionary State, which was its antithesis. (Romero Sotelo 2013a, 10, emphasis added)

The research of Romero into these matters is extremely valuable, but she fails to see that classical liberals do not call for government-managed construction of markets. An argument for economic liberty is not an argument for markets—classical liberals call for voluntary private cooperation, generally. If conditions for voluntary private cooperation exist, market exchange is only one of the possible forms of practice that may emerge.

Mises's "Mexico's Economic Problems"

In a monograph commissioned by Montes de Oca, "Mexico's Economic Problems," Mises outlined the failings of Mexico's economic problems under the Ávila Camacho regime.¹¹ He starts by condemning economic nationalism, which he believed did nothing but damage to the most impoverished Mexicans who toil in the agricultural sector:

Many Mexican patriots are entangled today in the almost universally accepted neomercantilist fallacies. Yet, these popular errors have resulted in a manifest failure in the policy endeavors of all predominantly agricultural nations to raise standards of living by the advancement of domestic industrial production. ... Specialized production requires a broadening of the market. ... The goal of Mexico's industrialization has to be the raising of the average Mexican's standard of living by acquiring a place within the international community of modern industrialism. The mutual exchange of products between Mexico and other countries has to be intensified. (Mises 2000/1943, 215)

Mises criticized the "closed door method of industrialization" and "hyper-protectionism and prohibition of imports" (2000/1943, 217). In Eastern and Southern Europe, as in many Latin American countries, such policies had only "resulted in a considerable rise of domestic prices for manufactured goods" (ibid.). Mises believed that the only way to "improve the economic well-being of a whole nation and of each of its individual citizens" was to create conditions for "progressive accumulation of capital" (ibid., 204). Industrialization that competes successfully in markets, notably foreign, "has to be the goal of economic policy, not industrialization for the purpose of restricting imports" (ibid., 220). Mises recommended property rights, strict contract enforcement, tax reform, a non-inflationary monetary system, a balanced budget, and limited government expenditures.

I dwell a bit more on Mises, because doing so reveals a problem of the anti-'neoliberalism' writers. According to Mises, the fundamental task of government was to provide the security needed for the steady and continuous operation of private enterprise (2000/1943, 254). He called for the "scrupulous respect for the rights of investors, whether foreign or domestic," (ibid., 227). for "an unconditional policy of domestic free trade, private enterprise, and private property"

11. For some reason, "this monograph was never published in either Mexico or the United States at the time," as Richard Ebeling (2009, 201 n.164) reports: "A Spanish translation finally appeared in print in Mexico only in 1998, under the title *Problemas Económicos de México, Ayer y Hoy* (Mexico City: Instituto Cultural Ludwig von Mises, 1998)."

(*ibid.*, 222). The government, the parliament, and all political parties are called upon to promise that:

1. They will never again expropriate [the property of] capitalists and entrepreneurs, whether they be foreign or native.
2. They will not adopt methods of taxation designed to confiscate business profits.
3. They will not take recourse to foreign exchange controls or foreign exchange restrictions and will not hinder the transfer of funds to foreign countries.
4. They will neither directly nor indirectly interfere with the management of law-abiding private enterprise. (Mises 2000/1943, 222)

Although anti-‘neoliberal’ writers often draw a connection between classical liberals such as Mises and later technocratic economists of the 1980s and 1990s, one will notice that Mises’s formulas call on the government neither to create nor to organize markets. He is not calling for fine tuning the efficiency of ‘the market.’ Mises’s main drift is to call on the government to restrain itself, to keep its hands to itself, to get out of way of would-be freedom.

Mises often strikes us as the prophet dispensing formulas and verities. But, at turns, he is the practical advocate. Regarding the closed-door policy, for example, he urged his readers to realize that “a sudden change would do more harm than good” (Mises 2000/1943, 221). Some factories and some sectors (e.g., textile, metallurgy, industries producing for local demand) are competitive enough to do very well under free trade. Some factories, on the other hand, “will have to rearrange their lines of production in order to attain a higher degree of specialization” (*ibid.*). The repeal of import duties should be a gradual process: “Every year, a tariff reduction of 10 percent has to take place. Thus the enterprises will be in a position to adjust their operations to the new system of free trade” (*ibid.*). Mises saw a great deal of potential in agricultural cooperatives which, as he believed “are an expedient device for the promotion of the system of private initiative” (*ibid.*, 241). Cooperatives could be of great help for small farmers managing their own soil. Although “it would be a mistake to subsidize them permanently or to grant them tax privileges ... small subsidies for newly formed cooperatives may be advocated” (*ibid.*, 242). A number of additional policy recommendations had to do with the possible privatization of railroads, infrastructure building, and public utilities (*ibid.*, 230–234).

Mises saw trade unionism, built on government-conferred privileges, as a fundamental problem, saying that it was responsible for limiting the absorption of rural population into industrial jobs. The enforcement of higher wages suppressed the establishment of new factories and expansion of existing plants. Yes, a small

group of workers enjoys comparatively higher wages, but the rules “force hundreds of thousands to remain in agricultural occupations, in which their income is extremely low” (Mises 2000/1943, 236). Social security, housing provisions, and similar programs have similar effect: “If the law forces the employer to make such outlays, the outcome does not differ from that of a decree forcibly raising wage rates” (ibid., 239).

Mises praised the Bank of Mexico’s call to allow people to purchase gold, because he believed that the freedom of Mexican businessmen to keep their savings in gold would provide a safeguard against arbitrary monetary expansions. Why, he asked, should a thrifty man save if he “realizes that the purchasing power of his savings is shrinking and if the spendthrifts contracting debts are constantly favored by the alleviation of their burden”? (2000/1943, 245). If a government wants to induce capital investment at home, it must inspire confidence and abstain from confiscatory taxation, avoid open expropriations and maintain a balanced budget. A tax reform was key for this purpose: “the burden of public expenditure must revert to the bulk of the population” (ibid., 251).

Mises warned that the problems of economic reform are not “political and technical,” rather they are “moral and intellectual”:

If public opinion is convinced that the state has never-failing sources of income, and that the only decent way to make a living is to get salaries or subsidies from the treasury, then even a well-intentioned government and parliament cannot succeed in making both ends meet. (Mises 2000/1943, 253)

To facilitate the economic reform, the first duty of government is to ensure a stable polity under which voluntary private cooperation can steadily take place. Unless the government complies with this duty to “protect the life, health, and property of everyone against infringement or attack . . . anarchic disorder arises” (ibid., 238).

ITAM vs. UNAM

We saw that Romero suggested the liberal members of the AMC, following Mises, “were shrewd enough” to plan and guide the future of the ITAM School of Economics. As I will show, even if the Mexican liberals, influenced by Mises and Hayek, had tried to prepare their replacements to fight the statism of schools like UNAM, such replacements ultimately would not be found at ITAM.

The profiles of both ITAM and UNAM school of economics graduates in the second half of the 20th century have been investigated by Sarah Babb; she found that initially, although the ITAM school “was founded to fulfill the ideological objective of providing economics training with a more conservative focus

than the National School of Economics, ... the similarities between ITAM and UNAM theses in the 1950s outweighed the differences” (Babb 2001, 103). The most striking difference is that the ITAM theses show a “complete absence of Marxism.” Second, the role of developmentalist policies in overcoming the deficiencies of underdeveloped countries was relatively muted in the ITAM theses. But instead of finding an overwhelmingly free-market bent, Babb found that “ITAM theses took positions on state interventionism that were nearly identical to those taken in UNAM theses, with 50% strongly interventionist and 37.5% moderately interventionist” (ibid., 104). Neither the ITAM and UNAM theses were using mathematics and both the ITAM and UNAM theses were similar “in that the most-cited theoretical author from 1956 to 1960 was Keynes—with the second-most-cited author being Ragnar Nurske, a Swedish development economist.” Babb concludes that “whereas the ITAM was not a center of Marxist economic thought, there was a basic agreement among the two schools regarding the need for state intervention in the economy; they shared a single policy paradigm” (ibid.).

Babb suggests an explanation for the Keynesian convergence in Mexico in the 1950s: “there is no a priori reason for business groups to endorse liberal ideology and reject government intervention” (2001, 104). She points out that unlike in the 1930s when the Mexican entrepreneurs felt threatened by the policies of Lázaro Cárdenas, in the 1940s the “Mexican government policy toward business (both national and international) was consistently conciliatory.” By the late 1950s, when the “ITAM economics had become Keynesian and developmentalist...it was abundantly clear that Mexican government intervention was good for business” (ibid., 104–105). Since big business was responsible for the private funding of ITAM, and since there was some reconciliation between Mexican government and the (big) Mexican businesses that benefited from such reconciliation, there was no effective constituency demanding criticism of extant interventions. Hence the convergence.

But this convergence between UNAM and ITAM broke down in the 1970s as a consequence of the populist policies which “contributed to a breakdown of legitimacy on the right—both with respect to the private sector and with respect to more conservative factions within the Mexican government” (Babb 2001, 126). This breakdown of legitimacy had created, according to Babb, “extremely favorable conditions for the ITAM to...become a bastion of American-style neoclassical economic thought” (ibid.). ITAM redesigned its economic program in the early 1970s “to resemble internationally prestigious economics programs, especially those in the United States” (ibid., 131). That meant that instead of acquiring an “extensive training in economic history, economic thought, and other assorted fields,” students of economics at ITAM

would now have a both narrower and deeper grounding in economic theory. The expression of economic ideas through mathematics was an important part of this new, more economic economics... (Babb 2001, 131)

ITAM graduates were better prepared than the UNAM students to cope with the formalistic rigors of the modern academic field of economics. ITAM was more successful than UNAM, therefore, in launching students into foreign graduate programs, often in the United States.

A key figure in the ITAM development was Francisco Gil Díaz, who in 1973 after getting his Ph.D. from the University of Chicago, became the director of ITAM economics. Gil's "Chicago-school perspective came to permeate the ITAM economics program." He would recruit "a sizable number of Chicago graduates...to give classes at the ITAM," and consequently, "monetary theory taught from the monetarist perspective became one of ITAM's strongest areas" (Babb 2001, 132). Using his personal networks, Gil Díaz would also select "promising students to recommend for graduate study at the University of Chicago...and to facilitate their admission" (*ibid.*). In the 1970s the economists most quoted in ITAM theses were Gary Becker, Milton Friedman, and Harry Johnson.

But these developments never blossomed into a new age of Milton Friedman. In the 1990s, ITAM theses referred most to Hal Varian, Kenneth Arrow, Robert Barro, Robert Lucas and Paul Samuelson. Is there a constituency behind this new transformation? Babb contends that "the source of this Americanization was not the businessmen who financed the ITAM and sat on its governing board but rather the Mexican central bank" (2001, 133).

ITAM was not "neoliberalized" by disgruntled private-sector groups but by foreign-trained central bankers attempting to re-create their international vision of a quality program in economics during a time of grave threat to central bank autonomy. (Babb 2001, 136)

Babb and Marion Fourcade suggest that, in the shadow of the 1980s debt crisis, the new technocrats with U.S. Ph.D.s were "neither political outsiders nor the organic intellectuals of the bourgeoisie," but rather insiders who "saw international financial pressures as an opportunity to advance both their political careers and their particular ideological program" (Fourcade-Gourinchas and Babb 2002, 557). Furthermore, "economic liberalization was carried out by the same governing parties that had earlier advocated state led expansion as a response to the economic crisis" (*ibid.*, 571). In countries such as Mexico, the "highly technocratic, directly interventionist states successfully mitigated social conflict during the postwar period and created the conditions for strong economic growth." As a result, "busi-

ness (especially large businesses) generally accepted (and benefited from) the type of economic modernization that was promoted by the state” (ibid., 571).

Among the many problems with the narrative offered by anti-‘neoliberalism’ authors is the significant differences between modern mainstream academic economics and the liberalism represented by Smith or Mises or Hayek. Admittedly, these separate strands can intersect, best represented by a figure like Milton Friedman. But few modern mainstream academic economists have read Smith, Mises, or Hayek. Most of them have little understanding of liberal philosophy and little real sympathy for liberalization. Many of them lean toward interventionism, and many are simply primarily careerist. Also, the anti-‘neoliberal’ narrators tend to denounce the reforms from 1983 without adequately discriminating among the reforms in terms of liberalization, without making use of sufficient evidence, and without clearly explaining: Compared to what? The reforms of that period were a mixed bag and had mixed results. As the decades pass, it becomes increasingly comfortable to look back on many of the reforms as blessings to even the poorest Mexicans.

Reforms made in the 1980s and 1990s

As Mexico became more urbanized in the 1960s, the demand for public goods grew, and government spending started growing faster than government revenues. The government under Luis Echeverría (in office 1970–1976) increased the number of state-owned enterprises, expanded the money supply, and forced private banks to buy government bonds. When oil prices fell in 1981, José López Portillo (in office 1976–1982) “sought to escape from this crisis by expropriating the wealth held by Mexico’s banks in August 1982” (Haber et al. 2008, 16). The political and economic changes which resulted from this attack on powerful wealth holders led to a ‘second revolution.’¹²

National and international forces compelled the regime of Miguel de la Madrid (in office 1982–1988) shift to more market-oriented policies. His administration started cutting budget deficits, eliminating many distortions caused by subsidized prices, privatizing public enterprises, and cutting import quotas. “In 1983 the government reduced the number of manufactured products subject to import quotas from 100 percent to 83.6 percent, and by the end of 1985 less than

12. Although Mexico “had none of the features that political analysts typically associate with revolutions: no organized violence, no overturning of the social class structure, and no defeated dictator fleeing into exile,” Haber and coauthors argue that “if by ‘revolution’ we mean a dramatic change in the institutions that organize economic, political, and social life, then Mexico has undoubtedly been in the midst of a revolution since the early 1980s” (Haber et al. 2008, 1).

half of all manufactured goods were still subject to import permits” (Haber et al. 2008, 69). In 1986 Mexico entered the General Agreement on Tariffs and Trade. Between 1982 and 2003, the number of state owned enterprises dropped from 1,155 to 210 (Chong and López-de-Silanes 2005, 353). As a result of such changes during the 1980s, some industries grew while some others disappeared. In general, the results of implementing more market oriented reforms were mixed. Stephen Haber and coauthors describe these results:

[O]pening more markets to foreign trade did not, however, produce the boom in investment, trade, and economic growth for which the government had hoped. (Haber et al. 2008, 71)

Mexico changed its policies regarding foreign trade and investment but it did not fully liberalize its economy. (ibid., 87)

[T]he tax system that evolved under decades of authoritarian rule largely remains in place. (ibid., 88)

In other words, the macroeconomic stabilization and democratization which took place since the 1980s did not automatically strengthen the rule of law. This should not be a surprise, taking into account that Miguel de la Madrid was no liberal.¹³ His commitment to macroeconomic stability was accompanied by enacting “constitutional reforms that...[a]mong other things...emphasized the importance of state-led economic planning and reserved ‘strategic’ economic sectors...for exclusive public control” (Haber et al. 2008, 69).

Article 28 of the Mexican Constitution, as amended on February 3, 1983, instantiated various economic policies. The first part of the article grants the government a constitutional power to impose price caps should regulatory measures to organize markets in a more efficient way fail. The second part of the article refers to those areas of economic activity that are considered strategic and can be subject to a government monopoly. First, the constitution prohibits monopolistic practices, and it grants government the power to regulate such monopolies that do exist. The regulation can, in essence, be carried out in two ways. Either the

13. Miguel de la Madrid Hurtado authored several books on constitutional law and legal history. He was quite skeptical of the 1857 liberal Constitution, but not because it was out of tune with the reality of Mexican life back then (as Justo Sierra would have it)—rather because of the “abrogation of governmental responsibility for the achievement of social justice” (Armstrong 1989, 115). The 1917 Constitution elevated social justice and its administration by means of governmental directorship (*rectoría*), which was something that de la Madrid highly esteemed; for him, social justice came before individual autonomy. Could it be that the ‘second Mexican revolution’ of the 1980s was as conservative as the first one in terms of its wariness of economic competition and the self-organizing capacities of a free society?

government should generate conditions of a more competitive market by eliminating barriers to entry, usually regulations, to enable the existence of a greater number of companies, or, if these barriers cannot be eliminated (as when there are high fixed costs), then the government should regulate the operation of the monopoly by setting maximum retail prices, inducing the firm to operate as if in a competitive market (Katz 2014, 252).

Article 28 also allows the government to identify industries as ‘strategic’ for the national development and to assert monopoly control over such industries. At present these ‘strategic’ areas include industries such as petroleum and basic petrochemicals, telecommunications, electrical power generation, nuclear energy, railroads, and banking, and may at any time include other activities that are identified in the laws enacted by the Congress of the Union.

That the Constitution establishes it sufficient for any economic activity to be considered “strategic” for national development and thus be exploited monopolistically by the government any time a law is passed by Congress, creates a high risk for private-sector investment. . . . This risk. . . inhibits saving, capital accumulation, and economic growth. (Katz 2014, 254)

Here we have a significant factor in the long-term underperformance of Mexico. As Isaac Katz suggests, “The lack of an efficient, clear, transparent and permanent institutional and legal environment that would guarantee the rule of law is the primary cause of the underdevelopment of the Mexican economy” (Katz 2014, 255). For a sizeable part of the Mexican population, property rights are vaguely defined and contracts are costly to enforce. A deeply rooted system of rents remains present, and the inefficient tax system makes the reform of judiciary and police difficult. The lack of effective guarantees of property rights, the present judicial system, and cumbersome bankruptcy law have made it extremely difficult for a domestic credit market to develop.

Alberto Chong and Florencio López-de-Silanes (2005) argue that improving fiscal discipline, increasing efficient allocation of resources, and restructuring inefficient firms by way of privatization have been positive changes for Mexico, with both the government and consumers left better off. But economic transformation is not merely a technological problem. “Not all of the institutions and procedures necessary for an effective rule of law are legally codified; many are embedded in the attitudes and beliefs that citizens hold about how the legally codified institutions of government should work” (Haber et al. 2008, 204). Chong and López-de-Silanes say that, in cases when complementary measures to privatization failed and “the umbilical cord between the government and the firm has not been severed,” room remains for rent-seeking behavior (2005, 379). Haber and coauthors maintain that “what holds true for establishing an effective rule of

law is also true where the creation of a transparent, enforceable system of property rights is concerned: It cannot be done with the stroke of a pen” (Haber et al. 2008, 210).

Luis Carlos Ugalde, an economist and a political scientist, blames the administrations of Miguel de la Madrid (1982–1988) and Carlos Salinas de Gortari (in office 1988–1994) for having “carried out reforms of the state without altering the patronage pact” (Ugalde 2014, 263). Pointing to the same constitutional violations of the rule of law mentioned by Katz, Ugalde repeats:

They put in order public finance, but transfers to public-sector unions have not been addressed; they opened the economy, but maintained monopolies in the energy, telecommunications and other sectors; public enterprises were privatized, but without a regulatory framework that would mitigate the risks of private monopolization. (Ugalde 2014, 262)

Ugalde suggests that many of the reforms of 1980s and 1990s, often dubbed ‘neoliberal,’ were business- rather than market-oriented reforms:

The implementation of Mexican “neoliberal” policies that took place within the clientelistic patronage environment, without effective and independent regulators, gave rise to some privatizations carried out throughout the 1990s that worked mostly for the buyers of public enterprises rather than for consumers; the economic deregulation would benefit big businesses rather than the market in general. The fault lies not with the market economy; the culprit is a market captured by clientelistic constituencies that distort its functioning and seek rents effectively hurting the welfare of consumers. ... Economic neoliberalism has become synonymous with corruption, abuse, and inequality because it was implemented without dismantling the patronage structures of the Mexican state. Consequently, the economic reforms of the early nineties gave more power to some private actors and public unions that are now strong enough to challenge their maker. (Ugalde 2014, 263)

It is crucial, if the liberal spirit is to be advanced, to recover the Adam Smith understanding of the political meaning of the term *liberal*. Ugalde argues that liberalism must be “separated from the use and abuse of the term ‘neoliberal’ in economic matters” (2014, 268).

Notable liberal individuals in Mexico today

One valuable source on the present state of liberalism in Mexico is the collection of essays edited by José Antonio Aguilar Rivera (2014), a professor at

the Department of Political Science of the Centro de Investigación y Docencia Económicas (CIDE) in Mexico City and an exponent of Mexican liberal thought. From that work and various other sources, I mention the following (other) individuals, arranged alphabetically, who have been engaged in advancing liberal ideas and values.

Arturo Damm Arnal is a professor of economic analysis of law at the Department of Law at Universidad Panamericana, where he also teaches history of economic thought. Damm Arnal publishes a column called “Pesos y Contrapesos” (“Checks and Balances”) in *La Crónica*.

Isaac Katz has been a member of the ITAM faculty since 1983, and from 1991 to 1997 he was the head of the economics department at ITAM. He has written on liberalism, international trade, the Mexican Constitution, and economic development.

Enrique Krauze, a historian and a liberal public intellectual, authored a biography of Cosío Villegas and is currently the editor of *Letras Libres*, a major platform for liberal debate.

Roberto Salinas León, president of the Mexico Business Forum, has been a visiting professor at ITAM, Escuela Libre de Derecho, and the Universidad Francisco Marroquín in Guatemala. He is an expert on trade, monetary policy, and economic liberalization in Latin America.

Luis Carlos Ugalde served as a president of Mexico’s Electoral Commission (Instituto Federal Electoral, IFE) from 2003 to 2007. He taught at various universities in Mexico and the United States (ITAM, CIDE, Harvard, and Georgetown). His research interests include comparative politics and democracy in Latin America.

Gabriel Zaid is a public intellectual who writes on economics, entrepreneurship and development, conveying economic insights in a simple way. In his book *Empresarios oprimidos* (2009), Zaid writes:

Mexico has what it takes for economic development: the raw entrepreneurial input. What it does not have are good economists. ... Economists that gain power (independently of their persuasion) move to the bureaucratic realm, they get to understand it, and they proceed as if everything should be bureaucratic. They do not understand the situation that the entrepreneur faces. ... The dominant administrative culture ignores the entrepreneurial function, which does not square with their vision of the world. Their mental model does not understand the creation of enterprises that employ others, but it rather searches for opportunities provided by marvelous enterprises or institutions created by others. ... The economists in power, as the entire political class, have this mentality. ... Their economic policies, their laws, rules, and prescriptions suffocate the entrepreneurial function of millions of Mexicans because

they do not know—they do not even want to know—how it feels to be in the entrepreneurs’ shoes. (Zaid 2009, 54–56)¹⁴

Liberal think tanks and organizations

Mexican liberals can also be found in think tanks. Alejandro Chafuen (2013) found in Mexico a “handful of fragile market-oriented institutes,” think tanks that depend “on a few staunch champions of the free society.” Among these liberal organizations are those following.

CISLE (Centro de Investigaciones Sobre la Libre Empresa), a Mexico City-based research center founded by Luis Pazos. The main goal of CISLE is “to show that the foundation of sustainable development and wealth of nation is a stable legal order that guarantees property rights and functioning market mechanisms in a competitive and free environment” ([link](#)).

Caminos de Libertad (“Roads to Liberty”), a Mexico City-based organization “promoting the discussion on freedom through competitions, conferences, study circles, book presentations and exhibitions.” It was founded by Sergio Sarmiento, “a talented writer, a thoughtful and respectful intellectual with his own TV program, and a promoter of free enterprise for decades” (Chafuen 2013).

CIDAC (Centro de Investigación para el Desarrollo A.C.), a Mexico City-based think tank founded in 1984 by Luis Rubio. CIDAC is focused on publishing weekly policy analyses, books, and articles, and providing professional consulting in the areas of transparency, justice, regulation, competition, human capital, and economic development. “CIDAC envisions an environment in which citizens enjoy full civil liberties, participate in societal decision-making and, through policies that favor equal opportunities, can emerge from poverty and engage competitively in global economic activity” ([link](#)). The current director is Verónica Baz.

IPEA (Instituto de Pensamiento Estratégico Ágora A.C.), a Mexico City-based think tank founded in 2008 to “promote a free, virtuous and prosperous society based on ethical principles and individual and public responsibility” ([link](#)). The current director is Armando Regil.

IMCO (Instituto Mexicano para la Competitividad A.C.), an applied research center founded in 2004 to develop “viable proposals to enhance Mexico’s ability to attract and retain talent and investment” ([link](#)). Its main efforts revolve around transparency, rule of law, and efficiency in the use of public resources. One of the general directors is Manuel Molano, an ITAM economist and a founder

14. On the dominant administrative culture see also Armstrong 1989, 104.

of México ¿Cómo Vamos? ([link](#)), a database of economic, social, and political indicators for Mexican states.

Mexico Evalúa monitors and evaluates the functioning of Mexican government at the federal, state, and local levels. Mexico Evalúa “favors freedom, justice, equity, transparency, evidence over opinion, and exercise of individual rights” ([link](#)). The director of the center is Edna Jaime.

Concluding remarks

From its colonial days down to the present, Mexico has exhibited the problems and somber living standards typical of Latin America. Some people tend to blame such problems and living conditions on liberalism or some ill-defined ‘neoliberalism.’ In my opinion, Mexican history is but another illustration that without the culture and institutions conducive to liberal sensibilities, liberal institutions, and liberal policies, results are bound to be dull. When people fail to cherish the principle of “allowing every man to pursue his own interest his own way, upon the liberal plan of equality, liberty and justice” (Smith 1976/1776, 664), they are bound to fall into ideas that conduce toward paternalistic arrangements, which invariably breed parasitism. In Mexico today there are small numbers of liberals who understand the situation and make a stand against the kind of cronyism and bureaucratic interventionism that pervades Mexico.

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