

The Peso Crisis and the Emergence of the Barzon

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Abstract

The mobilization of Mexico's society has gone in tandem with the financial crises that the country has suffered. This paper studies the emergence of a group of debtors called Barzon at the time of the 1994 financial crisis. This movement differs from previous revolts due to the inclusion of several socioeconomic classes. Furthermore, the appearance of the movement coincided with a democratization and transparency of Mexico during the late 1990s. Therefore, the government had to negotiate with the Barzon rather than violently placate as it had done with other movements in the past.

1. Introduction

After the Cold War, most of the countries in Latin America left behind the government-centered development agenda, structuralism, and started implementing a series of market friendly known as the Washington Consensus. This new economic recipe is based on a neoliberal approach that focuses on free markets. However, the sudden privatization of former state businesses was done amidst a corrupt environment that left key industries in the hands of entrepreneurs that had no previous experience. In Mexico, the government became the owner of the banking system in 1982 and it privatized these assets in the early 1990s. The new banking elite acquired a vital economic motor for the development of society. Nevertheless, their inexperience and the lack of a supervisory framework left the country in a precarious situation. To make matters worse, the excitement that Mexico generated in the international financial markets evolved into an inflow of resource that were distributed into the financial system. The bankers started to make bad loans in their rush for higher returns. Many of these loans were directed to satisfy the consumption needs of the middle classes. Therefore, there were no investments made that could generate the required money to pay the debt. The situation exploded when the central bank decide to raise the interest rates up to 40%. Since many of the loans had a flexible interest rate, the debtors suddenly faced dreadful circumstances. The banks took control of the debtors' properties, which generated anger in the population, especially because the government was helping the banks by transforming their bad loans into public debt.

As a response, a civic organization called the Barzon attracted diverse members of society that were affected by the latest financial crisis. The Barzon was a citizen's movement of debtors that could no longer afford to make payments on their debt. At first, the government reacted violently by incarcerating the leaders of the movement. However, the strength of the movement made the government change its initial response and released the leaders. Because of its positioning with the government as a legitimate movement, the Barzon became an option for all those debtors that were unable to pay their loans. The objective of this paper is to analyze how the Barzon organized its structure in order to contest many of the government's initial measures. By promoting civic disobedience and obtaining resources independently, this movement proved effective in advancing the agenda of its members. It is important to emphasize that the movement appeared when the official party, the PRI, was very strong before the crisis in 1993. Nevertheless, after the 1994 crisis the PRI lost its legitimacy as an effective party. The government during 1994-2000 became increasingly fragile and this erosion of power created an institutional vacuum. Many actors like state governments, organized crime, and social movements filled up this void. Initially, the government ignored the Barzon's demands, but afterwards the movement acquired so much strength that it was able to modify the banking rescue package and obtained more concessions from the government.

This paper will analyze the link between the implementation of the Washington Consensus and the appearance of the Barzon, the banking crisis of 1994, and the political environment that permeated Mexico between 1994 and 2000. Section two reviews the political economy of Mexico, section three describes the agricultural sector where the Barzon movement originated, section four describes the Barzon during 1993, section five provides the background of the 1994 peso crisis, section six explains the evolution of the Barzon after the 1994 crisis, and section seven concludes.

2. Political Economy of Mexico

Mexico has followed different economic trajectories since its inception. However, only one party ruled the country from 1929 to 2000. Four major forces constituted the PRI: the bureaucracy, peasants, workers, and the businessmen. This political stability permitted the ruling elite to focus on the economic agenda. Once the major political forces were unified under the same institutional umbrella, the official party (PRI), the economic model was centered on the Import Substitution Industrialization (ISI). The central idea of this theory is that developing countries export commodities and import industrialized goods. However, according to the Argentinean economist Raul Prebisch, the structure of the world economy generates underdevelopment for the periphery because of the declining terms of trade. The prices of commodities are falling at the same time that the prices of imports are rising; according to structuralism, the solution is to engage in the production of manufactured goods in order to avoid this vicious cycle. When this economic model was implemented, Mexico was able to develop and protect nascent industries that focused on satisfying basic consumption needs. The macroeconomic variables were handled conservatively, and thus this period was called the stabilizing development phase (Zaid, 1992). The stabilizing development was characterized by low inflation, strong currency, and remarkable rates of growth. However, this was only the easy stage of development. This same trend generated a structural transformation in the economy, now the state was directly involved in the production of intermediate goods; the only problem was that the internal market did not have the resources to consume industrialized goods.

The difficult stage of development within the ISI model occurred during the presidency of Echeverria. An “*innocent Keynesianism*” (Zaid, 1992) that consisted in incrementing public spending without a comprehensive strategy obliterated the macroeconomic stability of the country. At the same time the Mexican central bank (Banxico) started loosening up its monetary stringency by incrementing the monetary supply for political purposes. Expansive fiscal and monetary policies created unprecedented levels of inflation; even worse, this spending was allocated to unproductive projects or was distributed to the bureaucracy. The lack of employment in the private sector generated pressure for Echeverria. His solution was to increase the size of the public sector by providing more sources of employment within the government. These inefficiencies were funded by the availability of cheap international money; the interest rates were so low, thanks to the petrodollars, that it seemed a terrible mistake to not borrow money. Speculative investments that are not grounded on real demand become bubbles. Eventually, the bubble burst not once but four times. Each time the presidency was transferred, a financial crisis took place: “It is in this sense that all Mexicans who were born in the last three decades are referred to as the crisis generation.” (Heath, 1999).

Nevertheless, it was not until 1982 that Structuralism was replaced with neoliberalism, the newest panacea for Mexico’s economic tragedies. The neoclassical school of economics implied a liberal agenda that created a commonality of strategies between Washington and Mexico. If the presidencies of Echeverria and Lopez Portillo generated several frictions in the bilateral relation, the following three presidencies fostered a more comprehensive relationship. The presidency of Miguel de la Madrid signaled the transition from structuralism to neoliberalism. This initial stage constitutes the stabilization process, in which Mexico focused on reducing inflation through a heterodox instrument called the Pacto, an agreement between the government, businessmen, and labor. Mexico opened its economy when it became a member of GATT. Mexico’s perception of the US was transformed from a threat to a business opportunity. This transition from geopolitics to geo-economics was characterized by a pragmatic mentality and the need for dollars by the incoming administration. Nevertheless, Mexico’s economy was terribly damaged in the 70s and early 80s, making the transition harsher. The level of economic transformation took an unprecedented level with Salinas. The Washington Consensus was implemented by a highly educated group called Technocrats (Dresser, 1997). Salinas and his Treasury Secretary, Pedro Aspe, were able to sell the idea of a modernizing emerging market that was taking the right medicine to reach development. NAFTA was the icon of this administration and Wall Street was more than eager to buy this product at a time when the interest rates in the US were low.

A bubble was created by the expectation that free trade between the North American countries would catapult Mexico to the club of rich countries. In hindsight, we can observe the fundamental mistakes that the administration made. Fixed exchange rates helped to lower inflation and attract foreign investment. But the tradeoff was an appreciation of the currency which worsened the current account deficit. When the new administration devalued the currency in December of 1994, the Mexican government lost credibility and foreign investors did not roll over their bonds. The political institutions of Mexico demonstrated that the country was far away from becoming a developed country. The four major groups that formed the loyal basis of the PRI were controlled effectively through the stabilizing development period. However, as the economic crisis evolved, the economic instruments at the disposal of the PRI vanished. The implementation of the Washington Consensus implied a reduction of the government size, which lowered the number of bureaucrats that were faithful to the party. The agricultural sector became liberalized and the subsidies that the government utilized to garner the political favor of the peasants, disappeared. The workers lost purchasing power since the 1980s and the unions became heavily scrutinized and under the PRI's influence. Finally, the liberalized economy created independent businesses that didn't require any participation from the government in order to compete in the international markets. The PRI believed that the liberalized economy would produce enough material rewards to maintain the loyalty of these groups. Nevertheless, the benefits of the liberalization of the economy only favored a minority within the country, and the PRI lost popularity. When a path for economic recovery was instituted, the official parties lost the elections to the conservative party PAN in 2000.

3. The Agricultural Sector

In tandem with the liberalization of the economy, agriculture became open of the major areas of reform that the Salinas administration implemented. After the Mexican revolution, the government established a communal tenure of the land to avoid the concentration of poverty. Unfortunately, this system became very inefficient in attracting resources for developing the agricultural sector of the economy. The president changed the constitution and allowed private investors to buy, sell, or rent land. However, after the peasant sold their share of land, they started working for the big corporations that bought land and became rural proletarians (Gates, 1996). Farmers that owned larger extensions of land were able to obtain loans using their property as collateral. Furthermore, the free trade agreement signed with the US helped those farmers that shifted their production to exportable products like fruits and vegetables. However, producers of corn were in trouble because they couldn't compete with cheaper grains coming from the US. Many of the loans that were acquired by the farmers turned sour even before the 1994 devaluation.

The exchange rate also became an obstacle for farmers that wanted to export. The Salinas administration egged the exchange rate in order to create stability in the system. However, the inflow of money created an overvalued currency that undermined any efforts to diminish the current account deficit. Farmers had problems competing with American farmers with an overvalued currency but consumers were able to purchase imports at a relatively low price. This policy created a consumption boom that funneled resources toward areas of the economy that were not very efficient. The small farmers switched their production to subsistence crops. But the middle and big farms that obtained resource to invest in exportable crops lost everything. Once the loans became too onerous to pay, the repossession of their properties by the banks sparked a social movement called the Barzon. From any perspective, the neoliberal policies adopted by the government affected this sector of the economy, either through cutting subsidies and/or liberalizing the price of crops. It is important to emphasize that after subsidized inputs are removed from production, the profitability of an investment-intensive farm (with irrigated land) becomes smaller than the profits obtained from small farms that only rely on rain.

4. The Barzon in 1993

The financial situation of the farmers at the beginning of the 1990s was characterized by the acquisition of loans that became impossible to pay back. The indebted farmers had no choice but to organize a social movement strong enough to put pressure on the government for financial aid. In order to attract more members, the movement portrayed itself as a group of productive workers that were victims of shark loans. The group acknowledged their debt but abhorred the high interest rates of their loans. Their motto is: I know I owe but I will pay what is fair. The Barzon made the membership of their organization an honorable thing to do. People should not feel ashamed of being indebted. Their loans were the product of ridiculously high interest rates; growers were only the victims of neoliberalism.

Financial groups were unproductive and only made money by exploiting the productive sector of Mexico. The first protest took place in Guadalajara in August of 1993. A group of investors occupied the central plaza of the local government with their production machinery in an effort to obtain a settlement with the government. However, this time the protest came at a time when the federal government was transitioning to a more democratic structure. The path along both poles, from authoritarianism to democracy, created void that was occupied by several actors of the national political scene. In a similar protest in the state of Zacatecas, the government's ambiguity became tangible (Williams, 2001). The movement did not achieve any success in the following weeks, so they decided to march towards the federal highway and block it.

The government mobilized some federal resources to farmers that were not directly involved with the movement. Nevertheless, the banks and some official agencies provided some incentives that served as short-term solutions. The movement still was not big enough to extract resources from the government. But at the same time, the fact that the protest was not repelled with violence was an indication that the movement was substantial enough to jeopardize the legitimacy of the government in the case of a violent response. In January 1994, another movement against the economic policy followed by the government erupted in the southern state of Chiapas. However, this movement was a violent group that declared war on the Mexican Army. The disparity in techniques but similarity in agendas made the Barzon the most viable option for protesting the government's policies from an aggressive but nonviolent stance. Despite the momentum gained by the Barzon due to the insurrection movement in Chiapas, it would be a completely different event, which would serve as a catalyst for the movement to enter the national scene. The devaluation of 1994 and the subsequent crisis flooded the country with debtors that suffered from the explosion in interest rates.

5. The 1994 Crisis

Salinas started his sexenio, six-year presidential term, in 1988 amidst a lack of legitimacy because of an electoral fraud. Nevertheless, he gained immediate popularity thanks to his leadership and proactive style of governing. In the international level, the administration became the spotlight among emerging markets because of the profound liberalization reforms in the economic structure. Besides the expectations generated by the signing of NAFTA draw the monies from Wall Street investor's. In the US the interest rates fell to a 3 percent by the end of 1992 (Hale, 1997). As a consequence, *American households shifted billions of dollars out of bank deposits and money market funds into equity and bond mutual funds* (Hale, 1997). The low interest rates in the US fostered a higher risk tolerance by investors; this created a great demand for international products that gave more returns over capital. One of the most appealing options was the idea of emerging markets. In addition, the indisputable faith on the infallibility of the Washington consensus tenets and the signing of NAFTA created the illusion of a rich Mexico that was about to be. Nevertheless, in the 1970s when Latin America was embedded in the structuralist development model, international capital also flooded the region despite the unfriendly atmosphere towards the international economic system. Is a liberal economic policy needed in order to attract foreign capital? Probably the principal condition for external financial transfers is liquidity excess that can foster investment booms. A more open economic ideology would influence the amount and conditions for investments but not their flow.

Everyone knew that Mexico had gone through financial crises since 1976. However, the believe that this time the correct medicine was been applied eroded any uncertainty about the sustainability of the neoliberal dogma in Mexico. Salinas became the magician who would break the sexenio curse because now he was strictly following the instructions. Mexico applied the Washington consensus policies to attract foreign investment, the markets would recognize that a structural transformation was occurring and growth would be inevitable. Wall Street shared this deterministic perception of economics. Because Mexico was opening its economy, success was only a matter of time. The Mexican bonds became trendy and therefore their price went up. Salinas believed this was a consequence of applying neoliberal fundamental policies. The perceptions between both the seller and the buyer were mutually reinforced. If a country magnet wants to attract investors it needs to demonstrate stability and credibility. Mexico provided an enormous amount of political stability that was only undermined until 1994. In the economic area, the government fixed the currency exchange within certain limits; and set up the principal economic policies through a social agreement, called *Pacto, signed by labor, business, and government officials* (Heath, 1999). The credibility was provided by the disciplined fiscal and monetary policies. In addition, the government granted autonomy to the Central Bank in 1993. A capable technocratic team that was trained at top US universities sold, in Wall Street, the idea of a modernizing Mexico. However, the stabilization acquired with the implementation of disciplined policies carried a mixed blessing.

On the one hand, inflation was reduced from 159.1 percent to 8.0 percent by 1993 (Heath, 1999). These mechanisms helped to attract foreign capital because of the stability created by their rigid structure. On the other hand, once the money arrived, the inflexibility of the system disabled the equilibrium forces of the invisible hand. The peso became overvalued and the current account deficit grew bigger. This deficit was generated by the consumption of import goods by the upper and middle classes; of course the domestic savings drop to record low level. In addition, *one of the prevailing academic fads was the argument that current account deficits mattered only to the extent that they mirrored a public-sector deficit* (Lamfalussy, 2000). This gap was subsidized by a surplus in the capital account composed primordially of portfolio investments. 1994 was the election year and it imposed greater pressures on the balances. The government responded with myopic expansionary fiscal and monetary policies just in time to provide an illusory environment of prosperity. But the violent development of the political campaigns undermined the government efforts. The PRI's presidential candidate, Luis Donaldo Colosio, was assassinated in March 23, at that time the foreign exchange reserves were at U.S.\$28.321 billion *and fell to U.S.\$ 17.536 billion by April 21, a net loss of U.S.\$10.785 billion in one month* (Heath, 1999). Salinas tried to roll over the foreign obligations by issuing short-term bonds, Tesobonos, denominated in dollars. *In retrospect, this was a double-or-nothing bet* (DeLong, DeLong, and Robinson, 1996).

The government thought that Zedillo's electoral victory would bring back stability. As a consequence foreign investors would recover confidence because of the continuity of orthodox macroeconomic policies and the surplus in the capital account will recover. In addition, there was the hope that NAFTA could diminish the deficit in the current account through an export boom. In the end the boom came but only after the currency suffered a deep devaluation. In the international arena different events were making more difficult the maneuvering of Mexico's budget. *First was the external shock of 11 November 1993 - the date when the Congress voted on NAFTA. One week before the vote, Ross Perot the former third-party candidate in the US presidential elections launched his opposition to NAFTA; this sent the Mexican markets into turmoil* (Leiderman and Thome, 1996). The government used its reserves to halt a temporary speculative attack. Second was the hike in US interest rates in February 4, 1994 (Roett, 1998). Given the lower risk of American money markets, many portfolio investors withdraw their capitals from the southern neighbor. However, the implementation of NAFTA brought an important increase in foreign direct investment. At the end, the overall amount of incoming capital was less than expected; the Mexican government did not receive as much external capital as needed. Third, *other economies were coming out from a recession and started to compete for international capital* (Roett, 1998). Fourth, there was increasing optimism in Brazil after the 1994 elections. Investors were confident about the structural economic reforms implemented in the South American Nation. *Ironically, if the Marxist candidate had won the Brazilian election, international investors would have shunned Brazil and kept much higher allocations weightings for Mexico* (Hale, 1997).

On November 14 the general attorney got involved in a political scandal; also the *Federal Reserve boosts Fed Funds rate 75 basis points - largest increase to date* (Edwards and Naim, 1997). These two events lowered the foreign exchange reserves down to a level of \$13 billion. The autocratic political system also affected different areas of the economy. One of them was the information concerning the reserves level. The government operated in a secrecy level that annoyed foreign investors. *When Wall Street realized that the country's financial situation was much weaker than it had led to believe, confidence in the authorities disappeared, and a massive withdrawal of funds took place* (Edwards, 1997). Once confidence evaporated whatever the measures adopted by the government would have been perceived with distrust. The current account deficit imposed additional pressure on the exchange rate; at this time the government decided that *an increase of 15 percent in the intervention band* (Heath, 1999) would correct the imbalance. From a mathematical stance this was correct but the policy makers have lost their prestige. *The peso fell 50 percent, far more than the 20 percent economists deemed necessary to restore equilibrium* (DeLong, DeLong, and Robinson, 1996). There was an *almost complete loss of confidence in Mexico, its institutions, and its leaders in the aftermath of the crisis* (Edwards, 1997). The corrective measure only generated an outflow of capital, and on the 21st they realized that they could not cover the speculative attack. All the easy mechanisms were depleted and the only path was to let the peso float freely, *deja vu* all over again. The problem was that the government had promised to anchor the exchange rate. Nevertheless, they decided to devalue with no previous announcement and without any supplementary measures. Any corrective effect that the devaluation might have engendered vanished because of the lack of credibility. This time, however, the story was bitterer. The preceding crises were not inflated with the hope of a Mexico rushing into the First World.

The honeymoon between Salinas and Wall Street became a nightmare, and the investors responded with a herd instinct that surpassed any logical analysis, based on hard evidence, of the Mexican economy... *domestic opinion and foreign investors felt not simply disappointed but also deceived* (Buirra, 1996). *Many also felt a personal sense of betrayal because of the numerous personal meetings they had had with senior Mexican officials promising to defend the exchange rate* (Hale, 1997). At hindsight, it is amazing the naivety with which these international investors decided to invest billions of dollars. It is obvious that they don't know the story of the Mexican president in 1981 saying that he was going to defend the peso like a dog, at the end of his sexenio the peso crashed. Of course, the Mexicans know their government better and acted upon the lessons they have learned in the previous administrations. The market panicked when more than \$40 billion of short-term debt (Heath, 1999) was coming due and the governments have no feasible program to tackle the issue. The ghost of a moratorium emerged and could only be dissipated by a huge loan by the US and the IMF.

Mexico was not forgiven and the investors decided not to roll over their financial assets. Clinton knew that a default of its southern neighbor would diminish his prestige by associating him with the President that tied the US economy, through NAFTA, with an unstable Third World country. The commitment of the Clinton administration is reflected in the next statement. *The United States is committed in doing everything possible to help Mexico in this short-term crisis* (Lustig, 1998). From an ideological perspective, the US did not want to jeopardize the popularity of the Washington consensus. In the Post-Cold War era virtually all countries followed a more liberal economic model. If Mexico failed, this could have been perceived as a signal that liberalization process were not entirely positive. It was in the US interest to support Mexico in a way that could send a message to the rest of the world. Besides, the loans were not conceived to be only bridge loans but medium term obligations *from the 13,500 million that the US activated, 10,500 were medium term swaps with a maturity between June 1997 and June 2000* (Lustig, 1998). The loan conditions represented the strong support for Mexico's liberalization process. The IMF decided, with the support of the US, to help Mexico in providing its biggest loan ever. Surpassing by far the maximum levels that could be granted to Mexico, because of its quota share. The reason behind the loan was the good behavior that the country had demonstrated. The international institution acknowledged that even though Mexico incurred in several economic policies mistakes, the political conditions in which the crisis developed were incredibly adverse. Overall, the economic structural foundations were been transformed following the general orthodox recipe. *In the Fund's view, the strength of Mexico's economic program and the country's track record of macroeconomic and structural adjustments in them justified exceptional financial assistance* (Loser and Williams, 1997).

The Tequila effect had limited consequences thanks to the velocity and amount of the international aid package. The spread was contained and only a marginal quantity of global capital was interrupted. Emerging markets in Europe and Asia were able to attract *international capital in the form of bonds and loans at approximately the same rate in the first quarter of 1995 -post-Mexico- as during the previous five quarters* (Samuels II, 1995). The neighborhood effects prove to be the most malign by producing *large interest-rise hikes in Argentina and Brazil* (Hale, 1997). *Immediately after the Mexican crash of 1994, stock prices in Latin American markets plunged, currencies weakened, and foreign investments flows all but disappeared* (Naim, 1997). The IMF played an important role by enabling additional loans to Argentina and other countries in order to limit the effects of the Mexican crisis. Mexico suffered its worst crisis since the 1930's but the liberalization efforts were not reversed. An export boom, favored by the currency devaluation, fostered the recovery and created a current account surplus. The banking system was refurbished and all the bad loans were transformed into public debt in order to avoid an internal financial crisis. Domestic savings were strengthened and a privatization of the pension funds was encouraged. By 1997 the GDP reached its pre-crisis levels, and Mexico was able to return to the international financial system. Zedillo implemented a prudent economic policy that avoided a crisis in the year 2000 despite the fact that the PRI lost the Presidency.

6. The Barzon after the Crisis

The Barzon attracted the urban sectors of the economy because it provided a unifying movement for all persons that were indebted including credit card debtors, businessmen, etc. The movement attracted a diversity of members that were affected by the 1994 crisis. The recruiting process starts by removing the shame from owing money (Williams, 1996). The Barzon movement had similar predecessors that opposed the neoliberal policies of the early 1980s. However, the previous movements were repressed by the government. There were two characteristics of the Barzon that enabled it to mobilize without a violent response from the government.

First, the composition of the movement included members from the middle and upper classes, any repression by the government could debilitate it. Second, the democratization processes in Mexico limited the options that the state could employ in repressing a social movement. A categorization of the Barzon movement can fall into one of the categories shown in the next table.

Table 1: Forms and Outcomes of Contentious Actions (Goldstone, 1998)

		State Response		
		Legalistic	Weak/Inconsistent Repression	Strong/Consistent Repression
Valuation of Protest Movement by Society	Supportive	Protest Cycle	Revolution	Unstable Authoritarian State
	Narrowly Supportive	Autonomy/Civil Rights Movement	Regional Revolt or Violent Ethnic Conflicts	Unstable state with nationalist or ethnic tensions
	Not Supportive	Isolated Social Movements	Guerrilla or Terrorist Groups	Extinguished or underground movements

The movements that predated the Barzon were repressed consistently and had no general support from the population. These movements are now Extinguished or exist only Underground. When the government of Zedillo accepted a legalistic approach, the Barzon movement was confined to a group of farmers in the central and northern part of Mexico; therefore it was an Isolated Social Movement. However, the financial crisis of 1994 legitimized many of the demands of the movement. Also, its membership increased and became more inclusive by attracting the middle and upper classes. The movement transitioned to a Protest Cycle. However, as the government provided solutions for some of the debtors' problems, the movement lost dynamism and returned to its isolated stance. Members of the Barzon find appealing to become part of the movement for four main reasons: First, given the fact that most members are bankrupt they must rely on other sources than cash to promote collective action. They are attracted to the movement as a way to protect their property. If members of the bank try to repossess a house, members of the Barzon will participate in actions to protect the other member's property (Williams, 1996). Second, the members of the Barzon have more leverage when negotiating a debt relief package with the banks or government. However, the fact that many members were able to restructure their loans undermined the movement in the long term. Third, debtors obtain legal assistance from lawyers that are part of the Barzon. Finally, the movement was structured against the neoliberal policies of the state. To be a member of the Barzon is a way to put pressure on the government to change its policies.

The movement portrayed itself as a political but nonpartisan organization. This feature did not occur immediately; in fact, three members of the Barzon campaigned for congressional seats but all of them lost. The different ideological perspectives of the barzonistas also made it difficult to align the movement to a particular party. To keep the effectiveness and dynamism of the movement despite the heterogeneous political preferences of its members, the Barzon created a constitution in which it disallows participation in electoral politics (Williams, 1996). The Barzon has four main actions to reach its goals. First, they mobilize their members and promote civic disobedience. Second, they have lawyers as members and possess the judicial know how to be an effective organization in the court system. Third, they are flexible enough to negotiate with the government. Fourth, they also lobby congressmen to influence the law making process. These four main methods that the Barzon utilizes are in accordance with Mexico's democratization process of the late 1990s. The Barzon promoted a civil disobedience campaign that included blocking federal highways, occupying banks, and even breaking into Congress in order to advance their agenda. The aggressiveness of the movement would have been violently repelled by the government before the 1990s. However, the Zedillo administration has established dialogue and negotiation, which has enabled the Barzon to obtain concessions from the government. The Barzon was one of the most proactive movements and its political demonstrations attracted the attention of mass media, which multiplied the pressure on the government. In terms of achievements, there is not a clear-cut link between the Barzon movement and the concessions that the government gave to the debtors. However, the high profile that was given to the debt relief programs reflects that the movement exercised important pressure on the government.

7. Conclusions

The Barzon emerged as a social movement that suffered from the failed agricultural policies implemented by the PRI. The government liberalized the farming sector but it became difficult to compete with the imports of foreign producers. The foreign capital that entered the country helped to overvalue the peso, which favored consumers but hurt the exporters. When the current account deficit became unsustainable and a lack of international flows generated a devaluation of the currency, a general crisis was felt throughout the country. The Barzon was able to recruit members not only from the agricultural sector but also from urban debtors. The hike in interest rates harmed the economy and the consumers that had previously benefited from the neoliberal economic model. The social movement arose in a time of political liberalization in Mexico. Nevertheless, this transition was symbolized by a lack of will from the government to repress political demonstrations. Therefore, an incentive was created to pressure the state through unconventional channels to garner benefits. The Barzon promoted civil demonstration by occupying federal buildings and banks, it was also successful in recruiting a diverse membership from different strands in society and was able to maintain an independent profile vis-à-vis political parties. In the end the movement was successful in achieving short-term goals by obtaining debt relief. However, its long-term agenda proved unsuccessful given the determination of the government in pursuing a neoliberal economic agenda.

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